

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

Examiners' report

BUSINESS

05834–05837, 05878

Unit 10 January 2025 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. 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.

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Unit 10 series overview

Candidate performance in this January session continues to show gains year on year. There were more very good scripts, scoring over 60 marks, and fewer very less successful scripts, scoring less than 20 marks. The main reason for the latter continues to be a high omit rate and lack of knowledge of basic economic concepts listed in the specification.

The context about a Tapas restaurant proved to be highly accessible, with many candidates making good use of the available context. Basic subject concepts, examined in Question 1, continue to be a limiting factor for many candidates.

Few candidates produced overly long responses which limited the need for the use of extra answer sheets.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
<ul style="list-style-type: none"> • had a wide-ranging understanding of most of the required economic concepts • recognised what skill needed to be shown in each response • produced an answer which was not repetitive and focused on the question being asked • made excellent use of the available context • did not omit any questions. 	<ul style="list-style-type: none"> • had very limited knowledge of any economic concepts • ignored or misunderstood the available context • wrote very short responses or left out more than one question • produced rambling and/or repetitive answers which made it difficult to follow the train of thought.

Question 1 (b)

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

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..... [2]

Very few candidates scored any marks on this question. This was for two reasons. First, not knowing the meaning of 'monopolistically competitive'; often thinking it meant there was only one producer in the industry. Second, stating what was true about a monopolistically competitive market without making clear what the effect on a business may be. Answers often stated that there would be 'lots of competition' without any indication as to how this would affect a business.

Exemplar 1

A monopolistic has several competitors who are all selling a similar product or service. They have to find a unique strategy to differentiate them from other businesses. - Homogenous product. [2]

This is a 2-mark answer. The effect on the business is that it must, 'find an [sic] unique strategy to differentiate' and this is because there are, 'several competitors who are all selling a similar product or service.' Many answers referred to the latter but without there being any effect on the business, leading to no marks being awarded.

Question 1 (c)

(c) Two determinants of supply are:

- costs of production
- government policy.

Analyse the impact on Casa Don Pepe of each of these factors.

Which factor is likely to have the greatest impact on Casa Don Pepe? Give reasons for your answer.

[16]

There were many excellent answers to this question. Typically, these answers looked at how a change in costs of production would affect prices, profit margins, or demand, followed by at least one example of government policy (often Health & Safety) and how it may affect prices or plans for expansion. Many of these answers then went on to make a reasoned decision, often by using the context. For example, how higher costs may be a significant issue when operating in such a competitive market, or how the impact of any government policy may be hard to ignore, given the consequences.

The one thing missing from many of these better answers was a clear comparison when making any decision. As the mark scheme makes clear, an answer cannot gain more than 14 marks without a comparative argument about the main factor.

Less successful answers were often unclear about what costs of production may change, or how they may affect a business. Also, changes which were not government policies, such as interest rates, inflation, or exchange rates, were often considered. A small number of candidates wrote about other determinants of supply (such as the weather) which gained no reward.

Question 1 (d)

(d) Analyse how economies of scale may affect Casa Don Pepe.

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..... [9]

The topic of economies of scale continues to be the least well answered by far. Many candidates omitted this question or wrote very brief answers. Others wrote at length but about topics as diverse as exchange rates, inflation, the need to employ more workers and the use of more technology, none of which had any reference to economies of scale.

The better answers easily gained most of the marks available by considering one or two examples, such as purchasing and technical economies of scale. These were then linked to the impact on unit costs and hence profit margins for the business, or the ability to reduce prices.

Question 2 (a)

2
(a) Describe how the Labour Force Survey (LFS) measures unemployment.

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..... [4]

This question was not well answered by most candidates. Few gained any marks as answers were about the measure being a survey which asked people (in some cases the whole population) about being employed or not, and how this data was then calculated as a percentage. Many answers confused the LFS measure with the claimant count.

Very few answers recognised the measure was only a sample and recorded who was without a job, available to work, and seeking employment.

Question 2 (b)

(b) State **two** causes of inflation.

1

2

[2]

This was intended as a simple question of recall, with the two general causes listed in the specification being demand-pull and cost-push. However, many candidates considered individual causes of inflation, such as higher costs of production or increased consumer income. These could be rewarded if they clearly would lead to cost or demand pressures.

A significant number of answers were too vague as they would not, in themselves, cause inflation. For example, 'an increase in demand' would not necessarily lead to inflation; it is excess demand which is the cause. Equally, an answer of 'GDP increasing' or 'exchange rates' will not automatically lead to inflation; there needs to be a direction and/or a degree of magnitude leading to the demand or supply pressure.

Question 2 (c)

(c) Explain what is meant by a 'stable currency'.

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..... [2]

Many answers gained 1 mark as they identified the constant/unchanging nature of the exchange rate. However, very few answers went on to gain 2 marks as they missed the key issue which was the long-term nature (or predictability) of the concept of 'stability' in Economics.

A number of answers gained no credit as they only contained references to how strong a currency is, or how levels of inflation or interest rates are linked to the currency.

OCR support



The specification for this qualification sets out the basic economic concepts which a candidate must be familiar with. Evidence from the previous four questions suggests that many candidates are not familiar with all these basic terms. Without this knowledge, a candidate is unlikely to perform well in this examination.

Question 2 (d)

(d) The UK exchange rate has been as low as £1 = €1.15 and as high as £1 = €1.30 in the past year.

Evaluate the impact on Casa Don Pepe of these changes in the UK exchange rate.

[16]

This was the least well answered of the two 16-mark questions. Many candidates wrote answers without any sense of what was happening to the exchange rate. For example, there would be reference to how the business may see cheaper or dearer exports because of changes in the exchange rate, but without stating which direction the exchange rate had moved.

Other less successful answers often scored no marks as the relationship between the movement in exchange rates and the impact on import prices was wrong. For example, many answers stated that a fall in the UK exchange rate led to import prices becoming cheaper, and vice-versa.

Better answers clearly explained how a high or low UK exchange rate would affect the business and, to gain analysis marks (Level 3), linked these cost changes to profit margins or changes in demand by consumers. A smaller number of answers recognised the real issue for the business here was one of uncertainty (leading on from the previous question). These answers considered the implications for a business which is reliant on importing its 'authentic' products, when it does not know from one month to the next what it will be paying for imports.

Very few candidates made any attempt to show evaluation in their answer. This could have been achieved by considering the most important impact for the business or considering why Casa Don Pepe would be affected due to the contextual issues it is facing. Exemplar 2 is one of these rare answers.

Exemplar 2

One impact is if the value of sterling is stronger like the conversion of £1 to €1.30 it will make importing cheaper for Casa Don Pepe. Especially, since they import specialized meat products from Spain. This means their will be reduced costs which reduces costs per unit and therefore leads to more profit. This profit can be used in the process of Casa Don Pepe expansion plan. For example, modernising the kitchen.

However, if the sterling depreciates in value like the conversion rate of £1 to €1.15 it will make importing more expensive for Casa Don Pepe. This means their will be increased costs per unit which lowers profit. This could impact their expansion plan by possibly delaying it till they can afford it.

Lastly, if the sterling value keeps fluctuating as it has, it can lower Casa Don Pepe's confidence as it is unpredictable how much their meat products/ ingredients will cost in the future. To avoid this, they may

choose to find a UK supplier which will compromise on the authenticity of the Tapas meals and or cost more. This can lead to less sales, less revenue and moreover less profit.

In conclusion, I think the unpredictable element of the exchange rates will most impact Casa Don Pepe as they cannot predict future prices on ingredients which will affect their menu costs and prices may need to be changed often which can upset customers and lead to a loss of reputation.

This is a very concise answer which scored full marks. The first two paragraphs consider how a high UK exchange rate makes imports cheaper, leading to increased profits (Level 3), and the opposite case. The third paragraph goes on to look at the issue of uncertainty and how this may cause the business to look for a local supplier which has an impact (Level 3) on the authenticity of its output.

The final paragraph of the answer comes to a supported conclusion (Level 4) that the unpredictability of the exchange rates is the biggest issue for Casa Don Pepe, with the effect this will have on its prices and customers.

Assessment for learning



Exchange rates are a key concept in the study of Economics, and it continues to be true that many candidates find them difficult to write about, or do not understand how they affect import and export prices. Two pieces of advice to consider in the classroom:

1. Candidates need to be clear which point of view they are considering when writing about a change in an exchange rate. 'The exchange rate is going up' is meaningless as a statement. Which exchange rate and from which country's point of view? An increase in the Sterling (UK) exchange rate against the euro is a decrease in the euro against Sterling. It matters, therefore, which way round the statement is made.
2. Some candidates clearly know the mnemonic 'SPICED' (they often write it in the margin of their answers) to help them to remember the exchange rate relationships, but many do not. 'Strong Pound, Imports Cheaper, Exports Dearer' is a simple way to ensure that candidates do not make basic mistakes when writing about exchange rates.

Question 3 (b)

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

- 1
- 2
- 3

[3]

This question asked for three ways in which the competition regulator operates in the UK. As is often the case, candidates showed a poor level of understanding of this topic. Many candidates gave answers which exceeded the remit of the regulator or focused on how a business may respond to regulation, rather than how they are affected.

Correct answers tended to focus on the way in which the regulator can prevent mergers, stop collusion, and investigate anti-competitive behaviour.

Misconception



Answers continue to show that candidates misunderstand the role of the UK's competition regulator. In many cases, candidates give the regulator power it does not have (for example, setting of laws, ensuring ethical standards, enforcing Health & Safety regulations, and even stopping firms from existing).

Centres need to make sure that candidates are better aware of what duties the competition regulator carries out.

Question 3 (c)

(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.

.....
.....

This question was very well answered, and it is also pleasing to report the increased number of answers which analysed while using the context. In most cases, answers contained a clear impact on the business.

The few less successful answers tended to miss the focus of the question, for example by considering the benefit of the extra funding for training or improved road networks for the individual, rather than the business.

Question 5

5 Analyse **three** ways the human resources function of a business may respond to a shortage of available labour. **[9]**

1

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2

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3

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Questions about the role of the different functional areas have traditionally been very poorly answered. However, performance on this question was slightly improved, with most candidates able to identify ways in which the HR function may respond. The key issue in this question was the response to 'a shortage of available labour', as opposed to carrying out 'typical' HR functions. Some candidates' answers lacked this focus. The best answers tended to consider solutions such as being less selective when hiring staff, looking abroad to recruit new employees, and increasing retention.

A small number of answers included responses which would have been outside the remit of the HR function, including reducing opening hours and deciding not to expand the business. Some less successful answers also suggested that a shortage of available labour meant that the business would need to make some of its workers redundant.

Exemplar 3

1 The HR department may compromise on the quality of workers they hire by expanding their criteria which will allow them to have a larger target of potential employees.

2 Another way is they may increase their advertising for recruitment. This will allow the vacancy to be viewed by more people increasing their chance of getting a new employee.

3 Furthermore, the HR department ^{may} want to increase the amount of training and development they do to existing employees. For example, in a restaurant, training a cleaner to become a waiter. This then means they can expand their search as now a less skilled worker can be interviewed to replace the vacancy of the cleaner (in the example).

Although this is the 9-mark question which does not require any reference to the context (the business name is not in the question) it still requires the skills of explanation and analysis. Many answers omitted at least one of these skills.

This exemplar has one 'complete' answer; the second of the answers states a way (more advertising of jobs), an explanation (so that more people will view any job vacancy) and an impact (it will increase the chance for a business to find a new employee).

The first answer is missing an explanation. 'Compromise on the quality' is knowledge and the impact is, 'a larger target of potential employees', but how does the former lead to the latter? For example, by compromising on the quality this would allow the business to reinterview people that they may have excluded in the past.

The third answer, 'increase training', is well explained with an example. However, the final sentence is more explanation. What is the impact for a business? This could be the extra cost of providing training, or how it may be quicker/easier to recruit a less well qualified person to carry out the cleaning role.

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