

Wednesday 19 January 2022 – Afternoon

Level 3 Cambridge Technical in Business

05878 Unit 10: Economics for business

Time allowed: 2 hours

C427/2201



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)

Last name

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 pages 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	/17
2	/14
3	/30
4	/13
5	/16
Total	/90

Read the scenario below.

Daily News plc

Daily News plc produces 'The Daily News', a national newspaper. The Daily News is printed and distributed across the UK six days a week, Monday to Saturday. In recent years there has been a decline in the number of people buying newspapers. One factor affecting the demand for newspapers is that more individuals now use their computer or smartphone to access the news.

In response, *Daily News plc* has introduced a subscription service. Customers pay in advance for three months of The Daily News, at a reduced price. This enables customers to collect a hard copy version of the newspaper each day and get access to an electronic version of the newspaper. This electronic version is only available to subscribers and has additional, more up-to-date content than the hard copy version.

Taylor Sharp, Chief Executive of *Daily News plc*, has just updated shareholders about recent growth in the subscription service. The initial target of 500 000 subscribers was passed in May 2021 and reached 542 000 by December 2021. At the end of the update, Taylor Sharp concluded "2021 has been a successful year for *Daily News plc* as we continued our move to become a subscription-based business. We hope that the increase in subscribers will continue. This coming year we will focus on further increasing the number of overseas subscribers from the current figure of 52 000."

Technology has not only affected the way people access the news. The journalists who write the articles published in The Daily News have also seen their jobs change. *Daily News plc* has continued to invest in technology that the journalists use to research, write and submit their articles. This is in addition to improved computer servers and software for the newspaper's website, and increased investment in social media.

The UK economy has experienced much uncertainty in recent years and economists disagree about what is likely to happen in the future. Some have predicted that a recession is likely in the next year. Other economists think that the economy will grow rapidly.

In the last 12 months the UK inflation rate has increased from 0.8% to 2.7%. A recent report from the Monetary Policy Committee (MPC) of the Bank of England suggests the UK inflation rate has been affected by changes in the prices of exports and imports. The Bank of England further suggests that the recent increase in the UK inflation rate may have been caused by:

- UK exports becoming more popular abroad, leading to an increase in demand for them
- imports of raw materials and finished products becoming more expensive.

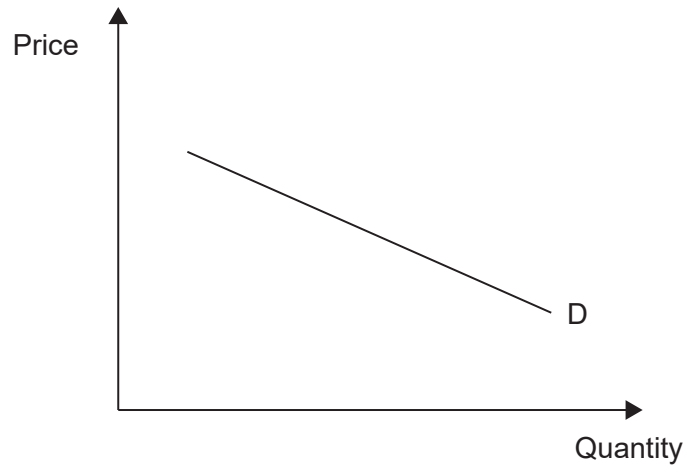
Daily News plc has already begun to see the effects of these more expensive imports. The paper on which its newspapers are printed is currently imported; UK producers charge about 5% more for newsprint paper than producers from overseas. *Daily News plc* also buys most of its printing ink from abroad, although a UK-based ink manufacturer has recently announced plans to increase its output.

In 2021 *Daily News plc* earned revenues of £258 million, down 6% on the previous year. Net profit was £15 million, an increase of 17% on the previous year, mainly due to savings from reduced labour costs. Taylor Sharp is confident that *Daily News plc* can continue to be successful.

Answer **all** the questions.

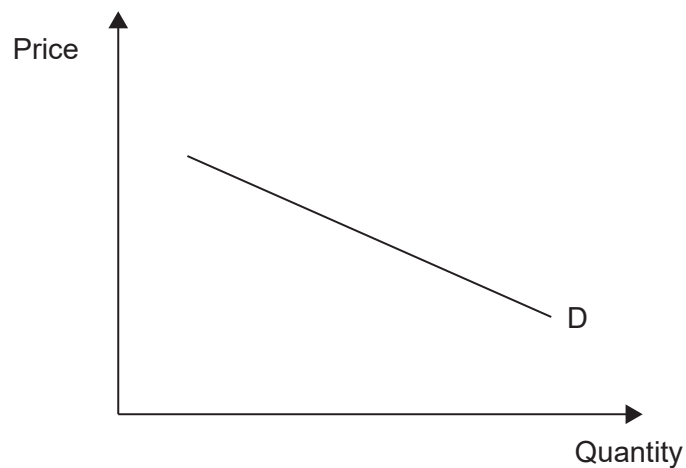
- 1 (a) There are many factors which may affect the demand for a newspaper. On the diagrams below, show the likely effect on the demand for a newspaper of:

- (i) an increase in disposable income;



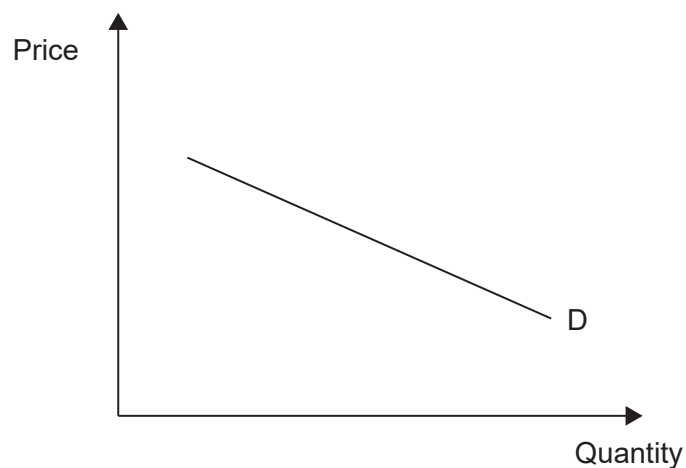
[2]

- (ii) a decrease in the price of a substitute;



[2]

- (iii) a decrease in the price of a newspaper.



[2]

(c) Identify **three** barriers to entry in a market.

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[3]

2 Some economists have predicted that a recession is likely in the next year.

(a) What is meant by a recession?

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[2]

(b) State **three** likely impacts on a business of a recession.

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4 (a) Analyse **three** costs to a UK business of trading internationally.

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(b) Explain **two** roles of the International Monetary Fund (IMF).

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[4]

ADDITIONAL ANSWER SPACE

If additional answer space is required, you should use the following lined pages. The question numbers must be clearly shown in the margins – for example, 3(b) or 5.

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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