Question 10 (Answer: **C**)

- 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.

3(a)	**Identify <u>two</u> 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 • 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: • 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 • buy and sell foreign currency to firms and households.

3(b)	**Explain <u>two</u> 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) • 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) • divisible (1) coins have different values / acts as medium of exchange (1).

3(c)	**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) 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) • Convert foreign currency (1) buying / selling goods and service abroad / travelling abroad (1) charge commission (1).

3(d)	**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 • 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: • 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.

3(d)	

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Question 1 (Answer: **A**)

- 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.

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Question 10 (Answer: **B**)

- 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.

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Question 10 (Answer: **B**)

- 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.

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Question 10 (Answer: **A**)

- 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.