

Friday 18 January 2019 – Afternoon

LEVEL 3 CAMBRIDGE TECHNICAL IN BUSINESS

05878 Unit 10: Economics for business

Duration: 2 hours
C427/1901



You must have:

- a calculator

First Name						Last Name				
Centre Number						Candidate Number				
Date of Birth	D	D	M	M	Y	Y	Y	Y		

INSTRUCTIONS

- Use black ink.
- Complete the boxes above with your name, centre number, candidate number and date of birth.
- Answer **all** the questions.
- Write your answer to each question in the space provided.
- Additional paper may be used if necessary but you must clearly show your candidate number, centre number and question number(s).

INFORMATION

- The total mark for this paper is **90**.
- The marks for each question are shown in brackets [].
- This document consists of **16** pages.

FOR EXAMINER USE ONLY	
Question No	Mark
1	/30
2	/22
3	/11
4	/11
5	/16
Total	/90

Read the scenario below.

Text 1: Goodwill UK

Stephanie Gatiss is the Manager of a charity shop located in Oakdean, a large town in the East of England. The shop is one of many owned by a national charity called *Goodwill UK*. The charity raises money by selling new and used furniture. Many of these products are donated to the charity by firms and households. *Goodwill UK* aims to help UK citizens who are less well off by:

- selling all items of furniture at very low prices
- making financial donations to help people in particular need.

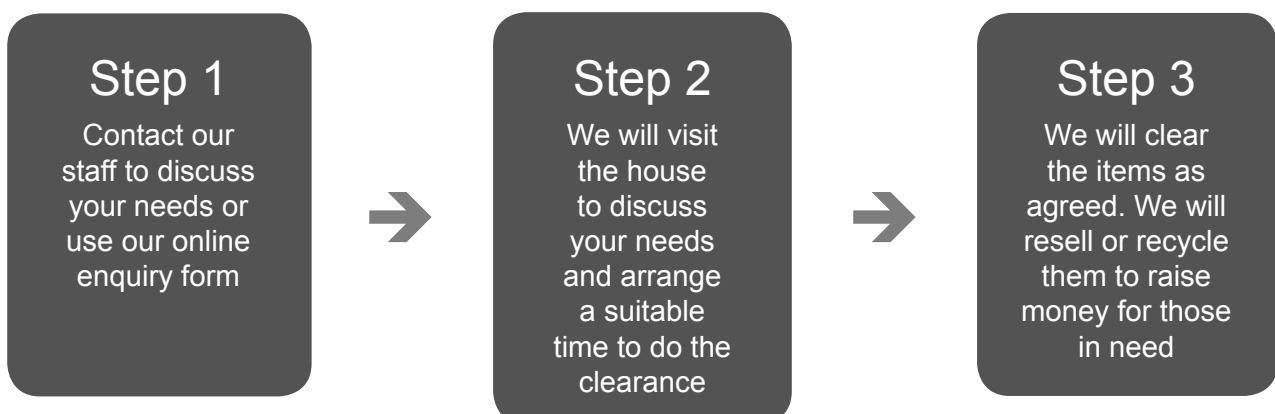
Oakdean is a poor town; its Gross Domestic Product (GDP) is 11% below the UK average and its unemployment rate is significantly above the UK average.

Stephanie is a full-time employee of *Goodwill UK*. She is supported in her role of Manager at the Oakdean charity shop by Jeremy Lewes, a part-time Assistant Manager, and two other part-time employees. There are also a number of volunteers who help out in the charity shop. Volunteers are not paid. Most of the volunteers are members of the local community who are trying to find paid employment. Volunteering helps them gain valuable work-based experience.

When not serving the flow of local customers, the employees and volunteers at the Oakdean charity shop spend most of their time receiving and checking the donated furniture. Most of the donated furniture is as good as new, and sells quickly. It is up to Stephanie or Jeremy to set the selling price of each item of furniture. When setting the price, they try to maintain a balance between what customers in their area can afford to pay, and raising as much money as possible for the charity so that it can support local residents in particular need.

Good quality donations of furniture usually sell within a couple of hours of going on sale. Although Stephanie has advertised locally for more donated furniture, supply cannot keep up with demand. Stephanie is trying to solve this problem by buying inexpensive furniture from abroad. Stephanie has heard about a company, based in Hungary (in Eastern Europe), that manufactures low-cost furniture such as beds, tables and cupboards. She is keen to investigate the possibility of buying imported low-cost furniture, not only for the Oakdean charity shop but for the other *Goodwill UK* shops across the country.

In addition, Stephanie has decided that the Oakdean charity shop should start a house clearance service. This will involve *Goodwill UK*'s employees or volunteers who work at the Oakdean charity shop visiting a property to collect unwanted furniture. Stephanie has already produced some ideas for promotional material which will be included on posters in the shop, in the local newspaper and on *Goodwill UK*'s website.



Stephanie knows that the house clearance service will require additional investment, including a van and some lifting equipment.

Text 2: Taxation in the UK

It is estimated that the UK government collected £744bn in taxation during 2018. 57% of this came from direct taxation and 43% came from indirect taxation. Economists assume that most direct taxation is progressive and most indirect taxation is regressive.

The impact of any change in taxation will, to a large extent, depend on whether the taxation is progressive or regressive. In addition it will depend on the size of the multiplier. Research shows that the size of the multiplier is not the same for all households and consumers (see **Table 1**).

Household group	Estimated size of the multiplier
Richest third of households	0.4
Middle third of households	0.9
Poorest third of households	1.3

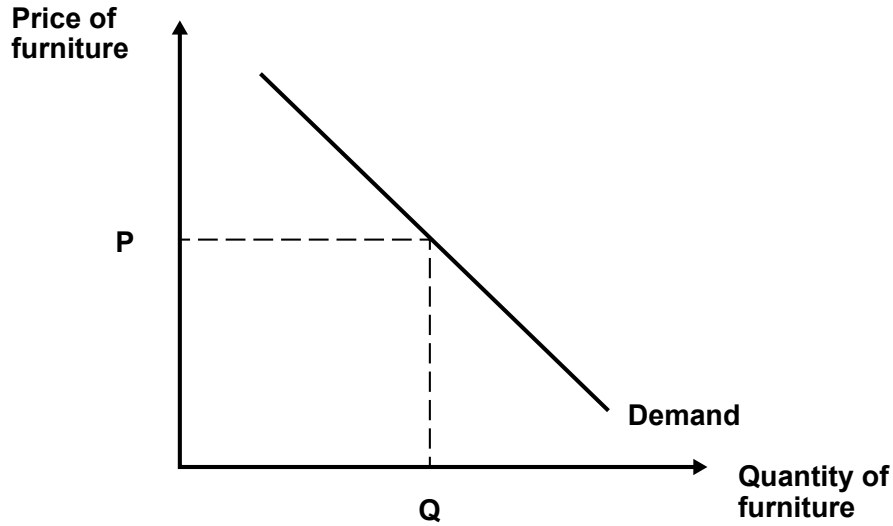
Table 1

Answer **all** the questions.

- 1 Stephanie Gatiss is investigating the buying behaviour of the customers at the Oakdean shop. She has drawn a demand curve labelled with price (P) and quantity demanded (Q).

- (a) (i) On the diagram below, show the effect on quantity demanded of a fall in price of furniture.

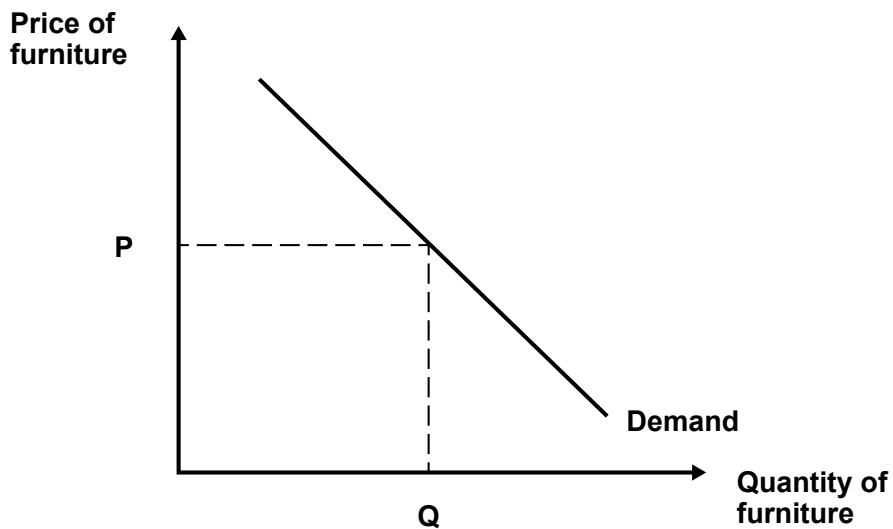
The demand for furniture



[2]

- (ii) On the diagram below, show the effect on quantity demanded of a fall in consumer income.

The demand for furniture



[2]

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(c) The UK government may reduce taxation to encourage economic growth.

(i) Complete the table below by giving **one** example of a direct tax and **one** example of an indirect tax.

Type of taxation	Example
Direct	
Indirect	

[2]

(ii) Refer to **Text 2**. The size of the multiplier may affect the impact of changes in taxation.

Analyse how *Goodwill UK* may be affected by a reduction in UK taxation.

[9]

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END OF QUESTION PAPER



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