Past-paper walk-through

Households ▪ 3.2

eXercise

Questions in this set

- 0455/11 N25 Q11 ▪ 1 mark
- 0455/11 J25 Q11 ▪ 1 mark
- 0455/13 J25 Q10 ▪ 1 mark
- 0455/22 J25 Q5 ▪ 12 marks

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 11

0455/11 N25 ▪ Q11 ▪ 1 mark

11 The table shows how household spending changes with income.

income ($ per month)	spending ($ per month)
4000	4150
4300	4375
4600	4650
4900	4900
5200	4975

Question 11

5500	5275

What is the first level of income shown at which savings are positive?

A $4000 **B** $4600 **C** $4900 **D** $5200

Solution 11

Answer: **D**

Why

- Compare spending with income at each level.
- Where spending exceeds income the household is dissaving.
- Where income exceeds spending it is saving – so find where the two cross.

Question 11

0455/11 J25 ▪ Q11 ▪ 1 mark

11 If interest rates fall, what will be the most likely effect on saving and borrowing?

	saving	borrowing
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

Solution 11

Answer: **B**

Why

- Lower interest rates make saving less rewarding and borrowing cheaper.
- So saving falls and borrowing rises.
- The two always move in opposite directions when the interest rate changes.

Question 10

0455/13 J25 ▪ Q10 ▪ 1 mark

10 A country's central bank raised the rate of interest from 1% to 4% per year.

How would this change have affected the amount saved and the cost of borrowing by individuals?

	amount saved	cost of borrowing
A	decreased	decreased
B	decreased	increased
C	increased	decreased
D	increased	increased

Solution 10

Answer: **D**

Why

- A higher interest rate makes saving more rewarding and borrowing more expensive.
- So the amount saved rises.
- And the cost of borrowing rises, so borrowing falls.

Question 5

0455/22 J25 ▪ Q5 ▪ 12 marks

5 In 2023, the Chinese Government said that it would aim for an economic growth rate of 5% and a steady increase in both exports and imports. It was expected that higher output would be caused mainly by an increase in household spending, although this could also result in inflation. Another aim of the Chinese Government was to keep the unemployment rate at around 5.5%. China has an ageing population and an ageing labour force.

(a) Identify two influences on household spending. [2]

(b) Explain two advantages of employing older workers. [4]

(c) Analyse how an increase in household spending could cause inflation. [6]

(d) Discuss whether or not a government should aim for an increase in imports. [8]

(a) (a) Identify two influences on household spending. [2] **[2]**

Question 5

(b) (b) Explain two advantages of employing older workers. [4] (c) Analyse how an increase in household spending could cause inflation. [6] **[4]**

(d) (d) Discuss whether or not a government should aim for an increase in imports. [8] **[6]**

Solution 5

(a) Mark scheme

- Identify two influences on household spending.
- Two from:
- ▪
- income
- ▪
- interest rate
- ▪
- taxation

Solution 5

- ▪
- confidence
- ▪
- inflation rate / cost of living / prices / price
- ▪
- wealth
- ▪
- age
- ▪
- size of household

Solution 5

- ▪
- culture
- ▪
- advertising
- ▪
- quality
- ▪
- tastes
- 2 If more than two influences given, consider the first three.
- 0455/22

Solution 5

- May/June 2025
- Mark
- Guidance

Solution 5

(b) Mark scheme

- Explain two advantages of employing older workers.
- Logical explanation which might include:
- ▪
- May be more experienced (1) may have high
- productivity / high efficiency / high skills (1).
- ▪
- May make few mistakes (1) produce high quality
- products (1).

Solution 5

- ▪
- May be reliable / easy to manage (1) punctual / carry
- out duties carefully (1).
- ▪
- May need little training / may have received more
- training (1) keep firms' costs low (1).
- ▪
- May be less likely to take maternity / paternity leave 1
- less disruption to output / lower costs (1).
- ▪

Solution 5

- May train young workers (1) pass on experience (1).
- ▪
- May be less likely to leave job (1) in search of a better
- paid job (1).
- ▪
- May keep older people healthy (1) lowering healthcare
- costs / increasing life expectancy (1).
- ▪
- May increase the incomes of older people (1) reducing
- poverty (1).

Solution 5

- ▪
- May increase the size of the labour force (1) encourage
- more older workers to seek employment / increase
- productive potential (1).
- ▪
- Make older people more financially independent
- (1)reduce financial burden on family / government (1).
- ▪
- May be prepared to work fewer hours (1) make firms
- more flexible (1).

Solution 5

- ▪
- May be prepared to work for relatively low wages (1) in
- order to e.g. stay active (1).
- ▪
- May relate better to older customers (1) a growing
- market in most countries (1).
- 4 One mark each for each of two advantages identified and
- one mark each for each of two explanations.
- If more than two advantages given, consider the first three.
- There is an element of mix and match here with some

Solution 5

- explanations being linked with different identifications but do
- not reward the same point twice.
- Award increase in incomes rather than increase in wages.
- 0455/22
- May/June 2025
- Mark
- Guidance
- 5(c
- Analyse how an increase in household spending could
- cause inflation.

Solution 5

- Coherent analysis which might include:
- Household spending / consumer expenditure / consumption
- is a component of total demand (1) An increase in
- household spending would increase total demand (1).
- Total demand could exceed total supply (1) higher demand
- may encourage firms to raise prices (1) resulting in demand-
- pull inflation (1).
- An increase in household spending could encourage firms to
- invest / increase investment (1) increase their output (1) they
- may hire more workers (1) this may drive up wages [1]

Solution 5

- increase demand for raw materials / capital goods (1) raise
- price of raw materials / capital goods (1) increase costs of
- production (1) cause cost-push inflation (1) cause a wage
- price spiral (1).
- 6 Formula $AD = C + I + G + (X – M)$ can be taken as
- recognition that C is a component on total demand.
- Higher total (aggregate) demand and prices being pushed
- up can be shown on a diagram – one mark each.
- Reward but do not expect reference to the multiplier effect.
- 0455/22

Solution 5

- May/June 2025
- Mark
- Guidance

Solution 5

(d) Mark scheme

- Discuss whether or not a government should aim for an
- increase in imports.
- In assessing each answer, use the table opposite.
- Why it should:
- ▪
- may save scarce resources
- ▪
- may reduce shortages in the home market

Solution 5

- ▪
- may lower the exchange rate
- ▪
- may increase choice and quality of products in the
- home market
- ▪
- may import technology
- ▪
- may reduce firms' costs by importing low price raw
- materials and capital goods

Solution 5

- ▪
- may increase competition, making domestic firms more
- efficient
- ▪
- may increase revenue from import tariffs
- ▪
- may enable a country to consume more than it
- produces in the short term
- ▪
- may increase incomes abroad raising demand for this

Solution 5

- country's exports.
- Why it should not:
- ▪
- may worsen the current account balance
- ▪
- may cause some domestic firms to go out of business
- ▪
- may reduce exchange rate
- ▪
- may reduce employment

Solution 5

- ▪
- may lower incomes / GDP per head
- ▪
- may lower living standards in the long term
- ▪
- will not want to import demerit goods.
- 8
- Level
- Description
- 3

Solution 5

- A reasoned discussion which accurately
- examines both sides of the economic
- argument, making use of economic
- information and clear and logical
- analysis to evaluate economic issues
- and situations. One side of the argument
- may have more depth than the other, but
- overall both sided of the argument are
- considered and developed. There is
- thoughtful evaluation of economic

Solution 5

- concepts, terminology, information
- and/or data appropriate to the question.
- The discussion may also point out the
- possible uncertainties of alternative
- decisions and outcomes.
- 6–8
- 2
- A reasoned discussion which makes use
- of economic information and clear
- analysis to evaluate economic issues

Solution 5

- and situations. The answer may lack
- some depth and development may be
- one-sided. There is relevant use of
- economic concepts, terminology,
- information and data appropriate to the
- question.
- 3–5
- 0455/22
- May/June 2025
- Mark

Solution 5

- Guidance
- Level Description
- 1
- There is a simple attempt at using
- economic definitions and terminology.
- Some reference may be made to
- economic theory, with occasional
- understanding.
- 1–2
- 0

Solution 5

- A mark of zero should be awarded for no
- creditable content.
- 0