

Cambridge Technicals

Business

Unit 10: Economics for business

Level 3 Cambridge Technical in Business
05878

Mark Scheme for June 2024

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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MARKING INSTRUCTIONS

PREPARATION FOR MARKING

MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the 50% Batch 1 and 100% Batch 2 deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or by email.
5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners must give candidates the benefit of the doubt and mark the crossed out response where legible.

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. (The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)

Short Answer Questions (requiring a more developed response, worth **two or more marks**)





If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages at the end of the response (and any additional lined pages if present) in case any answers have been continued there. If the candidate has continued an answer there then add an annotation to confirm that the work has been seen.
7. Assistant Examiners may email a brief report on the performance of candidates to your Team Leader (Supervisor) by the end of the marking period. Your report should contain notes on particular strength displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

8. Annotations

Annotation	Meaning	Annotation	Meaning
	Tick – correct, mark awarded	L1	Level 1 (Knowledge)
	Cross – incorrect, mark not awarded	L2	Level 2 (Understanding)
	Meaning of response unclear	L3	Level 3 (Analysis)
NAQ	Not answered question	L4	Level 4 (Evaluation)
TV	Too vague	CONT	Response is contextual
BOD	Benefit of doubt	SEEN	Noted but no credit given
REP	Same point repeated	BP	Blank page
OFR	Own figure rule		Highlight

9. Subject-specific marking instructions

For Level of Response marked questions marked over 4 levels, the candidate can access at L1 or L2. In either case, they can analyse the point made and proceed directly to L3.

L3 analysis is required before L4 can be accessed.

Question		Answer	Marks	Guidance
1	(a)	<p>Determinants may include:</p> <ul style="list-style-type: none"> • complements • substitutes • (consumer) income • tastes and fashion • time of year / weather • advertising • interest rates • future expectations. <p>Exemplar responses:</p> <p>A fall in the price of substitutes (1) will increase their demand (1) so that demand for your product will fall (1).</p> <p>Increased advertising (1) will make customers more aware of the product (1) so demand will increase (1).</p> <p>A fall in consumer income (1) will reduce their spending power (1) so demand will fall (1).</p>	9	<p>For each of three determinants of demand, one mark for naming a determinant, one mark for the explanation and one mark for analysing its effect on demand for a product.</p> <p>NB: No reward for price or location.</p>
1	(b)	<p>Responses may include:</p> <ul style="list-style-type: none"> • marketing (1) – larger firms can benefit from more effective methods of marketing (1) • purchasing (1) – raw materials can be bought in bulk at a cheaper rate (1) • financial (1) – loans can be negotiated at a lower rate of interest (1) • technical (1) – can afford more effective/efficient capital equipment (1) • managerial (1) – specialist managers can be employed (1) • risk bearing (1) – larger firms can diversify into different products (1). 	4	<p>For each of two causes:</p> <ul style="list-style-type: none"> • one mark for naming the economy of scale • one mark for describing how it occurs. <p>The description does not need to show how the unit costs may fall.</p> <p>No reward for ‘technological’ economies of scale</p>

Question		Answer	Marks	Guidance
1	(c)	<p>An increase in supply by rival costume hire businesses may mean:</p> <ul style="list-style-type: none"> • excess supply / increased competition • (market) supply curve shifts to the right • a fall in price • customers buy from rivals • leads to a fall in demand • find it difficult to obtain supplies • look for different markets to sell to • need to become more innovative. <p>An increase in demand from theatre and TV companies may mean:</p> <ul style="list-style-type: none"> • shortages (excess demand) • demand curve shifts to the right • an increase in price • increased brand recognition • able to expand. <p>A change in PED from - 1.5 to - 0.6 may mean:</p> <ul style="list-style-type: none"> • demand is more price inelastic / less price elastic • increased volatility of price changes • demand less volatile to price changes • increased menu costs • able to put prices up. <p>Exemplar responses:</p> <p>Any extra supply may cause prices to fall (1) which may force a small business (CONT) such as Lookalike Ltd to leave the industry (+2).</p> <p>The extra demand may push prices up (1). This may provide Lookalike Ltd with the finance to be able to pay for a higher position on search engines (CONT) which will help sales to increase (+2).</p>	9	<p>For each of three changes in the market:</p> <ul style="list-style-type: none"> • one mark for explanation of the change <p>PLUS</p> <ul style="list-style-type: none"> • two marks for a contextual analysis of the impact on Lookalike Ltd. [CONT annotation required.] <p><u>or</u></p> <ul style="list-style-type: none"> • one mark for a non-contextual analysis of the impact on a business. <p>Candidates may draw a supply & demand diagram to show analysis of the impact (but this is not required).</p> <p>Any impact <u>must</u> be on the business and not the customer or any other stakeholder.</p>

Question			Answer	Marks	Guidance
			Demand has become more price inelastic (1) . This would mean the business could more easily put its prices up, even though it operates in a highly competitive market (CONT) (+2) .		
2	(a)		<p>Cyclical unemployment:</p> <ul style="list-style-type: none"> caused by changes in the business cycle or the economy (1) less demand / recession / slump in the economy means more unemployment (+1) growth / boom in the business cycle increases employment (+1) <p>Structural unemployment:</p> <ul style="list-style-type: none"> workers with a set of skills cannot find a job (1) caused by long-term decline in an industry/sector (+1) due to deindustrialisation (+1) <p>Frictional unemployment:</p> <ul style="list-style-type: none"> out of work for a short period of time (1) caused by workers moving between jobs (1) due to time lags between employment (+1) time taken for people to retrain / get new skills (+1) takes time for the labour market to match vacancies with those looking for work (+1) 	6	<p>For each term:</p> <ul style="list-style-type: none"> One mark for knowledge of the cause <p>PLUS</p> <ul style="list-style-type: none"> One <u>further</u> mark for an explanation of how it occurs.
2	(b)	(i)	<p>Examples of direct taxation:</p> <ul style="list-style-type: none"> income tax corporation tax (tax on profits) national insurance. 	1	<p>One mark for a correct example.</p> <p>Also accept inheritance tax, council tax, and capital gains tax (as they are <u>not</u> indirect taxes).</p> <p>No reward for import taxes.</p>

Question			Answer	Marks	Guidance
2	(b)	(ii)	<p>Answers may include:</p> <ul style="list-style-type: none"> • direct taxes are placed on income • direct taxation is usually progressive • indirect taxes are paid on spending • indirect taxation is usually regressive • progressive taxation will place proportionally more tax on richer people • any money raised in taxation can be spent by government on benefits for the less well off. <p>Exemplar response: Government can place direct taxes on income (1) which are progressive (1). This means that the rich are taxed more than the poor (1) and this money can be spent on benefits for the less well off (1).</p>	4	<p>One mark for each valid point of explanation to a maximum of four such points.</p> <p>For full marks an answer must contain specific reference of switching money from the rich to the poor.</p>
2	(c)		<p>Use level of response criteria.</p> <p>The impact on barriers to entry may come from:</p> <ul style="list-style-type: none"> • lower costs of entry as marketing can be done via websites and social media • a very expensive/detailed website may be a sunk cost but less so with social media • high costs of getting a prominent position in all of the search engines • able to build up a strong brand image / brand loyalty • less easy to patent ideas / may fall foul of more 'copycat' firms. <p>Exemplar responses: It may lead to lower sunk costs (L1) as social media can show costumes available worn by customers (L2) which can be virtually cost free (L3).</p>	9	<p>Levels of response</p> <p>Level 3 (7 – 9 marks) Candidate analyses how the internet may affect barriers to entry into the costume market.</p> <p>Level 2 (4 – 6 marks) Candidate explains how the internet may affect barriers to entry.</p> <p>Level 1 (1 – 3 marks) Candidate identifies a barrier to entry created or reduced by the internet.</p> <p>The upper mark of each level can be awarded for clarity of response.</p>

Question			Answer	Marks	Guidance
			A strong brand image can more easily be achieved (L1) as a costume hire business can target niche markets on specialised websites (L2) . This will allow a new business to enter a market and grow more quickly (L3) .		Ensure that any answer is considering the impact on barriers to entry rather than the general uses a business may make of (or how it may be affected by) the internet.
3	(a)		<p>Answers may include:</p> <ul style="list-style-type: none"> the CMA is the UK's competition regulator (1) prevents large companies from forming (1) which may exploit consumers (1) regulates monopolies (1) so that prices are not too high (1) monitor/regulate prices (1) so that consumers are not forced to pay too much (1) enforces laws (1) so that consumers are able to gain compensation (1) reduces power of dominant firms (1) so that they act in the public interest (1) <p>Exemplar response: The CMA implements laws (1) so competition is carried out fairly (1) and business acts in the public interest (1).</p>	3	<p>One mark for each valid point of explanation to a maximum of three such points.</p> <p>One mark may be awarded for knowledge about the CMA.</p> <p>No reward for reference to 'strengthening consumer protection' as that is in the question.</p> <p>Answers need to be about aspects of competition law, rather than consumer law.</p>
3	(b)		<p>Use level of response criteria.</p> <p>Relevant information may include:</p> <ul style="list-style-type: none"> the £ has fallen / depreciated against the \$ the £ has been more volatile against the € which may affect ability to set a constant price overall, the £ has appreciated against the € a depreciation increases the cost of imports an appreciation decreases the cost of imports changes in the exchange rate may have an impact on interest rates may affect costs of imported raw materials may affect prices of imported competitive goods 	8	<p>Levels of response</p> <p>Level 4 (7 – 8 marks) Candidate evaluates impact(s) of changes in the sterling exchange rate on Lookalike Ltd.</p> <p>Level 3 (5 – 6 marks) Candidate analyses impact(s) of changes in the sterling exchange rate on a business.</p> <p>Level 2 (3 – 4 marks) Candidate explains changes in the sterling exchange rate.</p>

Question			Answer	Marks	Guidance
			<ul style="list-style-type: none"> may affect a firm's pricing decisions may affect a firm's competitiveness may affect decisions about how much to import from a country or which country to import from. <p>Exemplar response: The falling exchange rate against the US Dollar (L1) means that the cost of imports will be dearer (L2) so that prices may have to rise or profit margins fall (L3). However, Jane may decide to buy more costumes from Europe (L4) as Sterling has recently appreciated against the Euro (CONT) which will make imports cheaper.</p>		<p>Level 1 (1 – 2 marks) Candidate identifies changes in the sterling exchange rate.</p> <p>L1 – what has happened to the £ to \$/€ exchange rate (no credit for a simple description of the changes in the rate) L2 – what will happen to the costs of imports/exports L3 – how may a business be affected by or respond to this L4 – to what extent is this going to affect Lookalike Ltd</p> <p>Needs to be clear which exchange rate is being referred to for any reward.</p>
4	(a)		<p>Responses may include:</p> <ul style="list-style-type: none"> wider access to markets extends product lifecycles increased market share/penetration can overcome domestic limitations access to more / better suppliers (easier to source) lower costs due to location of production / suppliers more competitive / bargaining power. 	3	<p>One mark for each correct answer up to a maximum of three marks.</p> <p>No reward for 'lower production costs' or 'economies of scale' without some sense it is due to international trade.</p> <p>No reward for statements such as 'more profit' which are not specific to international trade.</p>

Question		Answer	Marks	Guidance
4	(b)	<p>Use level of response criteria.</p> <p>Responses regarding plastic pollution in the oceans may include:</p> <ul style="list-style-type: none"> increased awareness by the public about single use plastics (and use of plastic in general) may need to use different packaging materials possible impact on the condition of products during transportation each costume needs new plastic packaging each time it is hired out for hygiene reasons. <p>Responses regarding the growth in containerisation may include:</p> <ul style="list-style-type: none"> decreases the unit costs of transporting goods allows smaller firms to benefit from economies of scale enables products to be transported in bulk over long distances increased levels of shipping and pollution around the world current concerns about delays at many ports which handle containerisation. <p>Responses regarding possible exploitation of workers in MINT countries may include:</p> <ul style="list-style-type: none"> can reduce costs of goods level of publicity about the exploitation of workers in low-wage countries creates jobs which might not otherwise exist local pressure groups may create a difficult operating environment for Lookalike Ltd, especially with two of its employees involved. 	16	<p>Levels of response</p> <p>Level 4 (13 – 16 marks) Candidate evaluates which global issue is likely to have the greatest impact on Lookalike Ltd.</p> <p>Level 3 (9 – 12 marks) Candidate analyses impact(s) of the global issue(s) on a business.</p> <p>Level 2 (5 – 8 marks) Candidate explains the global issue(s).</p> <p>Level 1 (1 – 4 marks) Candidate identifies the relevance of the global issue(s).</p> <p>Candidate must explicitly select which issue has the greatest impact (with valid justification (following previous analysis)) to be awarded Level 4.</p> <p>Award 13 marks for a generic argument about the main issue, e.g., the level of plastic pollution is the most significant issue because it is something that an individual business can do something about easily. (L4)</p> <p>Award 14 marks for a contextual argument about the main issue, e.g., the level of plastic pollution is the most significant issue because Lookalike Ltd uses a large amount of plastic in every single product hired out. (L4) (CONT)</p> <p>Award 15 marks for a comparative, generic argument about the main issue, e.g., the level of plastic pollution is the most significant issue for a business because this has received huge amounts of publicity recently, whereas the</p>

Question			Answer	Marks	Guidance
			<p>Exemplar response:</p> <p>The issue of plastic pollution may be an issue for this business due to every item using a new plastic bag (L1) so it may suffer a customer backlash if they do not change this (L2). Lookalike Ltd would need to find an alternative to plastic to package costumes which may increase costs (L3).</p> <p>Containerisation is not currently an issue for Jane, but she is looking to import from more distant countries (L1). Any delays could lead to the business not having enough costumes to rent out (L2) although Jane would have access to cheaper imports which may help to improve her profit margins (L3).</p> <p>Jane has been looking to buy costumes from MINT countries (L1). There may be public unease about using workers in MINT countries (L2) which may mean customers buy from other companies in such a highly competitive industry (L3).</p> <p>Given the large amount of plastic used in the packaging of costumes (CONT), the publicity surrounding plastic pollution may cause Jane the most trouble and affect her sales (L4) as it may be difficult to find an alternative. On the other hand, she can avoid the issues of containerisation and exploitation of workers. Continuing to buy from the USA and Italy may work out cheaper in the long run by avoiding these unnecessary complications (L4).</p>		<p>issues surrounding containerisation are less well publicised and other options are available. (L4) (L4)</p> <p>Award 16 marks for a comparative, contextual argument about the main issue, e.g., the level of plastic pollution is the most significant issue for Lookalike Ltd as it uses plastic in every costume hired out, whereas the issues surrounding containerisation and exploitation of labour in MINT countries will only be relevant if Jane decides to buy from Nigeria or Indonesia. (L4) (L4) (CONT)</p> <p>L1 – additional knowledge of the issue or how this business is linked to it L2 – impact on other stakeholders or how it is seen as an issue for the business L3 – a specific impact on the business or how it may respond</p>
5	(a)		<p>A policy which increases the <u>productive potential</u> of the economy (2)</p> <p>Policies aimed at making markets/industries <u>operate more efficiently</u> (2)</p> <p>Increases the ability to make more products (1)</p>	2	<p>Two marks for an accurate answer.</p> <p>One mark for a general idea of the term, e.g.</p> <ul style="list-style-type: none"> • some reference to producing more (not supply) • an example of a supply side policy

Question		Answer	Marks	Guidance
5	(b)	<p>Use level of response criteria.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> supply side policy will encourage improved efficiency and competitiveness in the provision of products more consumer spending will increase demand hire costumes (especially consumed by individuals) would be considered as non-essential fewer regulations will decrease the costs of setting up a business lower barriers to entry may lead to increased numbers of competitors will need to consider price changes (could be lower due to more competition or higher due to more demand) need to improve website to take advantage of increased demand (and if competition increases) may decide now able to spend money on increasing position in search engines (SEO – search engine optimisation) may consider increasing range of costumes available. <p>Exemplar response:</p> <p>The marketing function will need to consider spending more money on promotion (L1) so that more customers are aware of the business (L2). This may allow it to earn more revenue from the increased consumer spending on non-essential products (L3).</p> <p>The firm may also be able to increase prices (L1) so that Jane can spend more money advertising on website search engines (L2) to counteract the likely increase in start-up business (L3).</p>	16	<p>Levels of response</p> <p>Level 4 (13 – 16 marks) Candidate evaluates how the marketing function of Lookalike Ltd should respond to the outcomes of the policy changes.</p> <p>Level 3 (9 – 12 marks) Candidate analyses how the marketing function should respond <u>to the outcomes of the policy changes</u>.</p> <p>Level 2 (5 – 8 marks) Candidate explains how the marketing function should respond.</p> <p>Level 1 (1 – 4 marks) Candidate identifies how the marketing function should respond.</p> <p>Award 13 marks for a basic generic argument about the response by the marketing function, e.g., it is most important to make a decision about price changes (no context). (L4)</p> <p>Award 14 marks for a supported generic evaluation about the response by the marketing function, e.g., it is vital to make a decision about price changes as consumers now have more money so will be willing to spend more on non-essential products (no context). (L4) (L4)</p> <p>Award 15 marks for a basic contextual argument about the response by the marketing function, e.g., as Lookalike Ltd provides a non-essential service, it should increase the price of its hire costumes with consumer income increasing (with context). (L4) (CONT)</p>

Question			Answer	Marks	Guidance
			It may be time for the marketing function to change the name of the business to something which will gain a higher placing in search engines (CONT)(L4) . Jane needs to consider whether this is a cheaper option than paying for an advertised slot on search engines. This may depend on how much more competition is created because of the supply side policies introduced (L4) .		<p>Award 16 marks for a supported contextual argument about the response by the marketing function, e.g., Lookalike Ltd may find that with increased levels of competition it really needs to spend money on improving its position on search engines. Otherwise, it may lose business to firms with names which are more obviously connected with costume hire (with context). (L4) (L4) (CONT)</p> <p>No reward for a response of 'increase marketing activities' – there needs to be a specific marketing-based response.</p> <p>Ensure that any suggested response would be part of the marketing function.</p>

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