



Economics lesson 1

– Student worksheet

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Learning aim:

To be able to understand the different rates of interest in an economy and their impact on saving, borrowing and investment.

What is an interest rate?

Extension Task

What do we associate interest rates with? Discuss this with the person next to you.

Discuss in pairs the impact of high interest rates on the following:

- Saving
- Borrowing
- Investment

Saving	Borrowing	Investment
1.	1.	1.
2.	2.	2.

Scenario

In August 2023, the Bank of England's Monetary Policy Committee voted to increase the base interest rate by 0.25 percentage points to 5.25%. Rupert is Head of Finance at Harrowell Council and needs help to decide whether he should go ahead with an investment decision. The council are hoping to build a new cancer research centre at Nortonwick Park Hospital. In order for this to go ahead, the council will need to apply for a loan from the bank.

Career spotlight:

The Head of Finance manages the finances of an organisation by keeping track of income and expenditure. Typical duties involve monitoring cashflow and spending, reviewing budgets and investments, conducting internal audits and managing an organisation's finance systems. Heads of Finance need to be highly organised analytical thinkers with a solid knowledge of maths. They also need to have strong problem-solving skills.

Question

In pairs or groups of three, discuss whether Harrowell Council should go ahead with this investment decision or not. Consider reasons for:

- Why they should go ahead with this investment decision.
- Why they should not go ahead with this investment decision.

Make a bullet point list of your ideas here:

