

Level 3 Cambridge Technical in Business

05878 Unit 10: Economics for business

Time allowed: 2 hours

C427/2406

You can use:

- a calculator



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

Centre number

--	--	--	--	--

Candidate number

--	--	--	--

First name(s)

Last name

Date of birth

D	D	M	M	Y	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.

Lookalike Ltd

Lookalike Ltd offers a costume hire service. The company stocks over 3000 costumes, all freshly cleaned and available for hire.

“Your one-stop shop for top-quality costume hire” is the first thing you see on Lookalike Ltd’s website. Lookalike Ltd was set up by Jane Weidlen 15 years ago. Customers range from individuals who want a fancy dress costume for a party, to theatre and TV companies who need costumes for actors. Lookalike Ltd operates from shop premises located in a village in East Sussex. However, 90% of company sales are from customers who order via Lookalike Ltd’s website.

The costume hire market is highly competitive. Jane knows of at least six similar businesses within 10 miles of Lookalike Ltd and there are hundreds more across the UK. Some of these are large companies with warehouses, others are very small and operate from an individual’s home. Jane considers Lookalike Ltd to be a small business and she is concerned it is missing out on economies of scale.

Lookalike Ltd employs six part-time staff. They spend most of their time packaging up orders. For hygiene reasons, each freshly cleaned costume must be packaged in a new plastic bag every time it is hired out. Jane always tries to employ local people because the unemployment rate in the village is over 10%. Unemployment is much higher in countryside villages than in most towns and cities. The national unemployment rate is also above the government’s target rate of 6%.

Most of Lookalike Ltd’s marketing uses the internet and social media. Lookalike Ltd’s website contains details of the different types of costumes available for hire. By far the most popular are clown, pirate and superhero costumes. Some customers send in photos of themselves wearing the costumes and give Jane permission to use them for free on social media or the website. However, due to copyright law, Jane must be careful not to suggest that a costume represents a well-known character. For example, a costume must be listed as a ‘pirate costume’ not a ‘Pirates of the Caribbean costume’ or a ‘female superhero costume’ not a ‘Wonder Woman costume’.

Jane wonders whether the business name needs changing. The business never features high up in any Google or Bing search for costume hire. The business is dependent on the internet for marketing but Jane does not want to have to pay for a higher placing.

Lookalike Ltd purchases most of its costumes from overseas manufacturers based in the USA and Italy. Recent changes in the UK sterling exchange rate against the US Dollar and the Euro have been unpredictable. As a result, Jane has started to look for costumes manufactured in the MINT economies of Indonesia and Nigeria. Containerisation would be used to ship these products. However, Jane has been reading about long delays at many shipping ports which handle these containers.

Jane is concerned about other global factors that might affect her business. Two of her employees, Kobe and Yana, are involved in a local pressure group. It campaigns against the dangers of globalisation; especially the exploitation of workers in developing countries and the destruction of the world’s natural resources. Kobe and Yana have started putting notices in Lookalike Ltd’s shop window advertising the pressure group’s meetings.

The UK government has recently announced a range of supply side policies to help achieve its target rate for unemployment and an acceptable level of inflation.

1

(a) Lookalike Ltd offers a costume hire service.

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

[9]

1

.....

.....

.....

.....

.....

.....

.....

.....

2

.....

.....

.....

.....

.....

.....

.....

.....

3

.....

.....

.....

.....

.....

.....

.....

.....

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

Describe **two** internal economies of scale.

1

.....

.....

.....

2

.....

.....

.....

[4]

(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

.....

.....

.....

.....

.....

.....

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

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

2

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

- cyclical unemployment

.....

.....

.....

.....

- structural unemployment

.....

.....

.....

.....

- frictional unemployment

.....

.....

.....

.....

[6]

(b)

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

..... [1]

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

.....

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

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

[9]

..... [3]

	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

[8]

[illegible]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

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

- 1
- 2
- 3

[3]

- (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]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

5

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

.....

.....

.....

.....

.....

..... [2]

(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]

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

END OF QUESTION PAPER

BLANK PAGE

PLEASE DO NOT WRITE ON THIS PAGE



Oxford Cambridge and RSA

Copyright Information

OCR is committed to seeking permission to reproduce all third-party content that it uses in its assessment materials. OCR has attempted to identify and contact all copyright holders whose work is used in this paper. To avoid the issue of disclosure of answer-related information to candidates, all copyright acknowledgements are reproduced in the OCR Copyright Acknowledgements Booklet. This is produced for each series of examinations and is freely available to download from our public website (www.ocr.org.uk) after the live examination series.

If OCR has unwittingly failed to correctly acknowledge or clear any third-party content in this assessment material OCR will be happy to correct its mistake at the earliest possible opportunity.

For queries or further information please contact the Copyright Team, OCR (Oxford Cambridge and RSA Examinations), The Triangle Building, Shaftesbury Road, Cambridge CB2 8EA.

OCR is part of Cambridge University Press & Assessment, which is itself a department of the University of Cambridge.

© OCR 2024

C427/2406