

Friday 17 June 2022 - Morning

Level 3 Cambridge Technical in Business

05878 Unit 10: Economics for business

Time allowed: 2 hours

C427/2206



You can use: • a calculator		
)



Please write clea	arly in black ink.
Centre number	Candidate number
First name(s)	
Last name	
Date of birth	D D M M Y Y Y

INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. You can use extra paper if you need to, but you must clearly show your candidate number, the centre number and the question numbers.
- · Answer all the questions.

INFORMATION

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

ADVICE

· Read each question carefully before you start your answer.

	AMINER ONLY
Question No	Mark
1	/31
2	/8
3	/13
4	/18
5	/20
Total	/90

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Read the scenario below.

Camford County Council

Camford County Council is responsible for providing public services in the county of Camford. These services include social care, transport planning, libraries, parks, trading standards and environmental health. For some of the services provided, the council is a monopoly provider. Camford County Council employs over 5000 people across its different departments.

Throughout 2022, *Camford County Council* is focusing on improving the town centres in Camford. Several towns in Camford have poor transport and leisure facilities and many empty shop units. Most of the shops that are open are independently owned. The council would like to attract more well-known brands into the town centres, especially leisure clothing retailers such as Nike and technology retailers such as Apple. Popular casual dining brands, food takeaways and cafés, such as Starbucks, would also be a welcome addition. Any brand which chooses to open an additional store in Camford may benefit from economies of scale.

The services provided by *Camford County Council* are funded from taxation. Most of this taxation is collected by central government, including income tax, corporation tax and VAT. The remainder is funded from local taxes, paid by households and businesses based on the value of the property they occupy. Government spending in the UK usually exceeds the amount of taxation collected (see **Fig. 1**, below).

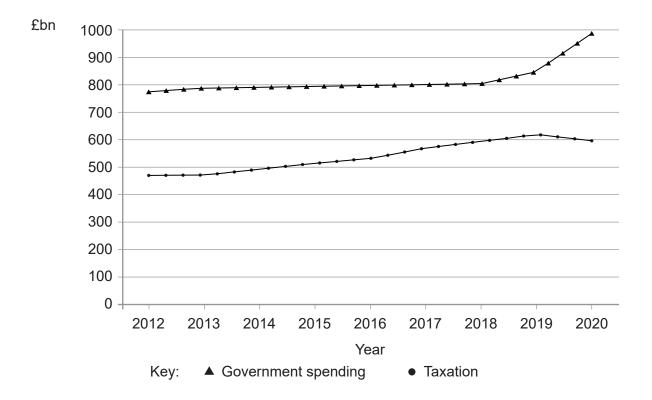


Fig. 1: UK Government spending and taxation (2012–2020)

The Trading Standards Department of *Camford County Council* protects consumers and retailers in Camford. It does this by:

- offering advice to businesses and consumers
- providing licences for businesses and inspecting them
- reporting any business suspected of operating in an anti-competitive way to the Competition and Markets Authority (CMA).

Another of *Camford County Council*'s departments, the Environmental Health Department, is responsible for enforcing health and hygiene legislation. This includes inspecting local businesses for food safety. One recent inspection found poor food preparation standards in the kitchen of an independently owned food takeaway. This is just one example of a growing problem amongst independently owned food takeaways in Camford.

Business Support Services is yet another of *Camford County Council*'s departments. Business Support Services works with every other department, including Trading Standards and Environmental Health, to ensure each department can carry out its responsibilities as efficiently as possible.

Camford County Council is trying to reduce spending on non-essential items in all of its departments so that it can improve the level of services it provides to Camford, whilst keeping within budget.

Eve Miles, *Camford County Council*'s Business Support Services Manager, has been advising the other departmental managers about the impact of globalisation. Two medium-sized technology manufacturers have already announced their plans to relocate to Camford. In addition, a number of overseas companies are keen to supply their services to the council. These include companies which operate care homes for the elderly, provide hygiene testing kits and sell computer equipment for planning bus services.

The UK central government has just published a report containing demographic data for each county. This shows that the county of Camford has an older population than the rest of the UK. About 20 % of workers in Camford are employed in manufacturing. The report also contains Claimant Count (CC) and Labour Force Survey (LFS) forecasts for the next three years. These predict that unemployment will be lower in Camford than the UK average.

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Answer **all** the questions.

1	(a)	For some of the services it provides, <i>Camford County Council</i> is a monopoly provider. Identify two features of a monopoly.
		1
		2 [2]
	(b)	Analyse three determinants of supply for a service. [9]
		1
		2

3	

(c) In the table below, identify with a tick (✓) whether the source of each economy of scale is internal or external.

You should only draw four ticks.

Economy of scale:	Internal economy of scale	External economy of scale
Technical		
Location of suppliers		
Industry concentration		
Risk bearing		

[4]

- (d) Camford County Council would like to reduce barriers to entry so that more retailers choose to have shops in Camford's town centres. The following policies have been suggested to help achieve this:
 - an improved bus service into and out of the town centres, including more frequent services in the evenings
 - the introduction of a free local newspaper and social media channels to increase advertising opportunities for town centre shops

Evaluate which of these three policies is likely to have the greatest impact on competition

• reduced business taxes for well-known brands that locate in the town centres.

in Camford. [16]

E٧	valuate the impact on UK businesses of government spending being higher than taxati
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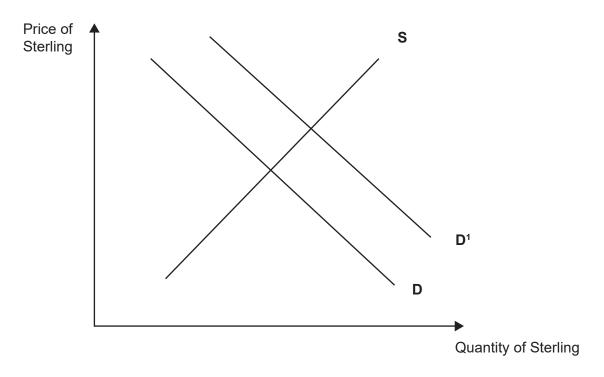
3	(a)	The Competition and Markets Authority (CMA) is the UK's competition regulator.
		Explain two ways that the CMA may affect business behaviour.
		1
		2
		[4]
	(b)	Camford County Council has created a team of employees from within the Environmental Health Department to try to reduce the problem of poor food preparation standards in the
		independently owned food takeaways. This team will spend much time offsite, inspecting and coordinating training at food takeaways in Camford. Analyse how the Business Support Services function of <i>Camford County Council</i> might
		and coordinating training at food takeaways in Camford. Analyse how the Business Support Services function of <i>Camford County Council</i> might respond to the creation of this team of employees.
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4 (a)	Explain three factors that have led to globalisation.	
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4 (a)	1	
4 (a)	2	
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(b)	A number of overseas companies are keen to supply their services to <i>Camford County Council</i> .
	Analyse three possible benefits for <i>Camford County Council</i> if it decides to buy services from overseas.
	1
	2
	3

(c) If Camford County Council buys services from overseas, it will be affected by the Sterling exchange rate.



Explain what has happened to the Sterling exchange rate in the above diagram.
[3]

(a)	Describe how each of the following measures unemployment:
	the Claimant Count (CC)
	the Labour Force Survey (LFS)
	[4]

Question 5(b) begins on page 14

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- **(b)** The senior managers at *Camford County Council* have considered the latest unemployment forecasts published by the UK government. Three possible causes of unemployment are of particular concern:
 - a 4 % decrease in the UK's Gross Domestic Product (GDP) over the next three years
 - a rapid decline in manufacturing across the UK
 - many local residents who become unemployed may not have the necessary skills to re-enter employment.

Advise the senior managers at Camford County Council which of these three causes is likely to have the greatest impact on unemployment in Camford. Justify your recommendation. [16]

END OF QUESTION PAPER



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