

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

Examiners' report

BUSINESS

05834–05837, 05878

Unit 10 January 2024 series

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Introduction

Our examiners' reports are produced to offer constructive feedback on candidates' performance in the examinations. They provide useful guidance for future candidates.

The reports will include a general commentary on candidates' performance, identify technical aspects examined in the questions and highlight good performance and where performance could be improved. The reports will also explain aspects which caused difficulty and why the difficulties arose, whether through a lack of knowledge, poor examination technique, or any other identifiable and explainable reason.

Where overall performance on a question/question part was considered good, with no particular areas to highlight, these questions have not been included in the report.

A full copy of the question paper and the mark scheme can be downloaded from [Teach Cambridge](#).

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Unit 10 series overview

The entry for this session was slightly lower than last January. The context for this paper was a charity making road signs and looking to expand abroad. It is encouraging to note the increased number of candidates who made use of this context when answering questions. However, a number of candidates appeared not to understand how a charity operates, believing that they are funded and run by the government.

The overall standard was slightly higher than the same session in 2023, although only a small number of very good scripts were seen. On a positive note, fewer scripts were seen with large numbers of questions left out. However, it remains to be the case that the general level of candidates' understanding of Economics topics is below what is required. This was particularly seen in answers to Question 1 and Question 3, both of which focused on microeconomic and macroeconomic theory. In addition, few candidates really understood the workings of inflation targets which limited many answers to Question 5 (b).

There was no evidence of any time pressures, but also fewer overly long answers than in previous sessions.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
<ul style="list-style-type: none"> made good use of the context provided understood how charities operate and how they were similar to any business organisation had good knowledge of market equilibrium and market structure knew the level of detail to provide in answers based on the command word and number of marks available 	<ul style="list-style-type: none"> were unfamiliar with what is meant by market equilibrium did not make use of the context provided and/or did not understand how a charity operates were unfamiliar with basic economic concepts such as disposable income, the multiplier, menu costs, and shoe leather costs did not know the difference between a determinant (or factor) and an impact did not know the responsibilities of the marketing function of a business.

Question 1 (a)

1

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

.....

.....

.....

.....

.....

..... [2]

For a basic economic concept from the specification, this was very poorly answered. Few candidates gained 2 marks. Many answers made no reference to price or suggested that supply was affected by demand.

Question 1 (b)

(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]

Less than half of candidates gained both marks. In many cases, answers were the reverse of the correct options which suggests that these candidates are not clear of the difference between factors affecting a movement along and a movement (shift) of the demand curve.

Question 1 (c)

(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]

There were some excellent answers to this question which considered how each of the two factors affected the demand and/or supply curves of the business. They then explained how this may affect equilibrium price and/or quantity, before coming to a reasoned comparative decision. This was often done by concluding that the increase in health and safety regulation would be most significant for a charity using dangerous equipment, especially if it is able to replace any loss in domestic demand by expanding abroad.

However, several answers did not achieve more than half marks, as they did not consider the impact on market equilibrium (price or quantity). These answers often focused more on general business issues, such as profit or success, which were not relevant in this question. Many answers, when discussing the decreased government spending, felt this would affect the charity's funding or mean it would have to close down (showing the misguided assumption that charities are funded or run by the government).

There was also evidence of misunderstanding about health and safety. Some answers focused on how increased health and safety would increase the quality (and therefore demand) for this firm's products, without appreciating that the increased regulations would apply to all businesses. Other incorrect answers suggested that the disabled workers employed by Quality Signage would no longer be allowed to work, due to increased health and safety legislation.

OCR support



The published mark scheme provides an exemplar response which shows how an answer can quickly achieve a full mark Level 4 answer.

Question 2

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

.....

.....

.....

..... [9]

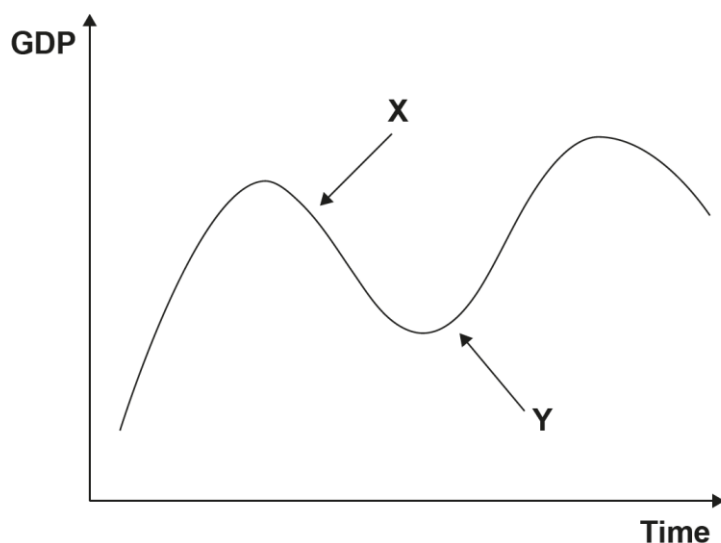
This was one of the better answered questions. There was generally good understanding shown of how the change in market structure may lead to greater levels of competition and possible price wars.

Fewer answers moved into a Level 3 response by suggesting how a business may respond to this challenge, such as increased non-price competition or changes to price and/or quality of its output.

Question 3 (a) (i) and (ii)

3

(a) The diagram shows a business cycle.



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

.....

.....

.....

..... [2]

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

.....

.....

.....

..... [2]

Answers to these two questions were largely limited by candidates not correctly identifying where points X and Y were on the business cycle. Point X is not at the boom stage but is on the downturn. It is possible that the economy is in recession. On the other hand, point Y is after the slump, so the economy is starting to improve.

Better answers clearly stated what would happen to investment and recruitment, providing an explanation based on the correct stage of the business cycle.

Question 3 (b)

(b) Explain what each of the following means:

- disposable income

.....

.....

.....

.....

- the multiplier effect

.....

.....

.....

.....

[4]

Although discretionary income is not on the specification, many candidates gave an answer for this, rather than disposable income, which is specifically about what a household has left to spend after the deduction of taxes (and/or the addition of benefits).

Additionally, few candidates could demonstrate understanding of the multiplier effect. These are both clear specification terms.

Question 3 (c)

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

[9]

- menu costs

.....

- 'shoe leather' costs

.....

- uncertainty

.....

Although it is not the first time that a question about menu costs or shoe leather costs has been asked, many candidates do not seem to know what these terms mean. In particular, many answers suggested that shoe leather costs refer to the actual cost of leather (or raw materials in general). Several candidates did not attempt this part of the question.

Another cause for low marks in this question was confusion about the effects of inflation on uncertainty. Many candidates knew that inflation increased uncertainty but were unable to say why. A common mistake was to suggest that the uncertainty caused by higher inflation would cause consumers to save more money, so that businesses would see less demand. This ignores the fact that inflation decreases the real value of money so consumers are likely to save less during times of high inflation.

Assessment for learning



Knowledge of economic terms listed in the specification is a necessary requirement for candidates to succeed. The answers to this question (and the previous one about disposable income and the multiplier) highlighted a lack of knowledge of specification terms in many candidates.

Question 4 (a)

4

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

1

2 [2]

Most candidates were able to gain at least 1 mark in this question, although very few stated the simplest options of the demand for and supply of sterling.

It appeared that many candidates do not understand the difference between a determinant and a cause as some answers focussed on import or export prices, as well as changes in other currencies, which are not causes of changes to an exchange rate but, rather, consequences of changes.

Question 4 (b)

(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]

There were some good answers to this question which quickly recognised the main factor affecting this business when starting to export is going to be language and cultural issues, especially considering the product they are selling. Better answers recognised that this would cause increased costs which may affect profit margins. However, many answers did not achieve more than 6 marks as they did not fully answer the question. The question required candidates to consider whether or not these difficulties would be significant. This was an opportunity, for example, to introduce the context about Sasha being fluent in a number of languages which may help to offset any challenges.

Assessment for learning



When preparing candidates for this examination it is important to ensure that, as well as having a good understanding of the specification content, they are reminded to read the question carefully and consider how many marks are available.

Many candidates wrote answers to Question 4 (b) which tried to consider too many issues (mentioning all the advantages and/or disadvantages of exporting that they could remember). This was not necessary and would have used up time which could be spent on other questions. One or two points are sufficient for a 8 mark question.

Another common mistake was a misreading of the question, with many answers considering whether Quality Signage should go ahead with exporting. A supported decision was needed to achieve a Level 4 mark in this question, but that decision should have been whether exporting would cause a difficulty (or not), rather than whether the business should (or not) go ahead with exporting its products.

Question 4 (c)

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

1

2 [2]

Few candidates were able to state two factors which caused globalisation. Some did not appear to know what is meant by the term, and some seemed to confuse 'factors' with 'consequences'.

Question 4 (d)

- (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]

This question was generally well answered. The most common mistake was with regards to the role about providing policy advice to countries.

Question 4 (e)

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

[9]

Responses to this question were mixed. Some candidates did not attempt this question and a number of those who did struggled to identify what activities are carried out by the marketing function. For example, many answers referred to training more staff to speak foreign languages (an HR activity), setting budgets for the overseas expansion (a Finance activity), or checking whether signs were legally correct (an Operations activity).

A quick review of past papers for this unit will identify that there is always at least one question about the functional areas of a business in each assessment series. Many candidates do not seem to be able to clearly identify what each functional area of a business is responsible for.

Candidates who were unable to identify three distinct responses and did not provide any context in their answers were often not able to gain more than 4 or 5 marks.

Question 5 (a)

5

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

1

2

3

[3]

As with any technical subject, the precise use of language is important when writing about Economics and this is the case when considering the objectives of government policy. Vague or general answers here could not be credited. Examples of this would be where candidates stated 'reducing inflation' or 'increasing GDP' as objectives. It is the ability to control inflation or achieve a set target which is the objective; (low inflation is as undesirable as high inflation in many cases). Equally, a simple statement of increasing GDP is too vague (if GDP is too high then the economy will 'overheat') – the objective is stable or acceptable growth.

Question 5 (b)

(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]

Answers to this question were of a mixed standard. In most cases, candidates coped better with writing about the impact of an increase in interest rates than the change to the inflation target.

The use of an inflation target is a key component of UK monetary policy and a clear part of the specification for this unit. However, most candidates showed in their answers that they were either unfamiliar with the concept of an inflation target or how it operates. It was common to read answers that assumed that the announcement of the new inflation target of 5% would automatically lead to a fall in the inflation rate. This led to much discussion about how this fall in inflation would be beneficial to a business – much of which was not relevant, as it was based on an incorrect assumption. Very few answers recognised that the higher inflation target might encourage more inflation (due to expectations) or may have little effect, as inflation is already currently at 9%.

Another common misconception in answers was that the higher rate of inflation (and inflation target) would encourage less spending which would be bad for a business. High inflation does not lead to less spending; it is quite the opposite, due to a fall in the real value of money held by households caused by high inflation.

Answers about the increase in interest rates were better, although some answers confused inflation rates and interest rates. Good answers recognised that the higher interest rates may seriously affect the ability of Quality Signage to expand, due to its need to borrow £800,000 which may also affect plans to sell abroad. Many of these answers were then able to access Level 4 marks, as they were able to make a justified decision about which of the two changes to monetary policy would be most significant. The very best answers recognised that, given the state of the UK economy in the context, Quality Signage would be most affected by the interest rates, whereas the inflation target would have little effect as inflation was already so high.

Centres are reminded, as indicated in the mark scheme, that to gain the very top marks in a 16 mark question a comparative and contextual judgement is required. Some potentially good answers did not gain a Level 4 mark as any attempt to make a decision did not add to the previous analysis. Just repeating what is written earlier in the answer, about the impact a change in interest rates will have, is not enough to show a supported decision.

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