1.10 Economic climate and business: 10-minute Pack

AQA 8132 · Calculator allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Study the case study below, then answer ALL questions. Show your working for any calculation. In your longer answers, use evidence from the case study and relevant business terminology.

1 What is most likely to happen to consumer spending on non-essential items, such as new furniture, during a period of rising inflation?

- ☐ A) It usually increases
- ☐ B) It usually decreases
- ☐ C) It always stays exactly the same
- ☐ D) Inflation has no effect on spending

(Total for Question 1 is 1 mark)

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2 State two ways a rise in interest rates can affect a business.

(Total for Question 2 is 2 marks)

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3 Which one of the following is most likely to explain why the interest rate on Hearthstone Furniture's loan has risen?

- ☐ A) The Bank of England has raised the base rate, for example to help control inflation
- ☐ B) Fatima asked the bank to charge her a higher interest rate
- ☐ C) The value of the pound has risen sharply against other currencies
- ☐ D) The local sawmill has raised its own interest rates

(Total for Question 3 is 1 mark)

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4 State two reasons why falling consumer confidence might make trading difficult for a small business like Hearthstone Furniture.

(Total for Question 4 is 2 marks)

5 Calculate the percentage increase in the cost of timber for one table, from £40 to £52. Show your working.

(Total for Question 5 is 3 marks)

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Mark scheme · 1.10 Economic climate and business: 10-minute Pack

Question 1

B cao	**B1**

Answer: B

Question 2

one acceptable effect, e.g. it increases the cost of any loans or borrowing the business has	**B1**
a second acceptable effect, e.g. it may reduce consumer spending, since customers also pay more on their own loans/mortgages, leaving less to spend	**B1**

Answer: Any two, e.g. increases the cost of the business's own borrowing; may reduce customer spending as their own borrowing costs rise too.

Question 3

A cao	**B1**

Answer: A

Question 4

one acceptable reason, e.g. customers delay or cancel purchases of non-essential items like dining tables, reducing sales	**B1**
a second acceptable reason, e.g. a small business has less financial reserve than a larger competitor to survive a period of lower sales	**B1**

Answer: Any two, e.g. customers delay/cancel purchases of non-essentials; a small business has fewer reserves to survive weaker sales.

Question 5

52 - 40 (= 12) seen	**M1**
12 / 40 x 100 seen	**M1**
30% cao	**A1**

Answer: 30% increase.

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