



Oxford Cambridge and RSA

# Friday 17 January 2020 – Afternoon

## Level 3 Cambridge Technical in Business

05878 Unit 10: Economics for business

Time allowed: 2 hours

C427/2001



**You can use:**

- a calculator

Please write clearly in black ink.

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

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### INSTRUCTIONS

- Use black ink.
- Write your answer to each question in the space provided. If you need extra space use the lined page(s) at the end of this booklet. The question numbers must be clearly shown.
- 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.

FOR EXAMINER USE ONLY	
Question No	Mark
1	/24
2	/21
3	/12
4	/16
5	/17
<b>Total</b>	<b>/90</b>

Read the scenario below.

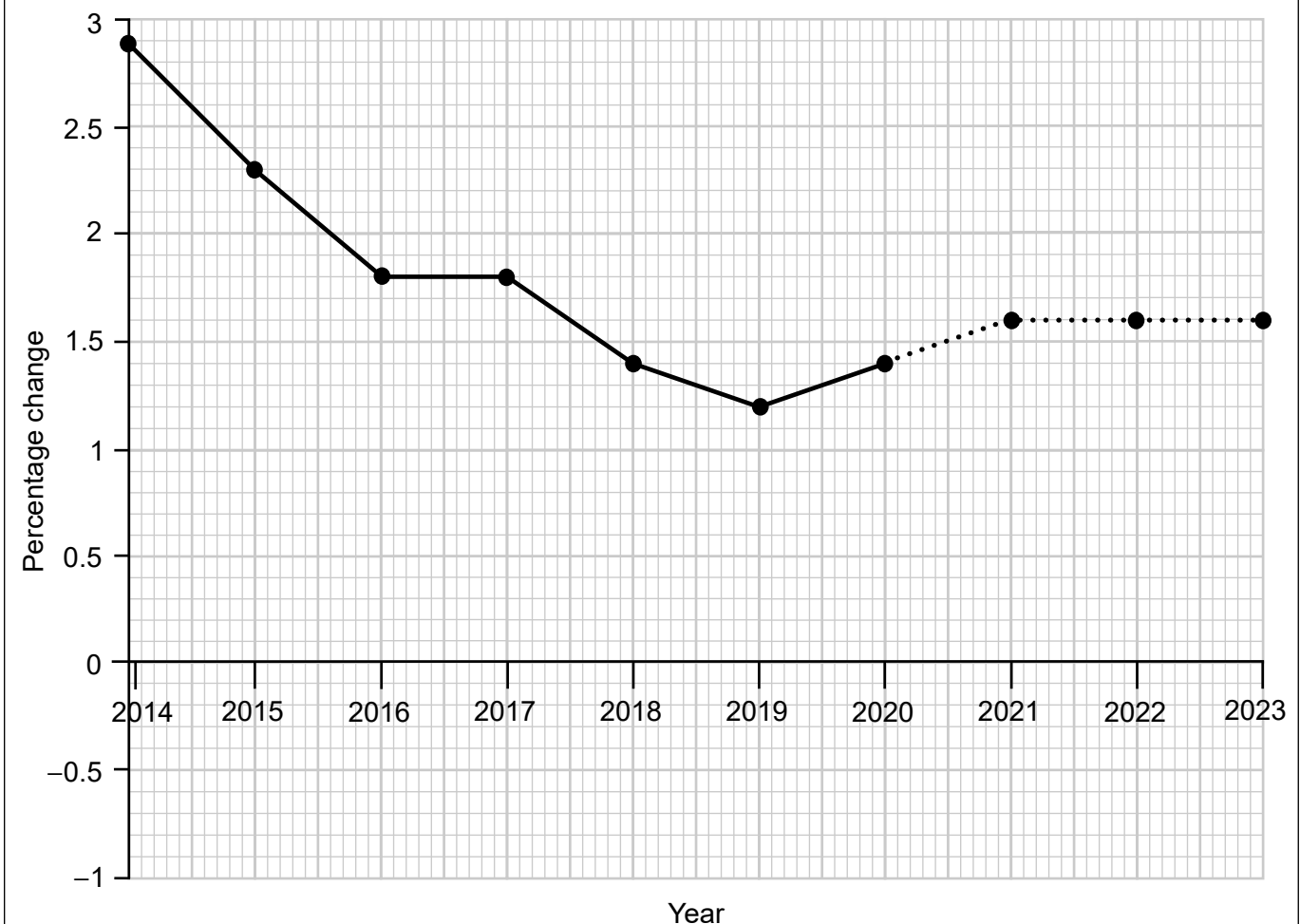
### Text 1 – Blackbird Farm

Simon Ryde owns and manages *Blackbird Farm* which is located near Barnsley, South Yorkshire. The farm specialises in growing 'traditional' vegetables, mainly carrots, onions, cabbages and potatoes. Until three years ago, *Blackbird Farm* was also a dairy farm. This part of the farm always struggled to make a profit and so Simon sold its cows three years ago. The milking sheds are now unused.

Vegetables are a basic food crop. Economists estimate the price elasticity of demand for vegetables to be  $-0.8$  (although for some vegetables it may be only  $-0.4$ ). Changes in UK consumers' tastes over the last 10 years have led to a fall in demand for 'traditional' vegetables, but an increase in demand for 'less traditional' vegetables, such as aubergines and kale. Simon is considering expanding the range of vegetables the farm grows. He has been made aware that the neighbouring farm has just been put up for sale by its owners.

Simon likes to monitor UK economic data, so that he has as much information as possible to help run the farm. He considers the most important economic trend to be changes in GDP (see Fig. 1, below).

Fig. 1: Yearly change in UK GDP (2020 to 2023 are forecasts)



An issue currently taking up a lot of Simon's time is what to do with the milking sheds. One idea is to convert them into a café and a shop. The shop would sell hand-made crafts made by local people, and vegetables grown on the farm. A business consultant has been paid to investigate this idea because the farm would need to borrow money to convert the milking sheds.

The consultant's report has just arrived and Simon's attention is focused on three of the conclusions in the report:

- "The milking sheds are in a very poor state of repair. You will need to spend a huge amount of money to convert them. This is especially the case for the café which needs to be suitable for producing and selling food and drink."
- "The money spent on ovens, serving counters and shop fittings typically has to be written off if the venture fails. If the café and shop are not successful, it is unlikely that you will be able to sell any of this equipment for very much money."
- "There are already four cafés within a 10-mile radius of *Blackbird Farm*. They all have a strong brand image from spending a lot of money on local advertising."

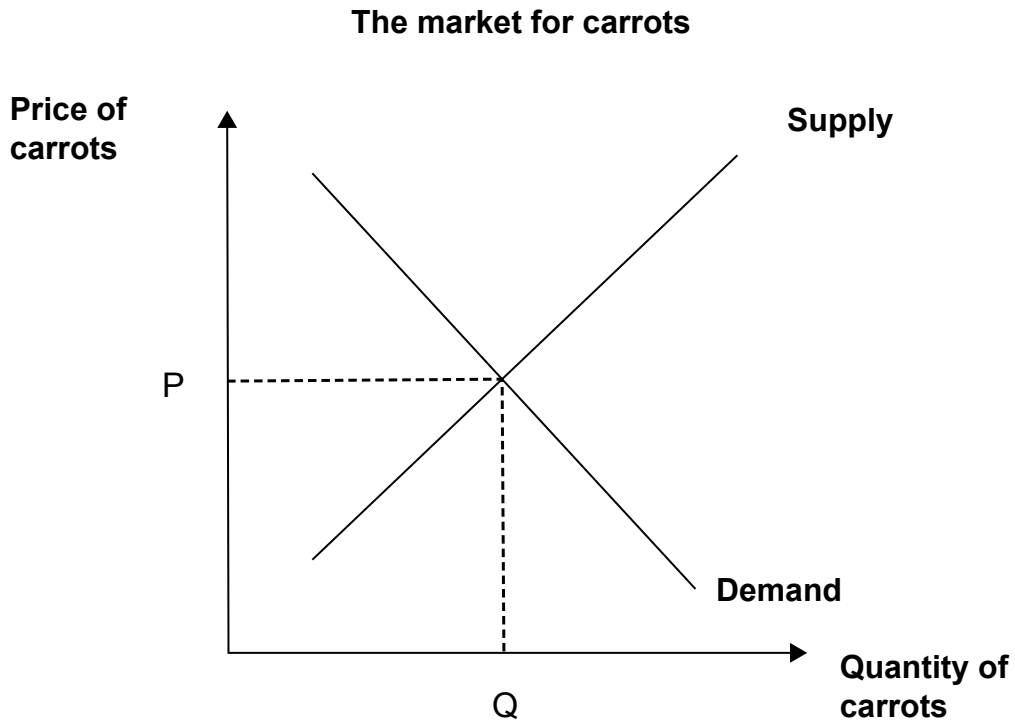
Most of the vegetables grown on *Blackbird Farm* are sold to UK supermarkets. However, Simon sees an opportunity to sell high-quality vegetables to countries in Eastern Europe. These countries tend to demand a higher proportion of traditional vegetables, including potatoes, carrots and cabbage.

The unemployment rate is much higher in South Yorkshire than the UK average. However, it is still difficult for Simon to recruit enough suitable workers at *Blackbird Farm*. The farm employs full-time and part-time workers. Most of the work has to be done by hand and it is physically challenging. Simon finds that many of the people who apply for jobs on the farm are highly qualified, often with training in vocational areas such as IT, engineering and healthcare. Many workers do not stay very long, as they are waiting for an easier or better-paid job to become available locally.

Answer **all** the questions.

1 A change in UK consumer tastes has led to a fall in the demand for carrots. Simon has drawn a demand and supply diagram showing the current equilibrium price (P) and quantity (Q).

(a) On the diagram below, show the effect on equilibrium price and quantity of a fall in the demand for carrots.



[4]

(b) Other than tastes and fashion, state **three** determinants of demand.

- 1.....
- 2.....
- 3.....

[3]

(c) Simon is keen to make use of the economists' estimates that price elasticity of demand for vegetables is -0.8.

Evaluate how *Blackbird Farm* might be affected by this information.

[8]

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2 (a) Fig. 1 shows that the rate of economic growth, measured by the change in GDP, is forecast to increase.

(i) What do the letters 'GDP' stand for?

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..... [2]

(ii) Explain **two** likely effects of economic growth on a business.

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[4]

(iii) Explain **three** supply side policies which could be used to further increase the UK's rate of economic growth.

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[6]





3 (a) State **three** factors which have led to globalisation.

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[3]

(b) Simon has identified an opportunity to sell vegetables to Eastern Europe.

Analyse **three** benefits to *Blackbird Farm* of trading internationally.

[9]

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**ADDITIONAL ANSWER SPACE**

If additional answer space is required, you should use the following lined page(s). The question numbers must be clearly shown in the margins – for example, 2(b) or 4.

A vertical line on the left side of the page is followed by 25 horizontal dotted lines, providing a ruled area for writing answers.

A series of horizontal dotted lines for writing, spanning the width of the page.



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