CAMBRIDGE TECHNICALS

Examiners' report

CAMBRIDGE TECHNICALS LEVEL 3 (2016)

BUSINESS

OCR Level 3 Cambridge Technical in Business

Certificate: 05834

Extended Certificate: 05835

Foundation Diploma: 05836

Diploma: 05837

Extended Diploma: 05878

Unit 10 Summer 2025 series

Contents

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. A selection of candidate responses is also provided. 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.

A full copy of the question paper and the mark scheme can be downloaded from Teach Cambridge.

Unit 10 series overview

Candidate performance in this session was less successful than that seen in the January sessions. Overall performance was also less successful than that seen in June 2024, with only a few scripts scoring over 55 marks. At the other extreme, several candidates gained less than 20 marks. The main reason for this continues to be a lack of knowledge of economic concepts listed in the specification as well as a very high omit rate on many questions.

The context about a graphics card producer proved to be accessible to many, although some candidates' responses suggested that they may not have read it.

Candidates who did well on this paper generally:	Candidates who did less well on this paper generally:
• had a good understanding of most of the required economic concepts • recognised what skill needed to be shown in each response • produced a response which focused on the question being asked • made good use of the available context • did not omit any questions.	• had little knowledge of any economic concepts • did not use or misunderstood the available context • omitted many questions • produced repetitive responses which made it difficult to follow any train of thought.

Question 1 (a)

1
(a) Explain what is meant by each of the following:

- oligopology

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- sunk costs.

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[4]

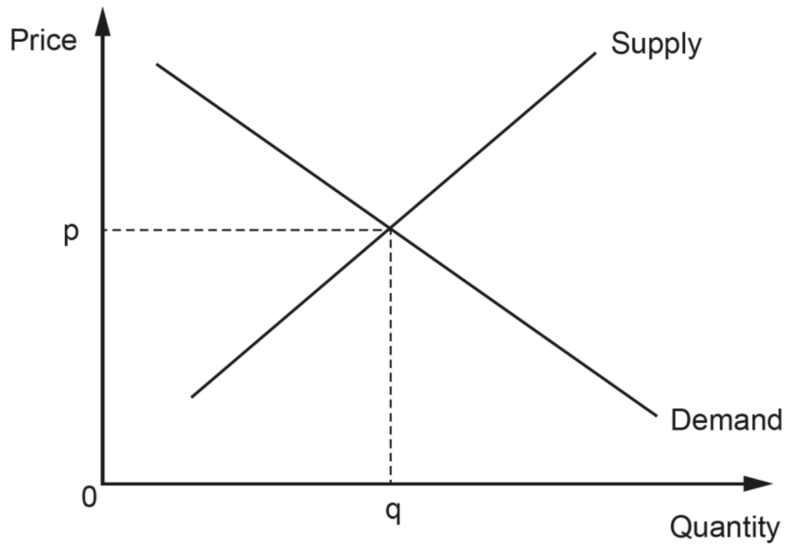
Few candidates were completely familiar with these two specification terms. Oligopoly was more successfully understood than sunk costs, with some responses to the latter seemingly guessed based on the idea that costs were falling fast or 'sinking'.

More successful responses recognised that an oligopoly contains few firms, although many mentioned that price competition would be high, whereas the opposite is true.

Question 1 (b)

(b) On the diagram, show the effect on equilibrium price (p) and output (q) in the graphics card market of an increase in labour productivity.

The market for graphics cards



[4]

Many candidates recognised that improved labour productivity would move the supply curve to the right (an increase) leading to a fall in price and increase in quantity. Some candidates missed out on all the marks as the diagram was not fully labelled.

Many candidates thought that supply would fall or that demand would be affected. These responses gained no marks. Many candidates did not attempt the question.

OCR support

Manipulation or interpretation of basic supply and demand diagrams is a fundamental part of the study of Economics. Centres would be advised to consider examples of this type of question already examined by looking at previous question papers and mark schemes.

Question 1 (c)

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....

.... **[8]**

Most candidates were able to write about the effect of substitutes on a business. Some misunderstood the term, thinking that it referred to substitutes that the business may consider when making the product; this would be a supply factor rather than a demand factor. It was quite straightforward to achieve a Level 3 mark by considering how any change in the price of a substitute may affect XTRME's demand so that the business may need to respond by reducing price or improving quality.

Fewer candidates were able to write appropriately about consumers' future expectations. There were plenty of responses which referred vaguely to what consumers wanted affecting what the business had to do. However, very few responses successfully identified future expectations as something which would primarily affect current consumer behaviour. For example, if a consumer knows that inflation is increasing or that a business is likely to launch a new product then their current consumption will be affected.

Very few of the responses which did achieve a Level 3 mark moved on to reach Level 4. The small number who did attempt to fully respond to the question by making a reasoned decision did so without making use of the context (see Exemplar 1).

Exemplar 1

Substitutes will have the greatest impact on XTRME plc because this will mean ~~customers~~ other businesses ~~will~~ will buy from other suppliers. This is because they may find graphic cards for cheaper or better quality. Because of this, XTRME plc may have to import their silicone from a different country than china. This will lead to them being able to order from countries that are closer and reduce delivery costs. Therefore businesses will be able to order from them more as they will get products faster and cheaper.

Consumers' future expectations may have the greatest impact on XTREME plc as it will allow ~~to~~ the business to know what customers may want ~~as~~ and be able to do it faster than competitors ~~as~~ This could be seen as senior workers pay close attention to their market. This will help them stand out as they will get demand increased due to having something new. This could lead to more customers who will be interested therefore leading to more profit that could be invested back into the business.

In conclusion, I believe ~~the~~ customers future expectations will have the greatest impact on XTRME plc as it can be forecasted into what customers may want in the future and do it faster than competitors to get those customers first. **[8]**

This response makes a successful attempt at considering both options. It starts by recognising what a substitute is and then considers a response by the business, namely that it may need to reduce its costs by finding a new supplier (a Level 3 response).

There is then a reasonable attempt to consider how future expectations may affect business behaviour by recognising that this business pays close attention to the market so that it may be successful in attracting new customers.

However, although there is reference to the context in the second paragraph, there is none in the decision in the final paragraph. Regardless of how good any judgement is, it cannot move into Level 4 without context. In this case, the candidate could have contextually justified their decision by referring to the fact that XTRME is the world leader or that it operates in a technically advanced market.

Question 1 (d)

(d) Analyse **one** impact on XTRME plc of each of the following elasticities of demand: **[9]**

- price elasticity of demand = –0.8

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....

....

- income elasticity of demand = +1.7

....

....

....

- cross elasticity of demand against computer games = –2.1.

....

....

....

Candidates' knowledge about different elasticities of demand continues to be quite weak. Some were able to gain 1 or 2 marks for price elasticity but very few understood that income elasticity of demand showed the relationship against income (with many responses still writing about changes in price). Even fewer candidates appeared to be familiar with the concept of cross elasticity of demand and some of those incorrectly stated that a negative sign meant products are substitutes.

The least successful responses suggested the value for price or income elasticity of demand meant that demand was decreasing or increasing (dependent on the sign). Many candidates omitted some or all the question and very few correct responses included any context. See Exemplar 2 for a range of different responses within the same response.

Exemplar 2

one impact on XTRME plc of having a price elasticity demand of -0.8 is that it is price inelastic. This means there wont be a big reaction to price change. Because of this, XTRME plc could increase their prices as customers will still buy from them. This is because of brand loyalty. This could lead to XTRME plc being able to increase their profit which could help them get an increase in better quality items.

- income elasticity of demand = +1.7

one impact on XTRME plc of having a income elasticity of demand being +1.7 is people will have more income. This could be bad as XTRME plc may have to increase workers wages. Because of this, they will have less money to put back into the business. This could lead to them getting unhappy customers who may go to competitors. Therefore, XTRME plc may get less profit.

- cross elasticity of demand against computer games = –2.1.

one impact on XTRME plc of having a cross elasticity of demand against computer games being -2.1 is that Computer games may be a complimentary item. This is because it is above 1. This means XTRME plc could sell the items together of a computer game and computer console. This will help them increase customers as they could ~~to~~ create a deal of buy one get on free which will increase customer demand.

This exemplar shows the range of responses seen. The response for price elasticity of demand is good. It identifies that a value of -0.8 means the product is price inelastic and that means the impact on the business is it can increase prices. The final two sentences add nothing to the response as there is no context.

The response for income elasticity of demand gains no marks. A value of +1.7 does not mean people have more money, it means their demand will respond by a greater extent than any change in income. The figure implies the product is a luxury so that demand will increase as the economy grows.

However, this candidate gains all 3 marks for the cross elasticity of demand response. They correctly recognise that the two products are complimentary so that it would be appropriate to bundle the items together. There is also reference to 'computer console' which is enough for the context mark as it is appropriate to the market this business is in.

When is context required in a response?

It is important to remember that any question which contains the name of the business requires context within the response. In the case of the 9 mark questions, two out of the three require context.

Question 2 (b)

(b) State **three** causes of unemployment.

1 ....

2 ....

3 ....

[3]

Candidates gained all 3 marks by successfully stating causes of unemployment. The most common were cyclical, structural and frictional. Several candidates did not follow the instruction to **state** the cause and produced responses which explained reasons why unemployment may occur.

When a low tariff question asks for knowledge, the responses are likely to be terms encountered in the specification.

Question 2 (c)

(c) Evaluate the extent to which XTRME plc will be affected by higher rates of inflation in the UK. **[16]**

There were many successful responses to this question which identified how higher rates of inflation would be likely to lead to higher costs for the business. It will then have to pass on these higher costs to consumers in the form of higher prices, unless it accepts lower profit margins. Other responses suggested that the business would need to find cheaper raw materials by sourcing different suppliers. It was also common to see responses which discussed how consumers may see a fall in their (real) incomes so that demand for non-necessities, such as graphics cards, may fall.

Less successful responses tended to contain limited economic understanding which often led to a circular argument. It was common to read that higher inflation would lead to less spending (when in fact the opposite is more likely to be true) or that a rise in prices would mean the business would earn more revenue, without any reference to price elasticity of demand. Some candidates complicated their response by trying to write about the impact of inflation on exchange rates, but often getting this confused.

It is important that candidates focus on the question set as many more successful responses missed out on a Level 4 mark. These responses concluded by considering which impact of inflation would be the greatest, or what the business should do to compensate for higher inflation. In many cases this was evaluative but, unfortunately, did not address to the question. To achieve a Level 4 mark, responses should have concluded whether higher rates of inflation would or would not affect XTRME. The most successful responses often concluded that XTRME would be less likely to be affected as it was buying its raw materials from abroad (where inflation may be less of an issue). Alternatively, as the world leader, XTRME would be less affected by price increases due to the degree of control it has over the industry.

Question 3 (a)

3
(a) Analyse how reduced levels of quantitative easing may affect XTRME plc.

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....

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....

....

.... **[9]**

Quantitative easing is a specification topic and one that has been very much in the news in recent years, but it is a concept that most candidates seem to be unaware of. Many responses scored no marks for this question with most candidates omitting the question.

Responses which gained marks recognised the impact on liquidity in the money markets and how this may affect interest rates. Some candidates focused on the effect on consumers but without any link to this change in interest rates.

Less successful responses either did not focus on the fact that quantitative easing was reducing or misunderstood what quantitative easing was.

Question 4 (a)

4
(a) Explain **one** role of:

- the International Monetary Fund (IMF)

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....

- the World Trade Organization (WTO).

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....

[4]

Although questions about these two organisations have been asked many times in the past, there is still only a tangential understanding of their role.

Responses about the IMF were less successful, with many candidates thinking it was an organisation which gave funds to businesses or individuals. Those who successfully identified a role (such as lending money to countries) gained the second mark if they then explained what it was intended to be used for.

Many responses about the WTO vaguely referred to it helping with trade (which as a tautological statement was not rewardable). Few responses referred to the concept of encouraging greater or freer trade. Again, those who did gain the first mark often did not provide enough exemplification (e.g., by removing trade barriers or helping with trade agreements) to gain the second mark.

Exemplar 3 shows what was necessary to gain both marks for each response.

Exemplar 3

- the International Monetary Fund (IMF)

To aid countries with finacial advice such as lending money

- the World Trade Organization (WTO).

To control trading with countries and tarifs to allow countries to trade freely

The response for the IMF only gained 1 mark. Although it correctly identifies that it provides financial advice/money to aid a country, it does not explain what this would help with. For example, to invest in infrastructure projects, or to help the country grow.

In comparison, the WTO response not only states that the organisation helps countries to trade freely it exemplifies this by referring to tariffs.

Question 4 (b)

(b) Two costs to XTRME plc of international trade are:

- costs of licensing
- risks to brand image when using foreign suppliers.

Analyse the impact on XTRME plc of each of these factors. Which factor is likely to have the greatest impact on XTRME plc? Give reasons for your answer. **[16]**

Responses to this question provided significant evidence that many candidates either did not read the context provided or only gave it a cursory glance. Many responses about the costs of licensing completely misunderstood how this affected XTRME, with long discussions about how a business must get a licence to operate in different countries. However, in the case of XTRME, the costs of licensing came from the administrative costs of setting up the agreements for overseas manufacturers to produce the graphics cards and the necessary training. A few candidates did recognise this, as well as highlighting the potential costs of having the technical specifications stolen.

Discussion about the risks to brand image were more successful, although some responses still missed any reference to the specific issues faced by XTRME. However, most candidates were able to show clear analysis for the business, usually the impact on its reputation or the costs of finding a new supplier, to gain a Level 3 mark.

Most candidates who achieved a Level 3 mark did go on to make a decision, although this was often not justified. To reach Level 4, any justification for a decision must go beyond repeating the analysis from earlier in the response. The most successful responses fully satisfied the requirements of the question by not only coming to a reasoned decision but also making a comparison judgement, in context. For example, the potential costs of its technical specifications being stolen would mean the costs of licensing could exceed the risk to brand image given XTRME's position as world leader in the graphics card market.

Question 5 (a)

5
(a) Analyse **three** ways the finance functional area might help a business respond to changes in the UK economy.

1 ....

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2 ....

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3 ....

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.... **[9]**

A number of candidates did not know what each functional area of a business is responsible for. This is especially true when it comes to finance. Many less successful responses suggested activities which would be the responsibility of marketing (price setting), human resources (making employees redundant) or would be strategic decisions (decide to sell in a different country). Several candidates appeared to not understand that it was the business' finance functional area, often writing about how an external body (such as the government or a financial institution) may help by trying to control interest rates or inflation, or by providing subsidies for a business.

More successful responses focused on the role of the finance functional area in monitoring cash-flow, controlling costs, setting budgets or raising finance. Although in some cases, the candidate only gained marks for one response as they repeated the same response. For example, the finance functional area may give more money to HR, increase the budget for marketing and reduce the budget for R&D.

Question 5 (b)

(b) Other than finance, state **three** functional areas of a business.

1 ....

2 ....

3 ....
[3]

Many candidates gained all 3 marks in this question; however some were unable to name three functional areas. In some cases, they included finance, even though the question excluded it. Others gave non-specific areas, such as 'management' or 'technical'.

Many candidates omitted the question or only gave one or two responses. Others listed seemingly random business-related concepts, such as income, profit, population and location.

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