Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

Each answer shows the steps, then the **result**.

2.1

- saving $= 3200 - 2560 = 640$
- $640 \div 3200 \times 100 =$ **20** %

2.2

- saving **rises**
- the **reward** for saving is higher, so households spend less now to earn more interest

2.3

- food is a **necessity**: every family must buy a basic amount (K)
- this takes a large part of a small income, while a rich family's food bill is a small part of a large one (An)

3.1

C

3.2

B

3.3

(a)

- $1200 \times 45 \div 100$
- = \$**540**

(b) two reasons, each explained (K + App each):

- **confidence** falls: workers fear losing their jobs, so they save for an emergency
- households cut back on big purchases such as cars until the future is clearer
- some save to pay off **debts** while they still have an income

(c) a developed chain, for example:

- lower interest rates mean a lower **reward** for saving, so some households save less and spend more (An)
- loans and credit cards become **cheaper**, so households borrow to buy cars and furniture (App)
- households with variable-rate mortgages pay less each month, leaving more **disposable income** (An)
- so spending rises (K)
- but if fear of job loss is strong, households may still not spend (An)

(d) yes: (An)

- with more income, a household can meet its needs and save the rest; high-income households save a larger share

not always: (An)

- if interest rates are very low, there is little reward for saving
- a household may spend the rise on goods it had gone without, or to repay debts; confidence and age also matter: a young family may spend it on a home

judgement: (Ev) for example, a rise in income usually raises saving in total, but how much depends on interest rates, confidence and the household's age; for a poor household, most of a rise is spent.

Level 3 (6–8): both sides analysed and a justified judgement. Level 2 (3–5): one side analysed or both explained. Level 1 (1–2): simple points.