

## Friday 17 January 2025 – Afternoon

### Level 3 Cambridge Technical in Business

#### 05878 Unit 10: Economics for business

Time allowed: 2 hours

C427/2501



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)

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Last name

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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. 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.

Read the scenario below.

### **Casa Don Pepe**

Casa Don Pepe is a tapas restaurant located in a popular tourist area in Brighton, on the south coast of England. Tapas are Spanish hot and cold snacks which can be combined to make a full meal. Tapas include meat, fish, and vegetarian snacks. There are nearly 100 restaurants within a 2 kilometre radius of Casa Don Pepe; the market is monopolistically competitive.

Ryan and Sam set up Casa Don Pepe as a partnership in 2013. Although neither is a qualified chef, they have always enjoyed visiting tapas restaurants whilst on their family holidays. Ryan and Sam currently employ four qualified chefs, six kitchen assistants, and five serving staff, all on a part-time basis.

Ryan and Sam buy most of their supplies from local specialist butchers, fishmongers, and organic farms. However, some of the more specialised meat products must be imported from Spain. Recent high levels of UK inflation mean that Ryan and Sam have wondered whether they should import more of their ingredients.

Casa Don Pepe has always operated from the same site. Local health and safety inspectors have recently identified that the current kitchen will need modernising, due to new government regulations. However, Ryan and Sam have already decided to move the business to larger premises less than 200 metres from the current site. The move will allow them to have a larger and more modern kitchen. They will be able to serve more customers and expand the menu. This should also lead to economies of scale.

When they move to the new site, Ryan and Sam would like to employ some staff on full-time contracts. However, most of their current staff prefer to work part-time. The local labour market is close to full employment. The business may therefore need to look abroad to recruit full-time staff.

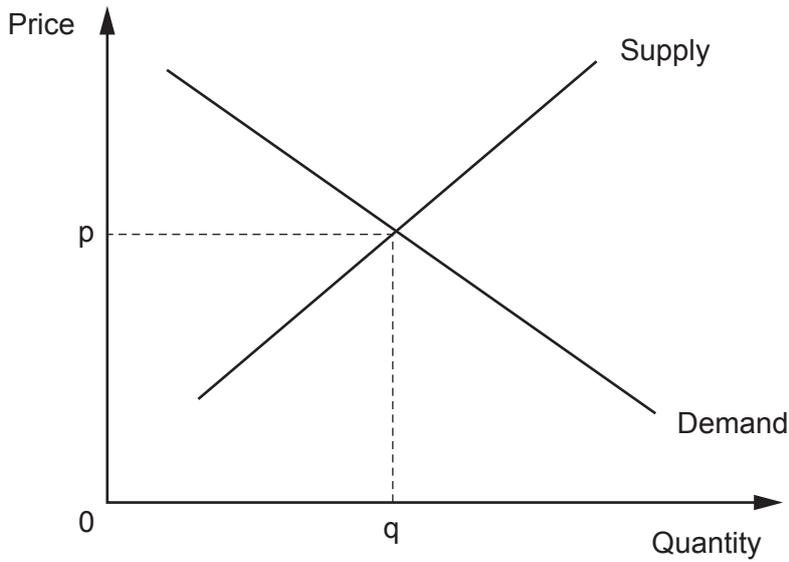
The UK economy has experienced a lot of change recently. After a long period with a stable currency, the UK exchange rate has been fluctuating up and down. It has been difficult to predict which way it will move next.

To try to improve the economic situation, the UK government has announced a number of fiscal policy measures. In addition, changes to supply side policies have been announced to help UK businesses. Ryan and Sam are hopeful that the policies so far announced will help them when they move to their new site.

As the business expands, there are two issues which Ryan and Sam want to focus on. First, the possible threats to the UK economy from global issues. Second, how to respond to a shortage of available labour as more restaurants open locally.

1

(a) The diagram shows the equilibrium price ( $p$ ) and quantity ( $q$ ) in a market.



Explain **two** changes to the diagram which would cause the equilibrium price to increase.

1 .....

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2 .....

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[4]

(b) Explain **one** effect on a business of operating in a monopolistically competitive market.

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[2]



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3

(a) Identify which **two** of the following economic policies are examples of fiscal policy.

- Changes in the exchange rate
- Higher interest rates
- Increased government spending on unemployment benefits
- Increased trade union legislation
- Lower levels of corporation tax
- Quantitative easing

1 .....

2 .....

[2]

(b) State **three** ways that the UK competition regulator can affect business behaviour.

1 .....

2 .....

3 .....

[3]

(c) Analyse **one** impact on Casa Don Pepe of each of the following supply side policies: [9]

- an increased National Living Wage

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- increased local funding for training and education

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- more money spent on improving the UK road network.

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- 4
- (a) In the table below, identify with a tick (✓) whether each statement about global issues is true or false.

You should only place **one** tick in each row.

	True	False
An emerging market is likely to experience rapid economic growth		
The BRIC economies are Brazil, Russia, Indonesia, and China		
The World Trade Organisation (WTO) settles trade disputes		
Turkey is one of the MINT economies		

[4]





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