

**CAMBRIDGE TECHNICALS LEVEL 3 (2016)**

**Examiners' report**

**BUSINESS**

**05834–05837, 05878**

**Unit 10 Summer 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. A selection of candidate answers is also provided. 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 OCR.

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## Unit 10 series overview

Although there was a slight improvement in the standard this session compared to June 2023, it is still the case that candidate performance in the June session is significantly below that in the January session.

There were a small number of scripts where candidates gained a majority of the marks, by showing a good grasp of the subject matter and incorporated the context about a costume hire shop into their answers. In these cases, the context was well used and clearly accessible. However, at the other extreme, there were many scripts which scored significantly less than a third of the marks, with most of these marks gained from only one or two questions. Overall, Question 4 was best answered, and Question 3 was answered least well.

Many candidates continue to omit many questions about topics which are central to the specification. There continues to be a lack of sufficient preparation about basic Economic terms by most candidates. This is a specialist unit which requires specialist knowledge. Without this, candidates will continue to perform less well.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
<ul style="list-style-type: none"> <li>• Had good knowledge of Economics.</li> <li>• Made use of the context when required.</li> <li>• Kept answers focused on the question set.</li> <li>• Presented their answers in a clear manner.</li> <li>• Made a good attempt at most questions, performing particularly well on Questions 2 and 4.</li> </ul>	<ul style="list-style-type: none"> <li>• Had little Economics-based knowledge, especially with regards to the topics of economies of scale, unemployment, and exchange rates.</li> <li>• Omitted a significant number of questions.</li> <li>• Did not focus their answer on the question set.</li> <li>• Gained most of their marks on Question 4 (b).</li> </ul>

## Question 1 (a)

1

(a) Lookalike Ltd offers a costume hire service.

Analyse **three** determinants of demand for a service.

[9]

1 .....

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2 .....

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3 .....

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Many candidates gained 6 or more marks on this question. It was often the case that candidates were able to analyse two determinants of demand, most often the level of income and tastes/fashion but could not identify a correct third determinant.

Many wrong answers referred to price as a determinant of demand or identified determinants of supply, such as costs of production.

### Misconception



This question once again highlighted the confusion among many candidates about the determinants of demand and supply. These are clearly listed in the specification. It is also frustrating to still find many candidates who think that price is a determinant of demand (or supply); price is something that is a consequence of a movement along a demand or supply curve, rather than a determinant which causes either curve to shift.

## Question 1 (b)

(b) Jane is concerned that Lookalike Ltd is missing out on economies of scale.

Describe **two** internal economies of scale.

1 .....

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2 .....

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[4]

It was quite straightforward to gain full marks on this question by naming two internal economies of scale with a brief explanation. Better performing candidates were able to do this easily. However, many candidates appeared to have no idea what was meant by the term and provided random answers such as productivity, geographical barriers, or market share.

## Question 1 (c)

(c) Analyse how Lookalike Ltd may be affected by each of the following changes in the market for costume hire:

[9]

- an increase in supply by rival costume hire businesses

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- an increase in demand for costume hire from theatre and TV companies

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- a change in the price elasticity of demand for costume hire from  $-1.5$  to  $-0.6$

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This question was set to test understanding about the relationship between supply and demand in markets. In most cases, candidates did not use appropriate terminology. For example, in the first bullet point, the increase in supply will cause a fall in price which will impact Lookalike Ltd. On the other hand, in the second bullet point, the increase in demand will lead to an increase in price (due to a rightward shift in the demand curve). Few candidates recognised this was a question which required them to consider their knowledge about market equilibrium.

There were a few good answers which did use the correct terminology. However, many of these did not score more than 6 marks as they contained no context in their answers. Unlike Question 1 (a), this question required answers to be specifically about Lookalike Ltd, as the name of the business was in the question.

### Assessment for learning



As is the case on all units in this qualification, a question which refers to the business by name in the question requires a context-based answer. This has been highlighted in numerous previous Examiners' reports.

## Exemplar 1

- an increase in supply by rival costume hire businesses

An increase in supply by lookalike ~~to~~ Ltd ~~with its~~ rivals will impact lookalike Ltd negatively as more people will go to these rivals as they are supplying more at a better price which will decrease demand for lookalike Ltd

- a change in the price elasticity of demand for costume hire from  $-1.5$  to  $-0.6$

A change in PED for costume hire will ~~not~~ impact lookalike Ltd positively as they can increase their prices to increase profits and demand wouldn't change much as people are still willing to ~~buy~~ hire costume of them so this will impact them positively as their profits have increased.

This excerpt from a candidate's answer shows how the lack of contextual reference limits marks that can be given. Although the candidate has produced a correct theoretical answer, only 2 marks out of 3 can be given in each case. As is made clear in the mark scheme, a non-contextual piece of analysis gains 1+1 marks; to gain 1+2 marks there needs to be contextual analysis.

For example, in the first answer, the fact that Lookalike Ltd is in a 'highly competitive' market may make the decrease in demand an issue. In the second answer, reference could again have been made to the competitive nature of the market, or any extra revenue could have been used to pay to gain a higher internet search position.



## Question 2 (a)

2

(a) Explain each of the following causes of unemployment:

- cyclical unemployment

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- structural unemployment

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- frictional unemployment

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[6]

There were a small number of excellent and concise answers to each part of the question, although it was rare for a candidate to be able to explain all three terms correctly. Some answers managed to mix up the three terms; others clearly guessed as they considered that structural unemployment was caused by changes in the structure of management and frictional unemployment came about due to arguments between employees.

Some candidates omitted this question.

## Question 2 (b) (i)

(b)

(i) Identify **one** example of a direct tax.

..... [1]

Most candidates were able to identify a direct tax, although some gave wrong answers such as VAT or import taxes.

## Question 2 (b) (ii)

(ii) Explain how taxes may be used to redistribute income.

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.....  
.....  
.....  
..... [4]

Many candidates had little idea about the principle of redistribution of income via taxation and benefits. In many cases, candidates confused redistribution with public sector provision, suggesting that the money raised from taxation paid for the NHS (or other public services) so that provided these workers with money. Other candidates suggested it was something to do with making sure that a business did not avoid paying taxes.

A few better answers did identify the basic concept of taking more taxation from those earning more income (even sometimes referring to progressive taxation) and giving some of this in the form of benefits to the less well off. Often, candidates missed out on full marks as they did not make it clear how this was being redistributive.

## Exemplar 2

Taxes can be used to redistribute income as the more you make the more you get taxed and that can then be used for benefits to people who don't make as much and this could decrease the gap between the people who make the most money and the people who [4] make the least.

This was a very rare full mark answer. It clearly identifies that the better off are taxed more and that this money is then used to reduce the gap between rich and poor. This recognition of reducing the gap, identified in the final three lines of the answer, was missing from most answers and was key to gaining full marks.

## Question 2 (c)

(c) Analyse how the internet affects barriers to entry into the costume hire market.

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.....

..... [9]

There were some excellent answers to this question which scored full marks. These candidates were able to identify one or two barriers to entry (typically, a strong brand image or the high costs of getting a prominent position in search engines). This last example was particularly relevant for this business and allowed candidates to work through their answer quickly to score very well.

It was interesting (but particularly relevant given the context) that many candidates considered the internet as creating a barrier to entry, rather than the more typical idea that it reduces barriers. This led to some very good answers.

There were still many very less successful responses (often gaining no marks) which only considered how the internet helped the business to market its service, rather than how it affected barriers to entry.

## Question 3 (a)

**3**

**(a)** Explain how the Competition and Markets Authority (CMA) strengthens consumer protection.

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.....

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.....

.....

..... **[3]**

As is often the case with questions about the CMA, candidates were either familiar with the organisation or not. There were a small number of good answers which gained full marks, usually focusing on how the CMA helped to regulate monopolies or reduce the power of dominant firms.

There were some candidates who omitted this question. Many others confused competition law with consumer law, suggesting that the CMA would help consumers avoid being scammed, or help them to get their money back if they had been affected by poor service.

### Question 3 (b)

- (b) The table below shows recent changes in the sterling exchange rate against the US Dollar and the Euro.

	US Dollar	Euro
This week	£1 = \$1.30	£1 = €1.24
One month ago	£1 = \$1.36	£1 = €1.15
Two months ago	£1 = \$1.48	£1 = €1.21

Evaluate impacts on Lookalike Ltd of these recent changes in the sterling exchange rate.

[8]

Exchange rates continue to present a tremendous challenge for many candidates. Some were unable to identify what was happening to the exchange rates in the table, or stated the reverse case of what was true (e.g., writing that the pound had appreciated against the Dollar and depreciated against the Euro). Some answers generally mentioned that exchange rates had increased or decreased, often correctly explaining how this affected the cost of imports. However, these answers gained no marks as it was never clear which exchange rate the candidate was writing about at any time.

There were many better answers which scored 5 or 6 marks. These correctly analysed that the higher cost of imports from the US may lead to higher prices or lower profit margins for Lookalike Ltd, or vice-versa for imports from Italy. However, the number of candidates who went on to show any evaluation in their answer could be counted on one hand. When a question requires evaluation (there are only three such questions on each paper) there needs to be an attempt to come to a reasoned conclusion or decision. In this case, it may have been to suggest that Lookalike Ltd would be wise to buy more imports from Italy than the US, given the latest movement in exchange rates.

## Question 4 (a)

4

(a) Identify **three** benefits to businesses of trading internationally.

1 .....

2 .....

3 .....

[3]

Surprisingly, this question requiring basic recall was not well-answered. Most answers gave very general benefits about a business growing, such as lower costs or more profit, as opposed to trading internationally. Candidates should be reminded that there are several specific benefits of international trade listed in the specification, such as extending product lifecycles, overcoming domestic limitations, or widening access to markets. It was only the latter of these which was seen on a regular basis in most answers.

## Question 4 (b)

(b) Pressure groups across the UK have been campaigning about a number of global issues in an attempt to influence how businesses operate.

Three of these issues are:

- plastic pollution in the world's oceans
- the growth in containerisation
- possible exploitation of workers in MINT economies.

Analyse the impact on Lookalike Ltd of each of the global issues listed above.

Which of these global issues is likely to have the greatest impact on Lookalike Ltd?

Give reasons for your answer.

[16]

This was the better answered of the two 16-mark questions, with some excellent answers gaining 14 or more marks. This was achieved by a candidate working through each of the three issues in the question, showing how each was relevant to Lookalike Ltd and how it would have an impact on the business. This was then followed by a justified decision as to which of the three was the most important in this situation. Exemplar 3 is one such answer.

Weaker answers often read as if the candidate had not looked at the context on page two of the question paper. For example, suggesting that Lookalike Ltd had 'no role in causing plastic pollution' (even though we are told every costume is put into a new plastic bag when hired out) or writing at length about how the problems with delays in shipping containers would seriously impact the business, although it is not yet using this option.

There was also some confusion about importing from the MINT economies being illegal (which it is not) rather than possibly being unethical.

## Exemplar 3

Plastic pollution in the oceans can be caused by consumers and producers. By ~~stopping~~ attempting to fight plastic pollution in oceans it means that businesses will have to minimise plastic usage as a whole. This ~~can~~ would affect Lookalike greatly as they single use plastic to wrap their costumes for hygiene reasons. If they stopped using the plastic bags it could leave customers unhappy and could also potentially spread diseases which could lead to a lawsuit for Lookalike.

Lookalike currently is not using containerisation to ship their products, however ~~they~~ if they decided to start shipping from Indonesia and Nigeria they would begin using it. If Lookalike was forced to stop using containerisation that means they would have to find an alternative method of transport which could be more expensive for them.



It might also lead to Lookalikes being forced to change supplier which once could be expensive.

❖ Currently Lookalike does not buy any products from MINT economies however they are planning to switch suppliers to Nigeria and Indonesia. If they do this their ~~are~~ potential new customers and loyal customers could view the company as unethical if MINT economies are exploiting workers. This could then lead to the company having a bad reputation and their revenue will significantly go down.

In conclusion the most serious ~~one~~ impact for Lookalike would be the exploitation of workers in MINT economies because as a society the majority of people use single use single use plastic in their daily lives and also the same for containerisation, as that's how a lot of products are shipped. However the exploitation of workers will give Lookalikes a very bad reputation and one that will be hard to gain back, as people will see the company as unethical.

This is one of many excellent answers to this question. It follows a logical structure with one paragraph for each of the three global issues leading to a tangible business impact for Lookalike Ltd. First, plastics is an issue for this business due to single use wrapping materials, but if they stopped using plastic there may be hygiene issues which could cost the business money from a lawsuit. Second, if the business started to import from MINT economies, delays with containerisation may cost the business money by having to look for a more expensive alternative method. Third, current customers may view the business as unethical if it started to get supplies from countries where workers are exploited which may affect the business' reputation, leading to a fall in revenue.

The final paragraph then justifies why the issue of worker exploitation is the biggest issue in comparison to the other two issues. The candidate argues that the use of plastics and containerisation is part of everyday life, but exploitation of workers is unacceptable to most people. It is only the lack of any suitable context (such as the actions of the pressure group supported by two of Lookalike's employees) within this justification which prevents the answer from gaining 16 marks.

## Question 5 (a)

5

(a) What is meant by the term 'supply side policy'?

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..... [2]

A minority of candidates were able to adequately define this term. Many thought it was any policy to increase supply (tautological) or latched onto the reference in the case study about it helping to reduce unemployment and inflation (the aim rather than the policy). Some candidates were able to gain one mark by identifying a correct example of a supply side policy.

A small number of concise answers gained both marks by stating that the policy was intended to increase the productive potential of the economy or was about helping the market (or businesses in it) to operate more efficiently.

## Question 5 (b)

- (b)** The UK government recently announced supply side policies intended to reduce unemployment and inflation.

These policies are expected to lead to the following outcomes:

- more consumer spending on non-essential products
- fewer start-up regulations for new businesses.

Recommend how Lookalike Ltd's marketing function should respond to the expected outcomes of these policy changes.

Justify your answer.

**[16]**

As has been repeatedly mentioned in previous Examiners' reports, questions about the different business functions are never well answered. In this case, many candidates were unable to name an activity which the marketing function could carry out (other than 'improve marketing activities' which was considered too vague) or suggested actions which were nothing to do with marketing, such as recruit more workers or change suppliers.

Many other answers ignored any reference to the marketing function and instead discussed how supply side policy may be used to reduce inflation or unemployment which was not the focus of the question.

The limited number of good answers tended to consider how the marketing function may change prices, spend more money on promotion (especially with regards to search engine optimisation), or have seasonal offers. Even then, to achieve marks at Level 3 or above, the answer needed to make clear how this would respond to the outcomes of the supply side policies, namely more consumer spending on non-essential products and/or fewer start-up regulations.

It is now the norm for the 16-mark questions to be carefully structured to help candidates to develop their answers. It is still the case that many candidates are either not prepared for this structure or ignore it.

### Assessment for learning



There must always be at least one question which assesses one or more of the business functions. It is vital that Centres ensure that candidates are prepared for this sort of question.

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