Past-paper walk-through

Money and banking ▪ 3.1

eXercise

Questions in this set

- 0455/13 N25 Q10 ▪ 1 mark
- 0455/23 N25 Q3 ▪ 20 marks
- 0455/13 J25 Q1 ▪ 1 mark
- 0455/12 M25 Q10 ▪ 1 mark
- 0455/11 N24 Q10 ▪ 1 mark
- 0455/13 N24 Q10 ▪ 1 mark

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 10

0455/13 N25 ▪ Q10 ▪ 1 mark

10 Why do banknotes function as money?

A They are backed by gold.

B They are durable.

C They are generally acceptable.

D They have intrinsic value.

Solution 10

Answer: **C**

Why

- Money works because people are willing to accept it in exchange.
- General acceptability is what makes anything function as money.
- Banknotes have almost no intrinsic value and are not backed by gold, yet they still work.

Question 3

0455/23 N25 ▪ Q3 ▪ 20 marks

3 Central banks influence their countries' money supply. Central banks also regulate commercial banks. Households benefit from these commercial banks in several ways. In recent years, commercial banks have introduced new technology. Global online banking increased by 14% between 2019 and 2022. These advances in technology were combined with a greater use of division of labour.

(a) Identify two ways central banks differ from commercial banks. [2]

(b) Explain two characteristics that coins possess which mean they can perform the functions of money. [4]

(c) Analyse the services provided to households by commercial banks. [6]

(d) Discuss whether or not division of labour will benefit workers. [8]

(a) (a) Identify two ways central banks differ from commercial banks. [2] **[2]**

Question 3

(b) (b) Explain two characteristics that coins possess which mean they can perform the functions of money. [4] **[4]**

(c) (c) Analyse the services provided to households by commercial banks. [6] **[6]**

(d) (d) Discuss whether or not division of labour will benefit workers. [8] **[8]**

Solution 3

(a) Mark scheme

- Identify two ways central banks differ from commercial
- banks.
- Award one mark for a characteristic of the central bank such
- as:
- ▪
- in the public sector / owned by the government
- ▪
- operate monetary policy

Solution 3

- ▪
- main objective is usually price stability
- ▪
- hold the accounts of the government
- ▪
- lend to governments and sometimes commercial banks
- ▪
- manage foreign exchange rate.
- Award one mark for a characteristic of a commercial bank
- such as:

Solution 3

- ▪
- usually in the private sector / owned by individuals
- ▪
- provide services for consumers
- ▪
- main objective is profiting maximization or growth
- ▪
- hold the accounts of firms and households
- ▪
- lend to households and firms

Solution 3

- ▪
- buy and sell foreign currency to firms and households.
- 2 If more than two ways are given, consider the first three.
- The second mark must be a linked difference and not a
- negative comment e.g. central bank controls money supply,
- but commercial banks do not, only gets one mark.
- 0455/23
- October/November 2025
- Guidance

Solution 3

(b) Mark scheme

- Explain two characteristics that coins possess which
- mean they can perform the functions of money.
- Logical explanation which might include:
- ▪
- generally acceptable (1) can be used to buy and sell
- products / acts as medium of exchange 1
- ▪
- limited in supply (1) minted by the government 1

Solution 3

- ▪
- durable (1) last some time / does not perish / hard to
- break / made of metal / acts as store of wealth / store of
- value 1
- ▪
- portable (1) coins can be carried in pockets / bags 1
- ▪
- homogeneous (1) all coins of the same value are the
- same 1
- ▪

Solution 3

- divisible (1) coins have different values / acts as
- medium of exchange (1).
- 4 One mark each for two characteristics identified and one
- mark each for two developments.
- If more than two characteristics are given, consider the first
- three.
- Only accept functions of money when used as a
- development of an identified characteristic of money.
- 0455/23
- October/November 2025

Solution 3

- Guidance

Solution 3

(c) Mark scheme

- Analyse the services provided to households by
- commercial banks.
- Coherent analysis which might include:
- ▪
- enable households to save their money (1) provide
- deposit / time accounts / deposit boxes (1) earn interest 1
- ▪
- enable households to make and receive payments 1

Solution 3

- provide current / sight accounts (1) credit cards 1
- ▪
- lend to households (1) by providing a loan / overdraft /
- mortgage (1) to e.g. buy a house / a car (1) pay interest 1
- ▪
- give financial advice (1) e.g. on how to manage debt /
- retirement plans / buy stocks and shares 1
- ▪
- arrange insurance (1) e.g. for house / car 1
- ▪

Solution 3

- Convert foreign currency (1) buying / selling goods and
- service abroad / travelling abroad (1) charge
- commission (1).
- 6 Do not reward more than three services as the main
- assessment objective is analysis, not knowledge and
- understanding.
- 0455/23
- October/November 2025
- Guidance

Solution 3

(d) Mark scheme

- Discuss whether or not division of labour will benefit
- workers.
- In assessing each answer, use the table opposite.
- Why they might:
- ▪
- can be trained quickly
- ▪
- rise in productivity might be linked to a rise in income

Solution 3

- ▪
- can become skilled at a particular task – practice makes
- perfect
- ▪
- can concentrate on what they are most interested in
- ▪
- can gain confidence in the task they undertake – less
- stressful.
- Why they might not:
- ▪

Solution 3

- can be boring
- ▪
- occupational mobility is limited
- ▪
- may not make full use of their skills
- ▪
- may be replaced by machinery
- ▪
- work may be disrupted by absence of other staff.
- 8

Solution 3

- Level
- Description
- 3
- A reasoned discussion which accurately
- examines both sides of the economic
- argument, making use of economic
- information and clear and logical analysis
- to evaluate economic issues and
- situations. One side of the argument may
- have more depth than the other, but

Solution 3

- overall, both sides of the argument are
- considered and developed.
- There is thoughtful evaluation of
- economic concepts, terminology,
- information and/or data appropriate to
- the question. The discussion may also
- point out the possible uncertainties of
- alternative decisions and outcomes.
- 6–8
- 2

Solution 3

- A reasoned discussion which makes use
- of economic information and clear
- analysis to evaluate economic issues
- and situations. The answer may lack
- some depth and development may be
- one-sided. There is relevant use of
- economic concepts, terminology,
- information and data appropriate to the
- question.
- 3–5

Solution 3

- 0455/23
- October/November 2025
- Guidance
- Level
- Description
- 1
- There is a simple attempt at using
- economic definitions and terminology.
- Some reference may be made to
- economic theory, with occasional

Solution 3

- understanding.
- 1–2
- 0
- A mark of zero should be awarded for no
- creditable content.
- 0
- Note: do not reward answers that state benefits to the firm.
- L1 and up to 2 marks for an understanding of what division
- of labour means.
- Guidance

Question 1

0455/13 J25 ▪ Q1 ▪ 1 mark

1 What is **not** a factor of production?

A a 10 dollar note

B a farm labourer

Question 1

C a farm shop

D a tractor

Solution 1

Answer: **A**

Why

- The four factors of production are land, labour, capital and enterprise.
- A farm labourer is labour, a tractor is capital and a farm shop is capital too.
- Money is not a factor of production – it buys factors but produces nothing itself.

Question 10

0455/12 M25 ▪ Q10 ▪ 1 mark

10 Which function does a central bank provide for the general public?

A accepting deposits

B issuing banknotes

C making loans

D providing overdrafts

Solution 10

Answer: **B**

Why

- A central bank is the government's bank and the banks' bank.
- It issues the banknotes, sets interest rates and acts as lender of last resort.
- It does not take deposits from, or lend to, ordinary members of the public – that is a commercial bank.

Question 10

0455/11 N24 ▪ Q10 ▪ 1 mark

10 What is **not** a function of money?

A medium of exchange

B portability

Question 10

C store of value

D unit of account

Solution 10

Answer: **B**

Why

- Money's functions are a medium of exchange, a store of value, a unit of account and a standard of deferred payment.
- Portability is a *characteristic* money needs in order to perform those functions.
- So portability is a property, not a function.

Question 10

0455/13 N24 ▪ Q10 ▪ 1 mark

10 What is a function of a commercial bank?

A accepting deposits

B controlling money supply

C issuing notes and coins

Question 10

D lending money to the government

Solution 10

Answer: **A**

Why

- A commercial bank serves the general public: it accepts deposits and makes loans.
- Issuing notes and coins, and controlling the money supply, are central bank functions.
- So accepting deposits from customers is the commercial bank's role.