IGCSE ECONOMICS • EXERCISE SHEET

3.2 Households

Name: ____________ Class: ________ Date: __________ **Total: 16 marks**

KEY WORDS saving 储蓄 • borrowing 借贷 • household 家庭 • income 收入 • confidence 信心

Objective

Build the skills to answer exam questions on **households 家庭** — **spending, saving and borrowing** 消费、储蓄与借贷, and what influences these choices.

You must be able to:

- define saving and borrowing
- explain how income, interest rates and confidence affect household choices
- analyse a change in household spending or saving

1 Worked examples

Household choices

Three things shape these choices: income, interest rates, confidence

- **Saving 储蓄**: income not spent now. **Borrowing 借贷**: spending money you do not yet have, repaid later.
- **Income 收入** up → spend and save more.
- **Interest rates** up → saving more rewarding, borrowing dearer → saving rises, borrowing falls.

- **Confidence 信心** high → spend and borrow more; worried → save more.

Medium of exchange	Store of value	Unit of account	Means of deferred payment
swap it for any good	keeps its worth over time	measures and compares prices	lets you buy now, pay later

Exam: list all four functions — medium of exchange, store of value, unit of account, deferred payment

Households rely on money's functions — a medium of exchange to spend and a store of value to save

Answer shapes: K + App + An + Ev (a justified judgement, for discuss questions).

2 Practice

2.1 Define the term *saving*. [2]

2.2 State two things that influence how much a household saves. [2]

2.3 State the effect of a rise in interest rates on household borrowing. [1]

3 Exam-style questions

3.1 A rise in interest rates is most likely to: [1]

A raise borrowing and lower saving
B lower borrowing and raise saving
C raise both borrowing and saving
D have no effect

3.2 Explain why a household might save more when interest rates rise. [4]

3.3 Analyse how a fall in consumer confidence would affect household spending and saving. [6]