

Friday 19 January 2024 – Afternoon

Level 3 Cambridge Technical in Business

05878 Unit 10: Economics for business

Time allowed: 2 hours

C427/2401

You can use:

- a calculator



Please write clearly in black ink. **Do not write in the barcodes.**

Centre number

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Candidate number

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First name(s)

Last name

Date of birth

D	D	M	M	Y	Y	Y	Y
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INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. If you need extra space use the lined page at the end of this booklet. The question numbers must be clearly shown.
- 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.

Read the scenario below.

Quality Signage Ltd

Quality Signage Ltd is a registered charity. The business was set up in 1972 and specialises in the production of road and railway signs. Its customers include Highways England, Network Rail, and numerous local councils. More than 80% of the charity's employees are military veterans, many of them having a disability.

To produce many of the signs, large and dangerous machinery must be used. These include mechanical saws, heavy-duty drills, laser cutters and machines which use heat to add a reflective covering to the signs. All employees must complete detailed health and safety training before they may use any machinery. This training must be repeated annually.

Most signs produced by Quality Signage Ltd are a standard design because they must exactly meet the specification set by the UK government for road and railway signs. This means it is possible for any business to produce these signs. The price charged for the sign is vitally important to customers, as well as quality and speed of service.

Quality Signage Ltd is a market leader, with some monopoly power. However, there are an increasing number of small businesses in the UK producing signs. Most of these producers only sell locally. However, the managers at Quality Signage Ltd believe the market structure is becoming more monopolistically competitive.

There is currently a significant amount of economic uncertainty in the UK. This has been partly due to rising inflation. In the last three years, UK inflation has increased from 2% to 9%, significantly above the inflation target of 2.5%. The uncertainty has also affected the level of disposable income and the amount of money available to central and local government to spend on public services (including roads and railways). Any decrease in government spending is a concern, as it is estimated that the value of the multiplier is 5.

Although many of Quality Signage Ltd's raw materials are imported, the business has never exported its signs. However, Marketing Manager, Sasha, has recently had an enquiry from a road building business in France which is interested in buying signs from the charity. Another enquiry has been received from a town council in Spain. Sasha was born in France and speaks several European languages, including French and Spanish. She is keen to consider an expansion in Quality Signage Ltd's market.

Zac has recently been appointed as Quality Signage Ltd's Managing Director. He has decided that the business needs to invest in replacing some of its machinery because it keeps breaking down. New machinery will also help lower the unit costs of production, so that the business can remain competitive. Quality Signage Ltd will need to borrow at least £800 000 to pay for the new machinery.

In the last few days the UK government has announced major changes to its economic policies to help deal with the economic uncertainty. Although the government does not want to increase taxation, it has said there will be large reductions in government spending. There will also be changes to monetary policy.

1

(a) What is shown by a market supply curve?

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..... [2]

(b) The table shows four factors that may affect the demand or supply of a product.

A	A change in price.
B	Lower costs of materials.
C	Improvements in productivity.
D	A change in consumer tastes.

Identify:

- which factor will cause a shift in the demand curve.

Answer:

- which factor will cause a movement along the demand curve.

Answer:

[2]

(c) The managers of Quality Signage Ltd have identified two factors that will affect its market equilibrium. These are:

- a decrease in government spending on public services.
- an increase in health and safety regulation.

Analyse the impact on the market equilibrium for Quality Signage Ltd of each of these factors.

Which factor is likely to have the greatest impact on Quality Signage Ltd?

Give reasons for your answer.

[16]

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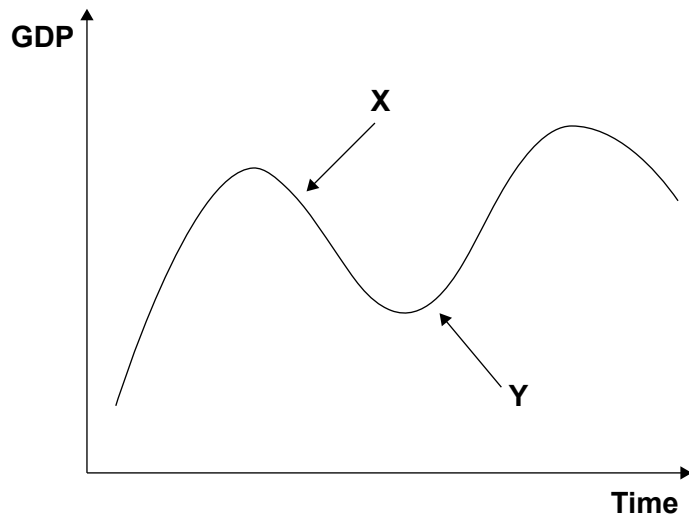
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2 Analyse how any change in the market structure from monopoly to monopolistic competition may affect Quality Signage Ltd.

[9]

3

(a) The diagram shows a business cycle.



(i) Explain **one** effect on business investment at point X.

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..... [2]

(ii) Explain **one** effect on recruitment at point Y.

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..... [2]

(b) Explain what each of the following means:

- disposable income

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- the multiplier effect

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[4]

(c) Analyse **one** impact of inflation on each of the following:

[9]

- menu costs

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- 'shoe leather' costs

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- uncertainty

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4

(a) State **two** determinants of the sterling exchange rate.

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[2]

(b) Quality Signage Ltd is considering whether to start exporting.

Evaluate whether or not dealing with foreign customers is likely to cause significant difficulty for Quality Signage Ltd.

[8]

(c) State **two** factors which have led to globalisation.

1

2 [2]

(d) In the table below, identify with a tick (✓) whether each of these global roles is carried out by the International Monetary Fund (IMF) or the World Trade Organization (WTO).

You should only place one tick in each row.

Role:	IMF	WTO
Helps support a country's currency.		
Helps to negotiate the removal of tariffs.		
Lends money to developing countries.		
Provides policy advice to countries.		

[4]

(e) Analyse **three** ways the marketing function of Quality Signage Ltd should respond to a decision to sell its products abroad.

[9]

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[illegible][illegible]

5

(a) State **three** objectives of UK government policy.

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2

3

[3]

- (b)** The UK government has announced changes to monetary policy. These changes are expected to lead to:
- an adjusted inflation target of 5%.
 - an immediate increase in interest rates.

Evaluate which of these changes is likely to have the greatest impact on Quality Signage Ltd.

[16]

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EXTRA ANSWER SPACE

If you need extra space use this lined page. You must write the question numbers clearly in the margin.

A vertical solid line on the left side of the page serves as a margin. To the right of this line, there are 25 horizontal dotted lines for writing answers.



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