

Cambridge Technicals

Business

Unit 10: Economics for business

Level 3 Cambridge Technical in Business
05878

Mark Scheme for January 2025

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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

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 traditional 40% 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)	Reasons may include: <ul style="list-style-type: none"> • an increase (1) in (the) demand (curve) (1) • a movement of the demand curve (1) to the right/outward/expansion/upward (1) • excess demand (2) • a change in demand (1) • a decrease (1) in (the) supply (curve) (1) • a movement of the supply curve (1) to the left/inward/contraction/upward (1) • a limited supply (2) • a change in supply (1) 	4	<p>One mark for each correct reason up to a maximum of two, plus one mark for each of two developments.</p> <p>Accept a correct <u>change</u> in a supply/demand factor with a correct direction of change of that curve.</p> <p>No reward for changes in a supply/demand factor which would cause the relevant curve to move the wrong way (e.g., increase in supply or decrease in demand)</p> <p>No reward for a change in 'quantity'</p> <p>No marks for a contradictory answer, e.g., 'supply will increase and move to the left'.</p>
1 (b)	Effects may include: <ul style="list-style-type: none"> • need to keep prices low (1) as there will be a lot of competition (1) • need to keep costs down (1) so that prices can remain low (1) • will be a price taker (1) as business will have little market power (1) • will make differentiated products (1) to be able to compete / stand out (1) • need to develop a strategy to differentiate (1) as there will be many competitors (1) • will make minimal/no profit (1) due to the high degree of competition (1) 	2	<p>One mark for a correct effect, plus one mark for an explanation.</p> <p>There must be a clear effect on a business for an explanation to be rewarded.</p> <p>High level of competition is an explanation and not an effect (e.g., 'there is lots of competition so business may lose out on customers' is TV as there is no clear effect.)</p> <p>Accept references to making supernormal/abnormal profit in the short-run but only normal profit in the long-run.</p>

Question	Answer	Marks	Guidance
1	<p data-bbox="264 204 331 240">(c)</p> <p data-bbox="344 204 1057 240">Use levels of response criteria.</p> <p data-bbox="344 272 1057 309">Responses regarding costs of production may include:</p> <ul data-bbox="344 309 1057 555" style="list-style-type: none"> <li data-bbox="344 309 1057 373">• includes labour, machinery, rent, and material costs <li data-bbox="344 373 1057 437">• changes in costs are likely to lead to a similar change in price and/or profits <li data-bbox="344 437 1057 501">• increases may be avoided by finding cheaper sources of supply <li data-bbox="344 501 1057 555">• impact on price will be affected by PED. <p data-bbox="344 587 1057 624">Responses regarding government policy may include:</p> <ul data-bbox="344 624 1057 938" style="list-style-type: none"> <li data-bbox="344 624 1057 687">• includes H&S regulations, subsidies, grants, taxation, and changes to labour regulations <li data-bbox="344 687 1057 724">• changes in government policy may affect costs <li data-bbox="344 724 1057 788">• business is unlikely to have any option to avoid changes in government policy <li data-bbox="344 788 1057 852">• some policies may create improved economic conditions which a business can benefit from <li data-bbox="344 852 1057 938">• may be a significant time lag between a policy announcement and it being implemented. <p data-bbox="344 970 1057 1007">Exemplar response:</p> <p data-bbox="344 1007 1057 1134">Costs of production include labour and rent (L1). As the business moves to larger premises these costs may increase (L2), so that prices will have to be increased (L3).</p> <p data-bbox="344 1166 1057 1374">Changes in government policy, such as Health and Safety regulations (L1), will mean that a firm will have to make changes to their equipment or how they operate (L2). This may mean that the business will have to spend money so that profits may be reduced (L3).</p>	16	<p data-bbox="1218 204 2132 240">Levels of response</p> <p data-bbox="1218 272 2132 309">Level 4 (13 – 16 marks) Candidate evaluates which named supply factor will have the greatest impact on Casa Don Pepe.</p> <p data-bbox="1218 405 2132 442">Level 3 (9 – 12 marks) Candidate analyses how the named supply factors might affect a business.</p> <p data-bbox="1218 537 2132 574">Level 2 (5 – 8 marks) Candidate explains the named supply factors.</p> <p data-bbox="1218 638 2132 675">Level 1 (1 – 4 marks) Candidate identifies knowledge of the named supply factors.</p> <p data-bbox="1218 738 2132 850">Candidate must explicitly select which factor has the greatest impact (with valid justification (following previous analysis)) to be awarded Level 4.</p> <p data-bbox="1218 882 2132 978">Award 13 marks for a generic argument about the main factor, e.g., costs of production will have the greatest impact as these change on a more regular basis. (L4)</p> <p data-bbox="1218 1010 2132 1121">Award 14 marks for a contextual argument about the main factor, e.g., higher costs of production will have the greatest impact, as Casa Don Pepe is moving to larger premises. (L4) (CONT)</p> <p data-bbox="1218 1153 2132 1281">Award 15 marks for a comparative, generic argument about the main factor, e.g., government policy is the most significant because these cannot be avoided, whereas the business may be able to find cheaper suppliers if costs of production increase. (L4) (L4)</p> <p data-bbox="1218 1313 2132 1425">Award 16 marks for a comparative, contextual argument about the main factor, e.g., costs of production will be most significant as Casa Don Pepe wants to use local suppliers so cannot easily reduce costs,</p>

Question	Answer	Marks	Guidance
	<p>Although Casa Don Pepe is moving to new premises (CONT) any increase in costs may be limited as they are expecting to gain from economies of scale (L4). However, as a food producer, changes to health and safety regulations would have a <u>more</u> significant impact on the business (L4).</p>		<p>however the higher health and safety regulations can be avoided by moving to new premises. (L4) (L4) (CONT)</p> <p>NB: Answers may make use of supply and diagrams to show explanation and analysis, but they are NOT required.</p> <p>L1 – specific examples of the supply factor L2 – explains the supply factor (e.g. how it may affect the supply curve or would work without considering the impact on a business) L3 - a specific impact on a business or how it may respond</p>
1	<p>(d) Use levels of response criteria.</p> <p>Responses may include:</p> <ul style="list-style-type: none"> • marketing economies of scale • purchasing (bulk-buying) economies • financial economies • technical economies • managerial economies • risk-bearing economies • external economies. <p>Exemplar responses:</p> <p>One economy of scale is bulk-buying (L1) which means that it can buy raw materials at a discount the more it buys (L2). This may allow a business to reduce its prices (L3).</p> <p>Another example is managerial economies of scale (L1). If Sam focuses on just two areas of management, he will become more specialised and efficient (L2). This should mean that he makes better decisions and fewer mistakes so that the business experiences lower <u>unit</u> costs (L3).</p>	9	<p>Levels of response</p> <p>Level 3 (7 – 9 marks) Candidate analyses the impact(s) of economies of scale on a business.</p> <p>Level 2 (4 – 6 marks) Candidate explains how economies of scale may affect a business.</p> <p>Level 1 (1 – 3 marks) Candidate identifies knowledge about economies of scale.</p> <p>NB: The impact should be on the business' unit/average costs, rather than total costs.</p> <p>NB: An answer which only considers economies of scale in general (linking increased output to lower unit costs without a specific example) can be awarded the lowest mark at each level of response.</p>

Question	Answer	Marks	Guidance
2 (a)	Responses may include: <ul style="list-style-type: none"> • the number of people available/seeking work (1) • currently without a job (1) • uses the ILO definition of unemployment (1) • individuals who have been out of work for at least 4 weeks (1) • individuals who can start work in the next 2 weeks (1) • carried out by using a questionnaire/census (1) • takes a representative sample of the population (1) • based on a sample of 23,000 households (1) • each household stays in the sample for 5 consecutive quarters (1) 	4	One mark for each rewardable point, up to a maximum of four marks. Accept reference to 60,000 or 37,000 households per quarter and 100,000 individuals (as this is old data still quoted in many sources).
2 (b)	Correct answers are: <ul style="list-style-type: none"> • demand-pull (e.g., <u>increased</u> consumer income / spending, <u>too much</u> GDP, <u>low</u> interest rates) • cost-push (e.g., production costs, import costs, low exchange rate, wage costs, <u>high</u> interest rates) 	2	One mark for each correct cause, up to a maximum of two marks. No reward for 'increase in demand' or 'decrease in supply'. Economic growth is TV .
2 (c)	A constant level of currency (exchange rate) over a period of time (2) A predictable and non-volatile currency (exchange rate) (2) Exchange rates do not change much/often (1) Currency maintains its value (1)	2	Two marks for a full answer, e.g., <ul style="list-style-type: none"> • a constant exchange rate over a period of time. One mark for a general idea of the term, e.g., <ul style="list-style-type: none"> • little movement • value is maintained. NB: Do NOT reward tautological answers, e.g., 'the currency is stable'

Question	Answer	Marks	Guidance
2 (d)	<p>Use levels of response criteria.</p> <p>Responses may include:</p> <ul style="list-style-type: none"> the exchange rate is the price of one currency in terms of another when the exchange rate is low (£1=€1.15) imports will be more expensive (exports will be more competitive) when the exchange rate is high (£1=€1.30) imports will be cheaper (exports will be less competitive) unstable exchange rates may cause uncertainty for the business Casa Don Pepe will only be affected by the cost of imports as they do not export ability to attract staff from overseas may be affected by the exchange rate (if employees intend to send some of their earnings back 'home' to support family) some ingredients must be imported (i.e., Spanish meats) the business is looking to buy more imports due to higher domestic inflation changes in imported ingredient prices will affect profit margins or will lead to prices constantly changing. <p>Exemplar response: Changes in a country's exchange rate will affect the price of imports and exports (L1). When it is low imports will be more expensive but cheaper when the exchange rate is higher (L2). When the exchange rate is fluctuating as much as recently, this means that the business will see regular changes to its costs of Spanish meats so will never know how much profit will</p>	16	<p>Levels of response</p> <p>Level 4 (13 – 16 marks) Candidate evaluates how recent changes in the exchange rate may affect Casa Don Pepe.</p> <p>Level 3 (9 – 12 marks) Candidate analyses how changes in the exchange rate have an impact on a business.</p> <p>Level 2 (5 – 8 marks) Candidate explains changes in the exchange rate.</p> <p>Level 1 (1 – 4 marks) Candidate identifies knowledge about exchange rates.</p> <p>Award 13 marks for a basic generic argument about the impact on a business, e.g., may make it more difficult to reliably set prices (no context). (L4)</p> <p>Award 14 marks for a supported generic argument about the impact on a business, e.g., it will make it more difficult to reliably set prices as costs of ingredients will be changing in an unpredictable manner (no context). (L4) (L4)</p> <p>Award 15 marks for a basic contextual argument about the impact on Casa Don Pepe, e.g., it may discourage Ryan and Sam from buying more of their ingredients from abroad (with context). (L4) (CONT)</p> <p>Award 16 marks for a supported contextual argument about the impact on Casa Don Pepe, e.g., it may discourage Ryan and Sam from buying more of their ingredients from abroad as without a stable exchange rate they will never be sure what profit margin they are operating at (with context). (L4) (L4) (CONT)</p>

Question	Answer	Marks	Guidance
	be made on each dish (L3) . It may ultimately affect Ryan and Sam's decision whether to increase their imports of raw materials (CONT) as they will be unsure whether it will be a profitable option (L4) . It may ultimately be a safer option to keep using their local suppliers and accept the more predictable nature of UK inflation (L4) .		

Question	Answer	Marks	Guidance
3	<p>(a) Correct answers are:</p> <ul style="list-style-type: none"> • Increased government spending on unemployment benefits • Lower levels of corporation tax 	2	<p>One mark for each correct selection, up to a maximum of two marks.</p> <p>NB: No reward for any answers not on the list</p>
3	<p>(b) Responses may include:</p> <ul style="list-style-type: none"> • <u>prevent</u> mergers/takeovers • monitor/regulate prices • investigate anti-competitive behaviour • enforce consumer protection laws • encourage more competition • prevent/punish collusion (cartels) • break up large/dominant firms. 	3	<p>One mark for each correct answer, up to a maximum of three.</p> <p>NB: Accept answers which refer to business behaviour as a result of rules set by the competition regulator (e.g., charge lower prices to prevent regulation).</p>
3	<p>(c) Answers about an increased National Living Wage may include:</p> <ul style="list-style-type: none"> • a minimum wage which must be paid to all those over the age threshold (currently 21, was 23) • will increase the costs of employment • may lead to more workers willing to work • will increase levels of disposable income • may encourage higher levels of productivity. <p>Answers about increased local funding for training and education may include:</p> <ul style="list-style-type: none"> • helps to improve the employability of local people by improving their ability to work • leads to an increase in the local supply of labour • will make it easier to find suitable staff • may lead to a reduction in employment costs. <p>Answers about more money spent on improving the UK road network may include:</p>	9	<p>For each of three supply side policies:</p> <ul style="list-style-type: none"> • one mark for knowledge of the policy/impact <p>PLUS</p> <ul style="list-style-type: none"> • two marks for a contextual analysis of the impact on Casa Don Pepe. [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>NB: NLW age threshold has recently changed to 21, however accept 23 as it was in force within the last two years.</p> <p>No reward for answers about any negative impact while improvements to the road network are carried out.</p>

Question	Answer	Marks	Guidance
	<ul style="list-style-type: none"> • will improve travel times for employees, transportation of raw materials, and tourists • will lead to more people travelling to Brighton on holiday • may be able to recruit employees from further away • taxation may increase to pay for this spending. <p>Exemplar responses: A higher living wage will lead to higher wage costs (1). As Casa Don Pepe is looking to employ staff full-time (CONT) this may lead to fewer staff being employed than originally planned (+1).</p> <p>Will lead to more people in the local labour market having the right employment skills (1). As the local labour market is close to full employment (CONT), it will help Casa Don Pepe to recruit more staff as it expands (+1).</p> <p>As Casa Don Pepe is located in a popular tourist area (CONT) more people may be able to travel to the area on better roads (1). This will lead to more potential customers for the business (+1).</p>		

Question		Answer		Marks	Guidance	
4	(a)		True	False	4	<p>One mark for each correct answer.</p> <p>No reward if two answers appear in any one row.</p>
		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	(b)	<p>Use levels of response criteria.</p> <p>Relevant information may include:</p> <ul style="list-style-type: none"> • gives wider access to different ingredients • able to overcome any domestic limitations (e.g., availability of quality ingredients or authentic/specialised items) • imports may be lower cost • may allow you to charge lower prices and/or higher profits • may be better quality so you have a competitive advantage • may allow more money to be spent on the planned expansion • will the benefits outweigh any costs (such as fluctuating exchange rates and transportation costs)? 		8	<p>Levels of response</p> <p>Level 4 (7 – 8 marks) Candidate evaluates benefit(s) for Casa Don Pepe of importing more ingredients.</p> <p>Level 3 (5 – 6 marks) Candidate analyses benefit(s) of importing ingredients for a business.</p> <p>Level 2 (3 – 4 marks) Candidate explains benefit(s) of importing ingredients.</p> <p>Level 1 (1 – 2 marks) Candidate identifies benefit(s) of importing ingredients.</p> <p>The question asks for 'benefits', so 2 benefits need to be considered to award the top of any level.</p>	

Question	Answer	Marks	Guidance
	<p>Exemplar responses: Buying more imported ingredients may be less expensive (L1) which will help Casa Don Pepe to overcome the high rate of UK inflation (CONT). This will allow the business to keep its prices low (L3) so that demand will increase as it expands. However, these lower prices may be offset by the increased administration issues of importing, especially as Ryan and Sam are running the business on their own (L4).</p> <p>It may allow the business to gain access to more specialised products (L1) such as the Spanish meats (CONT). This will mean Casa Don Pepe can have more authentic products (L2) which may help it to gain more customer revenue (L3). This may be particularly important given the large number of competitors in such a small area of Brighton (L4).</p>		

Question	Answer	Marks	Guidance
5	<p>Responses may include:</p> <ul style="list-style-type: none"> • increase recruitment and selection activities • look to other markets (e.g., abroad) to recruit staff • need to be less selective when hiring new staff • more training / appraisal needed • retrain existing staff • ask current staff to work more hours (more full-time) • increase motivational methods • consider payment levels and methods • changes to benefits (financial or non-financial) • improve workforce planning • need for trade union recognition • improved communication systems • improve workplace conditions/safety. <p>Exemplar responses:</p> <p>More training (1) so that workers feel more appreciated (1) and are less likely to leave and need replacing (1).</p> <p>Increased recruitment activities (1) advertising vacancies in local media (1) to ensure that potential employees choose them over competitors (1).</p> <p>Improve workforce planning (1) to better forecast labour needs (1) so the business can recruit in a timely manner (1).</p>	9	<p>For each of three responses by the human resources function, one mark for a correct response, one mark for an explanation and one mark for analysing its effect on a business.</p> <p>Ensure that each answer is clearly different from the others.</p> <p>The response should be relevant to there being a shortage of available labour.</p> <p>No reward for a response of 'increase HR activities' – there needs to be a specific HR-based response.</p> <p>Ensure that any suggested response would be part of the HR function.</p>

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