

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
TOTAL	



General Certificate of Secondary Education
June 2014

Economics

413011

Unit 11 Personal Economics

Friday 23 May 2014 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 blank pages.
- Do all rough work in this book. Cross through any work 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: 28 marks

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

Item A

Life is hard on the housing estate where 18-year-old Troya lives. Youth unemployment is high and most of the families have incomes that put them in the poorest 20% of UK households. Many people on the estate have been badly affected by government cuts in spending which have reduced state benefits.

Troya lost her job working as an assistant in a community centre when cuts in government spending meant that the centre could no longer afford to employ her. She now receives Jobseeker's Allowance (JSA), which is much less money than she was paid when she worked. Troya has £200 in savings but she wishes that she had been better prepared for unemployment. She is finding it hard to manage her money at this stage of her personal lifecycle.

Table 1 Average weekly spending by UK families

	Poorest 20% of UK families	Richest 20% of UK families
Total spending	£198	£878
Examples of spending:		
Food	£32	£79
Clothes and shoes	£8	£42
Household fuel/energy	£43	£77
Transport	£16	£134
Leisure/eating out	£34	£202

Adapted from CSO Household Expenditure by Income 2011

With little else to do, Troya started to use her phone to video family and friends and then posted these videos onto YouTube. Her breakthrough came when she interviewed a famous rapper who lived locally. The YouTube video of the interview received more than 10 000 hits. Troya has learnt how to earn money by linking YouTube videos to advertisers, which is bringing in a small income for her. Troya has received several offers to video other local musicians. She recognises that video production could be a new career for her. Troya knows, however, that she has to get a better camera and that she will need a £500 loan to buy it.



1 (a) Explain what is meant by a 'personal lifecycle'. [2 marks]

Extra space _____

1 (b) Using **Table 1**, describe **two** ways in which the average weekly spending of the richest UK families is different from that of the poorest UK families. [4 marks]

1 _____

Extra space _____

2 _____

Extra space _____

Question 1 continues on the next page



1 (c) Explain **two** ways in which Troya might have prepared herself better for her period of unemployment. **[4 marks]**

1 _____

Extra space _____

2 _____

Extra space _____

1 (d) Using **Item A**, explain **two** ways in which the poorest UK families might change their budgets because of reduced state benefits. **[6 marks]**

1 _____

Extra space _____



2 _____

Extra space _____

Question 1 continues on next page



- 1 (e)** Troya needs to borrow money to buy a camera. **Table 2** below gives her some options.

Table 2

Method of borrowing	Annual interest rate	Key points
Pay Day Loan such as Wonga	340%	Quick decision. Few restrictions on who can borrow. Loan repayment within 60 days.
Bank overdraft	15%	You need to be able to show that you have sensibly managed your bank account.
Loan from family	0%	It would take a month to get the money. Family members would expect to be repaid within 6 months.

Using **Item A** and **Table 2**, recommend to Troya which option would be best for her. Give reasons for your choice.

[12 marks]



Total for this question: 20 marks

2 Read **Item B** and then answer the questions that follow.

Item B

Troya is now 19 years old. She has found part-time work at a fast food restaurant and the YouTube videos are continuing to give her a small income. Troya has recently enrolled on an evening course in Film Studies.

The success of her YouTube videos has encouraged Troya to start her own business, making music videos for the internet. Troya plans to work from home. She expects to employ 2 or 3 people when she needs extra help to produce and edit the videos. As youth unemployment is high where Troya lives, it would be easy to recruit employees.

Troya has contacted a business adviser at her local bank. The adviser points out that there are many rules to do with employing staff. He informs Troya that businesses have to pay certain government taxes. She would have to pay national insurance contributions for each person she employs, as well as local business rates. The adviser also tells Troya about the government’s Start-Up Loans scheme, which might provide her with a loan to get her business started.

Figure 1

Government rules when taking on an employee.

You must:

- pay at least the minimum wage
- take out employers’ insurance
- follow health and safety laws
- give the employee a contract of employment
- arrange for pay deductions (income tax, national insurance, student loan payments, etc).

Figure 2

The Start-Up Loans scheme:

- available to young people aged 18 – 30
- the government gives low interest loans to help young entrepreneurs to start their own business
- a mentor is provided to give support and advice
- the government believes that economic recovery will come from wealth created by small and medium sized businesses.

2 (a) Explain **one** way in which ICT (Information and Communication Technology) could help Troya to work from home.

[2 marks]

Extra space _____



2 (b)

Figure 1 shows a list of government rules that employers must follow when they take on employees.

Using **Figure 1**, explain **two** reasons why the government has rules to protect employees.

[6 marks]

1 _____

Extra space _____

2 _____

Extra space _____

Question 2 continues on the next page



2 (c)

The government is concerned about the amount of youth unemployment in the area where Troya lives. It is investigating two ways in which to reduce this unemployment:

- encouraging more young people to start their own businesses with the government's Start-Up Loans scheme
- reducing the taxes that local businesses have to pay if they take on young people.

Which one of these methods do you believe would be better at reducing youth unemployment in the area where Troya lives? Use **Item B** to support your choice.

[12 marks]



Extra space _____



Total for this question: 22 marks

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

Item C

Troya’s business has become successful and she now feels ready to expand. Troya is thinking about selling her videos to television companies in other countries. She has heard that the UK government is very keen for media businesses such as hers to export their products. Media businesses already account for about 10% of UK exports. She has read that the Prime Minister and members of the Royal Family join trade visits to different countries to promote UK businesses and their products.

Troya recognises that the media industry has become globalised. This has made her think that it might be a good idea to export her videos to the USA, as the type of music that Troya videos is very popular there. Troya realises that there are several large media businesses in the USA with which she would have to compete. She knows, however, that the US economy is growing and that its currency (the US dollar) is becoming stronger.

3 (a) Explain **two** reasons why the UK government encourages UK media businesses to sell their products abroad.

[4 marks]

1 _____

Extra space _____

2 _____

Extra space _____



3 (b) Explain **two** possible **disadvantages** to Troya of exporting her videos to the USA.

[6 marks]

1 _____

Extra space _____

2 _____

Extra space _____

Question 3 continues on the next page



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END OF QUESTIONS



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