6.3 The economic climate: 10-minute Pack

AQA 8132 · Calculator allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Show your working for any calculation: method marks are available even if your final answer is wrong. Brindlewood Furniture, used throughout this pack, is a fictional business. All interest rate and exchange rate figures in this pack are hypothetical, chosen for calculation practice only.

1 Which one of the following best describes the 'interest rate' on a bank loan?

- ☐ A) The percentage of a loan that must be paid each year as the cost of borrowing
- ☐ B) The total amount of profit a business makes in a year
- ☐ C) The number of years a business has to repay a loan
- ☐ D) The rate at which a business's sales are growing

(Total for Question 1 is 1 mark)

---

2 Which one of the following best describes an 'exchange rate'?

- ☐ A) The price at which a business sells a product abroad
- ☐ B) The value of one currency expressed in terms of another currency
- ☐ C) The rate of tax charged on goods brought into a country
- ☐ D) The interest rate charged on a loan taken out in a foreign currency

(Total for Question 2 is 1 mark)

© Revision Library | revisionlibrary.co.uk

3 State two ways a rise in interest rates could affect a business like Brindlewood Furniture.

(Total for Question 3 is 2 marks)

4 Explain how a rise in interest rates could reduce demand for Brindlewood's furniture, even though Brindlewood has not changed its own prices.

(Total for Question 4 is 3 marks)

© Revision Library | revisionlibrary.co.uk

Mark scheme · 6.3 The economic climate: 10-minute Pack

Question 1

A cao **B1**

Answer: A

Question 2

B cao **B1**

Answer: B

Question 3

one acceptable effect, e.g. the cost of repaying any existing loans increases **B1**

a second acceptable effect, e.g. customers who also have loans/mortgages have less disposable income, so demand for furniture may fall **B1**

Answer: Any two, e.g. higher loan repayment costs for the business; lower customer disposable income and demand.

Question 4

identifies the point, e.g. many of Brindlewood's customers also have loans or mortgages, and a rise in interest rates increases what they must repay each month **B1**

develops the point, e.g. this leaves customers with less disposable income to spend on non-essential purchases such as new furniture **B1**

links clearly to an outcome, e.g. Brindlewood could see fewer sales even without changing its own prices, since customer demand has fallen **B1**

Answer: A rise in interest rates increases customers' own loan or mortgage repayments, leaving them with less disposable income to spend on furniture, so Brindlewood could see fewer sales even though it has not changed its own prices.

© Revision Library | revisionlibrary.co.uk