



Please write clearly in block capitals.

Centre number

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Candidate number

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Surname

Forename(s)

Candidate signature

GCSE ECONOMICS

Unit 11 Personal Economics

Monday 6 June 2016

Afternoon

Time allowed: 1 hour 15 minutes

Materials

For this paper you may use:

- a calculator.

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 space 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(c).



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

Total for this question: 30 marks

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

Item A

Camilla Taylor is 21 years old and is a very talented violin player. She has just finished university where she studied music and now has a £20 000 student loan to pay off. Camilla lives at home with her parents who own a shop selling expensive watches. Camilla practises on her violin for several hours each day and hopes in the future to join one of the big national orchestras. At the moment she receives an income from playing violin at formal events, such as weddings, for which she is paid £100. She also works 10 hours each week at her parents' shop where she earns £8 per hour.

Camilla relies on her parents to give her lifts to the weddings. Sometimes she has to turn down invitations to play because she cannot get a lift. Camilla wants to buy a car so she can become more independent. She is thinking about taking out a loan for £4000 to buy a second hand car but her parents do not want her to take on even more debt. They say she would be better off budgeting her money carefully and saving up to buy the car. They show Camilla a newspaper article that suggests that despite the economy becoming stronger, the price of second hand cars will probably fall in the future because new cars are becoming cheaper to buy. Interest rates are expected to rise and this could also lead to a fall in the price of second hand cars.

Camilla also wants to buy a £4000 professional standard violin, which she would need in order to join an orchestra.

1 (a) (i) Camilla faces opportunity costs if she buys a car.

Tick **one** of the boxes next to the statement which best describes an opportunity cost.

	✓
The price of an item in money terms	
Being unable to buy an item without a loan	
An alternative item that has to be given up	

[1 mark]

1 (a) (ii) Tick **one** of the boxes next to the statement which best describes the opportunity cost to Camilla of buying a second hand car.

	✓
Buying petrol to run the car	
Being unable to buy a new violin	
Paying for car insurance	

[1 mark]



1 (b) Explain **two** economic reasons why her parents might want Camilla to delay buying a car. **[4 marks]**

1 _____

Extra space _____

2 _____

Extra space _____

1 (c) Explain **two** reasons why the price of second hand cars might go down over the next few years. **[6 marks]**

1 _____

Extra space _____



2

Extra space

1 (d) Explain **two** effects on Camilla's budget if she decides to buy a second hand car. **[6 marks]**

1

Extra space

2



Extra space

1 (e) Camilla decides that she will buy a car. She is unsure whether she should take out a loan and buy the car now, or save up to buy it in the future. She researches the two options on the internet and discovers this information.

- Annual interest rate paid on bank savings accounts 3.0%
- Annual bank loan interest rate 12.0%

Do you think that Camilla should buy a car now with a loan or save up to buy one? Use **Item A** to support your answer.

[12 marks]



Turn over for the next question

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**



Turn over ►

Total for this question: 18 marks**2** Read **Item B** and then answer the questions that follow.**Item B**

Camilla's parents have owned their shop, Taylors' Watches, for over thirty years and have a good reputation for selling and repairing high quality watches. Most of the watches sell for between £500 to £8000. Mr & Mrs Taylor are concerned because there has been an increase in the number of poor quality fake watches on the market. At the moment, customers seem less willing to buy expensive watches and this has affected their sales. Mr & Mrs Taylor feel that they should respond to the fall in demand by opening the shop for longer, in the evenings and weekends, to make it more convenient for customers.

Mr & Mrs Taylor currently employ two shop assistants who are both paid £8 per hour, which is higher than the National Minimum Wage. Their weekly take-home pay, however, depends on how much is deducted from their wages.

Because of the longer opening hours, Mr & Mrs Taylor have decided to employ another assistant. Having advertised for a new member of staff, the Taylors have received a number of applications. Many of those applying have been unemployed for a long time. Mr Taylor believes that someone who has recent work experience would be more suitable for the job than a long term unemployed person. This is because they will need less training, which would be a cost saving for the shop. Mr Taylor also thinks that some unemployed people do not want to work because the benefits they receive can be as high as any wage they could earn after deductions have been taken off.

2 (a) State **two** examples of deductions which might be taken off the shop assistants' wages.**[2 marks]**

1 _____

2 _____



2 (b) Explain **two** factors the Taylors might have taken into account when deciding to pay their shop assistants £8 per hour.

[4 marks]

1 _____

Extra space _____

2 _____

Extra space _____

Question 2 continues on the next page



Turn over ►

2 (c) The government is considering policies to reduce the number of unemployed young people and to encourage small businesses, like the Taylors', to take on more staff.

Two of these policies are:

- Increasing the minimum wage to make work more attractive to unemployed people
- Reducing benefit payments to those who are unemployed.

Which of these policies would you recommend the government to use to reduce unemployment among young people? Use **Item B** to support your answer.

[12 marks]



Extra space _____

18

Turn over for the next question



Turn over ►

Total marks for this question: 22 marks

3 Read **Item C** and then answer the questions that follow.

Item C

Most luxury watches are manufactured in overseas countries, in particular Switzerland. The Taylors would like to sell UK watches in their shop, but there are only a small number of UK luxury watch manufacturers. The UK watch makers usually buy the watch parts from Switzerland, assemble the watches in their UK factories and then export them to wealthy countries. The exchange rate influences how many UK luxury watches are sold.

Counterfeit watches are increasingly being made in less economically developed countries in the Far East. These fake watches are often passed off as real brands in the UK market. Many UK consumers choose to buy counterfeit watches because they are much cheaper and it is difficult to tell them apart from the real thing. Genuine luxury watches are far too expensive for most UK consumers to buy, so it is argued that companies like Rolex do not lose sales when these consumers buy counterfeit watches.

Making counterfeit watches provides an income to people living in poor countries. Often families depend upon the wages received from working in the watch factories for their very existence. The wages paid, however, are often very low and the working conditions in the factories can be unhealthy, even dangerous. Some producers are even known to use child labour to make the watches. In some cases, income from the sale of counterfeit watches has been used to support organised crime and to fund terrorism.

3 (a) Explain **two** ways in which UK consumers may benefit from international trade.

[4 marks]

1 _____

Extra space _____

2 _____



Extra space _____

3 (b)

Explain **two** ways in which a fall in the value of the pound might affect the UK luxury watch industry.

[6 marks]

1 _____

Extra space _____

2 _____

Extra space _____



Turn over ►

3 (c) UK consumers frequently choose to buy counterfeit goods, rather than genuine products.

Do you think it is right that it should be left to consumers to decide whether to buy counterfeit products, or should the government control the import and sale of these goods? Use **Item C** to support your answer.

[12 marks]



Extra space _____

22

END OF QUESTIONS



There are no questions printed on this page

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