

Centre Number						Candidate Number				
Surname										
Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education  
June 2015

## Economics

# 413011

Unit 11 Personal Economics

Monday 1 June 2015 1.30 pm to 2.45 pm

**You will need no other materials.**  
You may use a calculator.

### Time allowed

- 1 hour 15 minutes

### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on a blank page.
- Do all rough work in this book. Cross through any work that you do not want to be marked.

### Information

- The marks for questions are shown in brackets.
- The maximum mark for this paper is 70.
- You are reminded of the need for good English and clear presentation in your answers. Quality of Written Communication will be assessed in questions 1(e), 2(c) and 3(e).



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# 413011

Answer **all** questions in the spaces provided.

**Total for this question: 28 marks**

- 1 Read **Item A** and then answer the questions that follow.

**Item A**

Adam and Claire met at school and married when they were both 20 years old. For three years, the couple have lived and worked in a city centre. They pay a monthly rent of £650 for a flat. The young couple make the most of the city nightlife, meeting and eating out regularly with friends. Their full social life has meant they have not been able to save any money. However, Adam has recently been promoted at work and the couple now earn £38 000 a year between them before any deductions.

The couple have seen house prices increase in the city and they think it is time they bought their own house. With interest rates low at the moment, they could buy a £140 000 house for £750 a month in mortgage repayments. However, to buy a suitable house at this price, they would have to move at least 5 miles out of the city centre. Also, to get a mortgage, Adam and Claire would have to put down a 10% deposit on the house. Adam thought that he could ask his parents to lend him the money for the deposit, but to do this his parents would have to withdraw a large amount of their savings.

- 1 (a) Adam and Claire are young adults and some of their wants are different from those they had at school. State **two** of these different wants.

**[2 marks]**

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**1 (b)** Before a bank agrees to give Adam and Claire a mortgage, it will need financial information about them. Give **two** types of information a bank may require and give a reason why this information is important.

**[4 marks]**

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Reason \_\_\_\_\_

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Information \_\_\_\_\_

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**Question 1 continues on the next page**



1 (c) Explain **two** reasons why house prices in the city might have increased. **[4 marks]**

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1 (d) Explain **two** risks for Adam and Claire if they borrow money to buy a house. **[6 marks]**

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1 (e)

Adam and Claire are considering buying a house outside the city centre. Would you recommend that they buy a house or stay in their rented flat in the city centre? Use **Item A** to support your answer.

**[12 marks]**



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**Turn over for the next question**



**Total for this question: 20 marks****2** Read **Item B** and then answer the questions that follow.**Item B**

Adam's younger sister, Karen, is currently studying for a degree in business. As a single parent of a 4-year-old child, Karen faces many financial challenges. She can only afford a cheap flat in a run-down part of the city where unemployment and crime are common. Karen has no savings and receives only a small amount of money each month from her ex-partner for their child. She depends on state benefits to pay for essentials.

Karen is halfway through her three-year degree course and would like to complete it. She knows that as a graduate it would be much easier to find a well-paid job. She is struggling financially at the moment even though she has her student fees paid for by a local charity. Childminding costs are high and bus fares to university are expensive.

Karen has been told about job vacancies at a large warehouse within walking distance of her home. Employees at the warehouse take goods off the shelves, pack the items and send them on to customers. The work is repetitive and employees are paid low hourly rates, usually the minimum wage. However, the working hours are flexible and suit the needs of parents with young children.

Karen is thinking about asking her university tutor if she can take a two-year break from her studies. She would spend this time working at the warehouse and save up some money to help her when she returns to university.

**2 (a)** Explain **one** possible reason why the warehouse is able to pay low wages to its employees.

**[2 marks]**


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**2 (b)** Explain **two** ways in which a fall in unemployment could help the people who live in the area where Karen lives.

**[6 marks]**

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**Question 2 continues on the next page**





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**Turn over for the next question**



**Total for this question: 22 marks****3** Read **Item C** and then answer the questions that follow.**Item C**

Karen finally completed her university course and found a job as a trainee sales manager at a company which makes chocolates. Karen's company exports much of its chocolates to the USA.

An important ingredient of chocolate is cocoa which is imported from developing countries in Africa. The price of cocoa on the global market depends on many things. For example, if there is a good harvest and more cocoa is produced, cocoa prices tend to fall. The demand for cocoa is also important in affecting its price. Global demand for chocolate has been steadily increasing so the price of cocoa is expected to rise. These changes have made the price of cocoa unstable. Recently, the global price of cocoa has varied between 700 US dollars and 3700 US dollars (US\$) per tonne. Cocoa is bought and sold in US dollars.

Karen knows that sales of fairtrade chocolate in the UK are growing at a fast rate. More consumers want to buy this chocolate because it gives farmers in developing countries a fair price for their cocoa. With fairtrade, farmers receive more income for their cocoa. They can use this extra money to pay their workers a fair wage, grow their crop in a more environmentally friendly way and improve the health care and education of their communities.

Karen thinks that her company should start to produce fairtrade chocolate. Not all of the managers agree with her because buying fairtrade cocoa is more expensive than the usual cocoa they buy. If it costs more to produce this type of chocolate they will need to put up their prices. Consumers might not be willing to buy more expensive fairtrade chocolate as wages in the UK are not keeping up with increases in prices.

**Table 1****Price of cocoa (November 2014)**

1 tonne of cocoa (non-fairtrade)	US\$2500
1 tonne of fairtrade cocoa	US\$3200

Exchange rate (November 2014)  
£1 = US\$1.60



- 3 (a)** Using **Table 1** in **Item C**, calculate how much more one tonne of fairtrade cocoa costs than one tonne of non-fairtrade cocoa.

Tick **one** of the boxes next to the figure you think is correct.

**[1 mark]**

	Tick <b>one</b> box only
£700	
US\$700	
£750	
US\$7500	

- 3 (b)** Using **Table 1** in **Item C**, calculate the cost in pounds sterling of one tonne of fairtrade cocoa. Use the exchange rate of US\$1.60 = £1.

Tick **one** of the boxes next to the figure you think is correct.

**[1 mark]**

	Tick <b>one</b> box only
£2000	
£2500	
£3250	
£5120	

- 3 (c)** Explain **one** effect on UK chocolate producers if the exchange rate of the pound rises against the US dollar.

**[2 marks]**

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3 (d) Explain **two** possible effects of unstable cocoa prices on UK chocolate producers.

[6 marks]

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- 3 (e) Should UK chocolate producers make more fairtrade chocolate?  
Use **Item C** to support your answer.

[12 marks]

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**END OF QUESTIONS**

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