OCR
Oxford Cambridge and RSA

Cambridge Technicals

Business

Unit 10: Economics for business

Level 3 Cambridge Technical in Business
05878

Mark Scheme for June 2025

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.

MARKING INSTRUCTIONS

PREPARATION FOR MARKING
RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Online Training: OCR Essential Guide to Marking*.

2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are available in RM Assessor

3. Log-in to RM Assessor and mark the **required number** of practice responses ("scripts") and the **required number** of standardisation responses.

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 RM Assessor 50% and 100% (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, email or via the RM Assessor messaging system.

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 may give candidates the benefit of the doubt and mark the crossed-out response where legible.

   Rubric Error Responses – Optional Questions
   Where candidates have a choice of question across a whole paper or a whole section and have provided more answers than required, then all responses are marked and the highest mark allowable within the rubric is given. Enter a mark for each question answered into RM

Assessor, which will select the highest mark from those awarded. *(The underlying assumption is that the candidate has penalised themselves by attempting more questions than necessary in the time allowed.)*

Multiple-Choice Question Responses
When a multiple-choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).
When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

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 (and additional objects if present) at the end of the response in case any answers have been continued there. If the

candidate has continued an answer there, then add the annotation 'SEEN' to confirm that the work has been seen and mark any responses using the annotations in section 11.

7. There is a NR (**No Response**) option. Award NR (No Response):
   - if there is nothing written at all in the answer space
   - OR if there is a comment which does not in any way relate to the question (e.g., 'can't do', 'don't know')
   - OR if there is a mark (e.g., a dash, a question mark) which is not an attempt at the question.

   Note: Award 0 marks – for an attempt that earns no credit (including copying out the question).

8. The RM Assessor **comments box** is used by your Team Leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**

9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

10. For answers marked by levels of response: Not applicable in F501
    To determine the level – start at the highest level and work down until you reach the level that matches the answer
    To determine the mark within the level, consider the following

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

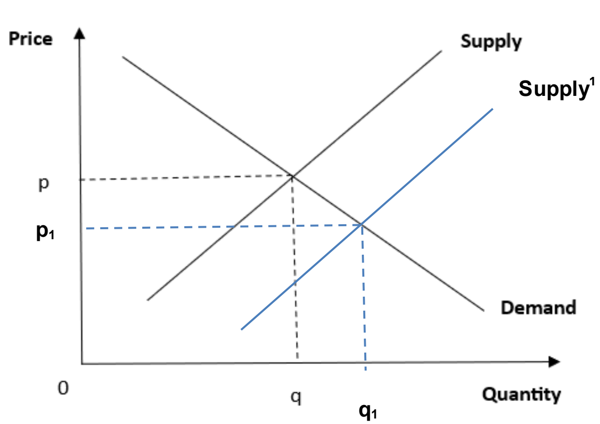
11. **Annotations**

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

12. **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)	Oligopoly - a market with a few firms where competition <u>on price</u> is less likely.	2	**Two** marks for an accurate answer (with reference to the number of firms <u>and</u> one other factor), e.g., • an industry with few firms where price competition is uncommon • a small number of firms with high barriers to entry • a high concentration ratio with high barriers to entry. **One** mark for a general idea of the term, e.g., • interdependent firms • no <u>price</u> competition • multiple dominant firms • high barriers to entry • collusion may take place.
		Sunk costs - once spent, a sunk cost cannot be recovered.	2	**Two** marks for an accurate answer, e.g., • a cost incurred which cannot be recovered. **One** mark for a general idea of the term, e.g., • single purpose spending • one example, such as R&D, advertising, or technology.
1	(b)		4	**One** mark for drawing the new supply curve to the right of the current supply curve. **One** mark for labelling this new curve appropriately. **One** mark for indicating or stating that price will fall. **One** mark for indicating or stating that output will rise (due to supply increase). No marks to be awarded if supply is shifted to the left. Ignore any changes to the demand curve.

Question		Answer	Marks	Guidance
1	(c)	Use level of response criteria. Relevant information may include: • substitutes are goods which can be replaced with another good • a change in the price of a good will have a direct effect on the demand for a substitute • XTRME plc is the world leader in an oligopolistic market • future expectations affect a consumer's current decision-making if they expect market conditions to change • if a consumer expects a new product is going to be launched, they will reduce their demand or be less willing to pay such a high price (demand decreases) • this is a technologically advanced market with companies constantly producing faster and more powerful computers • inflation rate is increasing. **Exemplar responses:** Substitutes are bought instead of your product **(L1)** so if a competitor reduces its price, then your demand will fall **(L2)**. This may mean that you have to reduce your price as well **(L3).** Changes in the market in the future may affect consumer behaviour now **(L1)** so that the plans for a new product will delay consumption **(L2)**. This may force you to cut prices or spend more money **(L3)** on advertising to maintain current demand. As XTRME is the world leader **(CONT)** it may be less affected by the prices of substitutes **(L4)** and more	8	**Levels of response** **Level 4 (7 – 8 marks)** Candidate evaluates the demand determinant with the greatest impact on XTRME plc. **Level 3 (5 – 6 marks)** Candidate analyses the impact(s) of the demand determinants on a business. **Level 2 (3 – 4 marks)** Candidate explains the action of the demand determinant(s). **Level 1 (1 – 2 marks)** Candidate identifies knowledge about the demand determinant(s). If one of the determinants is considered award the bottom mark in the level. If both determinants are considered award the top mark in the level. To award Level 4, the evaluation **MUST** be contextual. L1 – knowledge of the term (what is a substitute / an example of future expectations) L2 – how the market is affected (changes to consumer behaviour, such as demand) L3 – impact on a business (changes to profit, price, marketing, quality, etc.)

Question		Answer	Marks	Guidance
		affected by future expectations as we know that computers are constantly changing so that customers may put off buying a new computer if a new model is expected **(L4)**.		
1	(d)	Answers about PED = -0.8 may include: • PED shows responsiveness of demand to a change in price • this figure is price inelastic • any change in price will lead to a direct change in revenue • may discourage price decreases or encourage price increases. Answers about YED = +1.7 may include: • YED shows the responsiveness of demand to a change in consumer income • it is a normal / luxury / non-necessity good • as consumer incomes increase the demand for the product increases (by a greater proportion) • may expect profits to increase as the economy grows • may make it easier to increase price. Answers about XED against computer games = -2.1 may include: • XED shows the change in demand of one product in response to change in price of another • they are complementary goods • decrease in the price of one product will lead to an increase the demand of the other • may encourage the selling of items together (bundled goods).	9	For each of three elasticities of demand: • **one** mark for knowledge of the elasticity PLUS • **two** marks for a contextual analysis of the impact on XTRME plc. [**CONT** annotation required.] or • **one** mark for a non-contextual analysis of the impact on a business. No reward for references to ‘elastic’ or ‘inelastic’ when answering about income elasticity and cross elasticity of demand.

<table>
<tr><th colspan="2">Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td></td><td></td><td>Exemplar responses:
When PED is price inelastic (1) any increase in price of its graphics cards (CONT) will lead to an increase in revenue (+1).

YED shows the responsiveness of demand to consumer income (1). The recent period of economic growth (CONT) will mean that XTRME’s demand will have increased over time (+1).

A negative value indicates complementary goods (1) as the latest games need more powerful computers (CONT). Any decrease in the price of these games will increase the demand for the latest graphics cards (+1).</td><td></td><td></td></tr>
<tr><td>2</td><td>(a)</td><td><table><tr><th></th><th>True</th><th>False</th></tr><tr><td>GDP stands for Gross Domestic Price</td><td></td><td>✓</td></tr><tr><td>Strong economic growth will make recruitment easier for a business</td><td></td><td>✓</td></tr></table></td><td>2</td><td>One mark for each correct answer.

No reward if two ticks appear in any one row.</td></tr>
<tr><td>2</td><td>(b)</td><td>Causes of unemployment:
• cyclical (demand deficient)
• structural
• frictional.

Accept answers of seasonal, regional, technological, real wage.</td><td>3</td><td>One mark for each correct answer, up to a maximum of three marks.

No reward for voluntary or involuntary unemployment.

No reward for measures of unemployment.

Accept ‘redundancy’ as a cause.</td></tr>
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<table>
<tr><th colspan="2">Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>2</td><td>(c)</td><td>Use level of response criteria.

Responses may include:
• the rate of inflation measures the increase in the general price level
• measured using CPI or RPI
• can be demand-pull or cost-push inflation
• may lead to a fall in the UK exchange rate
• leads to menu costs, shoe leather costs, and uncertainty
• will make it more difficult to keep prices down if costs are increasing
• may force a business to cut costs (e.g., less labour, lower quality raw materials)
• higher costs may mean a business cannot invest / spend in other areas
• higher costs of living lead to a fall in demand, especially of non-essential products
• will depend on what is happening to inflation in world markets as XTRME plc sells worldwide
• operates in a market where prices are less flexible (oligopoly).

Exemplar response:
Higher rates of inflation will lead to increased costs (L1) which may mean that prices increase (L2). With a forecast rate of inflation of more than 8%, if XTRME does not increase prices by at least as much, its profit margins will fall (L3). However, as XTRME is the world leader in a market with few competitors (CONT) it may not be as significantly affected as others (L4). It may be able to absorb any lower profit margins for longer, due to its market power (L4).</td><td>16</td><td>Levels of response

Level 4 (13 – 16 marks)
Candidate evaluates the extent to which higher rates of inflation will affect XTRME plc.

Level 3 (9 – 12 marks)
Candidate analyses how higher rates of inflation have an impact on a business.

Level 2 (5 – 8 marks)
Candidate explains how higher rates of inflation affect a business.

Level 1 (1 – 4 marks)
Candidate identifies knowledge about inflation.

Candidate must explicitly state whether XTRME plc will be affected (with valid justification, following previous analysis) to be awarded L4.

Award 13 marks for a basic generic argument about the impact on a business, e.g., yes, it will be affected (no context). (L4)

Award 14 marks for a supported generic argument about the extent of the impact on a business, e.g., it will be affected as all costs are likely to increase which will need to be passed on to prevent a fall in profit margins (no context). (L4) (L4)

Award 15 marks for a basic contextual argument about the impact on XTRME plc, e.g., it may not be affected as it is the largest firm in the market (with context). (L4) (CONT)

Award 16 marks for a supported contextual argument about the extent of the impact on XTRME plc, e.g., it may not be affected as it is a large successful business in an advanced oligopolistic market so it can sustain lower profit margins for a time (with context). (L4) (L4) (CONT)</td></tr>
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<table>
<tr><th colspan="2">Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3</td><td>(a)</td><td>Use level of response criteria.

Responses may include:
• QE is a way of affecting the money supply
• it is operated by the central bank (BoE)
• the central bank buys financial assets in exchange for money
• will affect liquid assets
• reduced QE may have the effect of increasing the interest rate
• reduced QE will decrease available borrowing and lending in the economy.

Exemplar responses:
Less quantitative easing has the effect of reducing the growth in the money supply (L1) which means that less money is available for lending to business (L2). This may make it more difficult for XTRME to borrow money for any proposed larger site (L3).

If QE is reduced interest rates may start to increase (L2). This would mean that any money that XTRME needs to borrow for researching better graphics cards will be more costly (L3).</td><td>9</td><td>Levels of response

Level 3 (7 – 9 marks)
Candidate analyses the impact(s) of reduced quantitative easing on a business.

Level 2 (4 – 6 marks)
Candidate explains how reduced quantitative easing may affect a business.

Level 1 (1 – 3 marks)
Candidate identifies knowledge about quantitative easing.

NB: Technical language about quantitative easing is not required.

Any discussion linked to consumers must be as a result of changes in the money supply or rate of interest.</td></tr>
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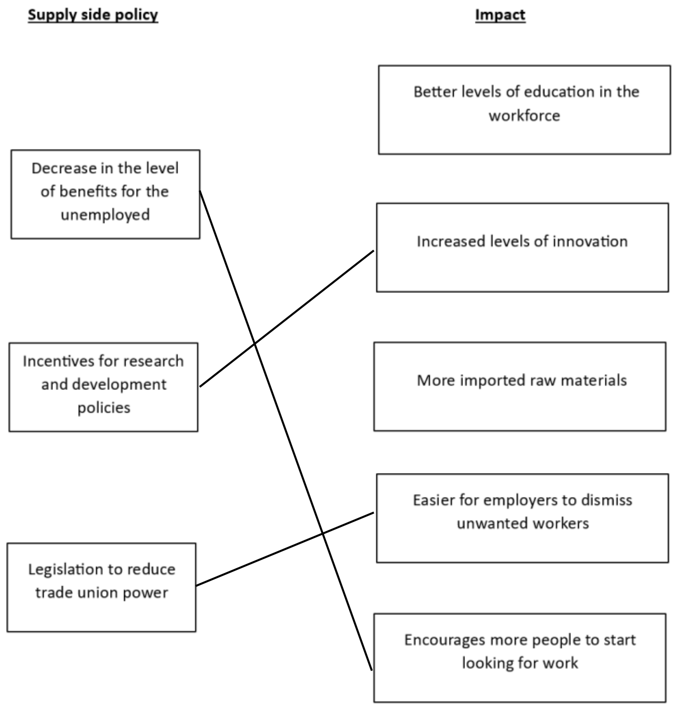
<table>
<tr><th colspan="2">Question</th><th>Answer</th><th>Marks</th><th>Guidance</th></tr>
<tr><td>3</td><td>(b)</td><td>
</td><td>3</td><td>One mark for matching each supply side policy with the correct description, up to a maximum of three marks.

No reward for any supply side policy that is linked to more than one impact.</td></tr>
</table>

Question		Answer	Marks	Guidance
4	(a)	Responses for the IMF may include: • provides policy advice **(1)** to help a government run their economy **(1)** • advising about monetary policy **(1)** to help support currencies **(1)** • lends money to countries **(1)** to invest in infrastructure projects **(1)** • helps countries to enter global trade markets **(1)** so that they can grow **(1)**. Responses for the WTO may include: • makes trading between countries easier **(1)** leading to free trade **(1)** • it helps to operate trade agreements between countries **(1)** to increase free trade **(1)** • it settles disputes (ensures free trade) between countries **(1)** to limit trade restrictions **(1)** • it provides a forum for trade negotiations **(1)** to remove trade barriers **(1)** • it works with the IMF **(1)** to improve the success of the global economy **(1).**	2 2	**One** mark for a correct role, plus **one** mark for an explanation. The IMF does **not** provide support to individual businesses. **One** mark for a correct role, plus **one** mark for an explanation. No reward for basic references to encouraging, operating or controlling trade between countries.
4	(b)	Use level of response criteria. Responses regarding costs of licensing may include: • may run the risk of having propriety knowledge stolen when shared, especially in countries where individual property rights are less well protected • need to produce the necessary legal agreements and ensure they are adhered to • but helps to reduce the costs of transportation and can minimise the impact of exchange rates • licensing may earn more profit than manufacturing the product yourself.	16	**Levels of response** **Level 4 (13 – 16 marks)** Candidate evaluates which named cost of international trade will have the greatest impact on XTRME. **Level 3 (9 – 12 marks)** Candidate analyses how the named costs of international trade might affect a business. **Level 2 (5 – 8 marks)** Candidate explains the named costs of international trade.

Question		Answer	Marks	Guidance
		Responses regarding brand image may include: • unable to control the activities of foreign suppliers • ethical or environmental standards vary in other countries • a damaged brand image may affect demand of the product or the price which can be charged • can be difficult to rebuild a brand image once damaged. **Exemplar response:** Costs of licensing include the legal paperwork and training for producing the product **(L1)**. As the business licences production in many other countries this will increase overall costs of production **(L2)**. However, licensing may be mean that the graphics cards are less likely to be damaged in transport, so the business' reputation is protected **(L3)**. The concerns about poor treatment of workers at the suppliers can affect how customers view the brand **(L2)**. This may mean that the companies producing gaming computers look to buy graphics cards from another company **(L3)**. As the largest company in the industry **(CONT)** it may be less affected by any damage to its brand image **(L4)**. However, given the importance of having the fastest most powerful graphics **(CONT)**, XTRME runs the risk of losing sensitive information when licensing around the world. Therefore, the costs of licensing are the most significant for XTRME **(L4)**.		**Level 1 (1 – 4 marks)** Candidate identifies knowledge of the named costs of international trade. Candidate must explicitly select which factor has the greatest impact (with valid justification, following previous analysis) to be awarded Level 4. Award 13 marks for a **generic** argument about the main factor, e.g., brand image of using foreign suppliers will have the greatest impact as this is difficult to measure and is far-reaching. **(L4)** Award 14 marks for a **contextual** argument about the main factor, e.g., brand image of using foreign suppliers will have the greatest impact, as XTRME's reputation may be affected by concerns about the extraction of silicon damaging local water supplies. **(L4) (CONT)** Award 15 marks for a **comparative, generic** argument about the main factor, e.g., cost of licensing is the most significant because these are unavoidable, whereas the business may be able to find an alternative source of raw materials. **(L4) (L4)** Award 16 marks for a **comparative, contextual** argument about the main factor, e.g., costs of licensing will be most significant as XTRME runs the risk of having their technology stolen when sharing with other firms, however the brand image can be protected by finding suppliers outside of China. **(L4) (L4) (CONT)** **NB:** The 'costs of licensing' may refer to the costs of setting up the agreements or the costs/savings of using the licensing concept.

Question		Answer	Marks	Guidance
5	(a)	Responses may include: • reduce dividend payments • find new sources of finance • advise on investment opportunities • decide to change workers' wages/salaries • monitor cash flow • monitor/control/reduce costs • make financial projections/plans • amend budgets (e.g. change funds made available to different parts of the business) • improve record keeping. **Exemplar responses:** Reduce dividends **(1)** so more of the profit is retained **(1)** to allow money to be used to improve investment in the business **(1)**. Obtain more finance **(1)** for new premises **(1)** so that a business can expand **(1)**. Control costs **(1)** such as money spent on wages or raw materials **(1)**. This will reduce the need to raise as much finance for any expansion **(1)**.	9	For each of three responses by the finance function, one mark for a correct response, one mark for the explanation and one mark for analysing its effect on a business. Ensure that each answer is clearly different from the others. Ensure that any suggested response would be part of the Finance function (e.g., no reward for answers about increased spending on advertising, changing prices, or hiring more staff). The explanation should be relevant to there being changes in the economic situation of a country.
5	(b)	Responses may include: • Marketing • Sales • Operations / Production • Human Resources (HR) / Personnel • Business Support Services / ICT • Purchasing / Procurement • R&D	3	**One** mark for each correct answer, up to a maximum of three. **NB:** No reward for finance (accounting), as excluded in the question. No reward for 'management'. No reward for 'tech' or 'technical'.

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