3.2 Households

Question Paper

Course	CIE IGCSE Economics
Section	3. Microeconomic Decision Makers
Topic	3.2 Households
Difficulty	Medium

Time allowed: 20

Score: /13

Percentage: /100

Question 1

What may cause an individual to save a higher proportion of their income?

    A. a belief that the price of goods will rise in the future

    B. a fall in the rate of interest paid by the country's banks

    C. a fear that income will fall in the future

    D. a rise in the individual's wish to enjoy higher consumption immediately

[1 mark]

Question 2

The table shows how household spending changes with income.

income ($ per month)	spending ($ per month)
3000	3150
3300	3375
3600	3500
3900	3825
4200	4050
4500	4275

What is the lowest level of income at which savings are positive?

    A. $3000

    B. $3600

    C. $3900

    D. $4200

[1 mark]

Question 3

Banks decrease interest rates.

What is likely to be the effect of this on borrowing and saving?

	borrowing	saving
A	falls	falls
B	falls	rises
C	rises	falls
D	rises	rises

[1 mark]

Question 4

The table shows how three people (X, Y and Z) spend their income.

	person X	person Y	person Z
food, clothing and housing	35%	50%	20%
entertainment and leisure	25%	20%	40%
luxury goods	40%	30%	40%

For these three people, what is the **most** likely order of income, from highest income to lowest income?

A. X→Y→Z

B. Y→Z→X

C. Z→X→Y

D. Z→Y→X

[1 mark]

Question 5

A musician has a choice of playing for an orchestra in either Germany or England.

Which combination of incomes and cost of living is **most** likely to cause her to choose the German orchestra?

	Incomes and cost of living in Germany compared with those in England		
	pre-tax (gross) income	after-tax (net) income	cost of living
A	higher	higher	higher
B	higher	lower	lower
C	lower	higher	higher
D	lower	higher	lower

[1 mark]

Question 6

The table shows how three people (X, Y and Z) spend their income.

	person X	person Y	person Z
food, clothing and housing	30%	25%	50%
entertainment and leisure	35%	35%	25%
luxury goods	35%	40%	25%

For these three people, what is the **most** likely order of income, from lowest income to highest income?

A. Y → X → Z

B. Y → Z → X

C. Z → X → Y

D. Z → Y → X

[1 mark]

Question 7

The table shows the weekly values of certain items for the average person in each group. In which group does the average person save the most?

		income ($)	spending ($)	borrowing ($)
A	employed workers	500	400	50
B	retired people	150	140	0
C	school students	25	30	5
D	unemployed	200	300	100

[1 mark]

Question 8

What is the **most** important factor that affects how much a family saves?

    A. the income of the family

    B. the level of taxation

    C. the rate of inflation

    D. the reliability of banks

[1 mark]

Question 9

The table shows how household spending changes with income.

income ($ per month)	spending ($ per month)
3000	3150
3300	3375
3600	3500
3900	3825
4200	4050
4500	4275

What is the lowest level of income at which savings are positive?

    A. $3000

    B. $3600

    C. $3900

    D. $4200

[1 mark]

Question 10

What is the **most** important factor that affects how much a family saves?

    A. the income of the family

    B. the level of taxation

    C. the rate of inflation

    D. the reliability of banks

[1 mark]

Question 11

What will cause the level of savings in an economy to rise?

A. a fall in investment

B. a fall in real wages

C. a rise in income taxes

D. a rise in interest rates

[1 mark]

Question 12

What is **most** likely to encourage the immediate purchase of an expensive item such as a new car?

A. anticipating a fall in the rate of inflation

B. expecting interest rates to fall

C. making it easier to obtain a loan

D. needing to plan for unexpected emergencies

[1 mark]

Question 13

The table shows the percentage (%) of income saved by different age groups.

age (years)	15–29	30–39	40–49	50–64	65+
% of income saved	–30	–5	+15	+30	–10

What can be concluded from the table?

A. Over the age range shown total savings equalled total dissavings.

B. The 15–29 age group has the lowest level of income.

C. The 50–64 age group saves the highest percentage of its income.

D. The 65+ age group has a lower income than the 30–39 age group.

[1 mark]