

# **Cambridge Technicals Business**

## **Unit 10: Economics for business**

Level 3 Cambridge Technical in Business  
**05834 - 05837**

## **Mark Scheme for January 2022**

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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.

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**Annotations**

<b>Annotation</b>	<b>Meaning</b>
Tick	Valid point, mark awarded
Cross	Incorrect
Question mark	Response unclear
BOD	Benefit of doubt (mark awarded)
TV	Too vague (mark not awarded)
REP	Repetition (no additional marks awarded)
NAQ	Not answered question (incorrect focus)
L1	Level 1 response (identification)
L2	Level 2 response (explanation)
L3	Level 3 response (analysis)
L4	Level 4 response (evaluation)
CONT	Context (required for high L4 award only)

**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)	(i)		2	<p>Two marks for a labelled demand curve drawn to the right of the original one</p> <p>One mark for an unlabelled demand curve drawn to the right of the original one OR a general idea of an increase in demand (NOT along the demand curve)</p> <p><b>NB:</b> Shift in demand curve may not be parallel</p>
1		(ii)		2	<p>Two marks for a labelled demand curve drawn to the left of the original one</p> <p>One mark for an unlabelled demand curve drawn to the left of the original one OR a general idea of a decrease in demand (NOT along the demand curve)</p> <p><b>NB:</b> Shift in demand curve may not be parallel</p>
1		(iii)		2	<p>Two marks for two points identified on the demand curve with an indication of an increase in quantity (there is no need for dotted lines to be drawn to the axes)</p> <p>One mark for a general idea that quantity demanded will increase (e.g., an arrow pointing downwards on the demand curve)</p>

Question		Answer	Marks	Guidance
1	(b)	<p>Use level of response criteria.</p> <p>Relevant information may include:</p> <ul style="list-style-type: none"> <li>• supply curve will move to the left</li> <li>• price will increase</li> <li>• quantity will decrease</li> <li>• revenues may decrease</li> <li>• profit may decrease</li> <li>• depends on how much supply decreases</li> <li>• assumes that demand does not change as well</li> <li>• PED is price elastic</li> <li>• PED is only an estimate</li> <li>• price elastic demand means that any change in demand will be relatively larger than the change in price, so that revenues will decrease.</li> </ul> <p><b>Exemplar response:</b> A fall in supply means that the supply curve shifts to the left (<b>L1</b>) so that prices will increase (<b>L2</b>). This means that demand will fall (<b>L3</b>). As the demand for newspapers is price elastic (<b>CONT</b>) this will lead to a fall in revenue and profits for <i>Daily News plc</i> (<b>L4</b>).</p>	8	<p><b>Levels of response</b></p> <p><b>Level 4 (7 – 8 marks)</b> Candidate evaluates the impact of a decrease in supply on <i>Daily News plc</i>.</p> <p><b>Level 3 (5 – 6 marks)</b> Candidate analyses impact(s) of a decrease in supply on market equilibrium for a business.</p> <p><b>Level 2 (3 – 4 marks)</b> Candidate explains impact(s) of a decrease in supply.</p> <p><b>Level 1 (1 – 2 marks)</b> Candidate identifies knowledge of PED or a decrease in supply.</p> <p>The candidate may draw a supply and demand diagram to show analysis at Level 3, but it is not a requirement.</p> <p>The upper mark of Levels 1 to 3 can be awarded for clarity of response. The upper mark for L4 should be awarded for specific contextual argument.</p> <p>Accept answers which consider the decrease in supply to mean that more customers will switch to reading the online/digital version of the newspaper or be unable to purchase a printed copy.</p>
1	(c)	<p>Barriers to entry include:</p> <ul style="list-style-type: none"> <li>• high capital costs</li> <li>• high sunk costs</li> <li>• brand image/loyalty</li> <li>• a patent</li> <li>• other legal protection such as copyright</li> </ul>	3	<p>One mark for each correct barrier up to a maximum of three</p> <p>No reward for general legislation, such as H&amp;S or employment law.</p>

Question		Answer	Marks	Guidance
2	(a)	A fall in GDP/output for two (consecutive) quarters.	2	Two marks for an accurate answer including the time period One mark for a general idea of the term, e.g. <ul style="list-style-type: none"> <li>• fall in output/GDP</li> <li>• decline/downturn in the economy</li> </ul>
2	(b)	Effects include: <ul style="list-style-type: none"> <li>• a fall in sales</li> <li>• a fall in profits / no profits</li> <li>• lower output / production</li> <li>• less recruitment</li> <li>• decrease the workforce</li> <li>• lower investment</li> <li>• less transport delays</li> <li>• closure/retrenchment</li> </ul>	3	One mark for each correct effect up to a maximum of three  Ensure that the effects are on a business (as opposed to the economy/society/government)  No reward for low inflation unless the impact on the business is clear
2	(c)	Use level of response criteria.  Responses may include: <ul style="list-style-type: none"> <li>• impact on better skills leading to increased productivity</li> <li>• impact on wage rates</li> <li>• impact on recruitment</li> <li>• impact on innovation and competitive advantage</li> <li>• impact on output and efficiency</li> </ul> <p><b>Exemplar responses:</b> Recruitment will be affected (L1) as more qualified journalists will be available in the labour market (L2). This will reduce costs for <i>Daily News plc</i> as workers will be easier to recruit (L3).  Innovation will be affected (L1) as <i>Daily News plc</i> may receive a subsidy to help its investment in computer servers and software (L2). This may mean it can invest in even better equipment to give it a competitive advantage (L3).</p>	9	<b>Levels of response</b>  <b>Level 3 (7 – 9 marks)</b> Candidate analyses the impact(s) of supply side policies on <i>Daily News plc</i> .  <b>Level 2 (4 – 6 marks)</b> Candidate explains impact(s) of supply side policies on a business.  <b>Level 1 (1 – 3 marks)</b> Candidate identifies impact(s) of supply side policies on a business.

Question		Answer	Marks	Guidance
3	(a)	CPI = Consumer Price Index  RPI = Retail Price Index	2	One mark for each of two identifications.  In each case, the name must be correct to award the mark.
3	(b)	Use level of response criteria.  Answers may include: <ul style="list-style-type: none"> <li>• demand-pull inflation comes from demand factors</li> <li>• cost-push inflation comes from supply factors</li> <li>• inflation creates uncertainty</li> <li>• affects business behaviour (e.g., menu or administrative costs)</li> <li>• aim to increase overseas subscribers</li> <li>• newspapers are an inexpensive product</li> <li>• reliance on imports of paper and ink</li> <li>• possibility of a UK ink supplier</li> <li>• UK newsprint suppliers are more expensive</li> <li>• cost reductions have already taken place</li> <li>• profits increased last year</li> </ul> <p><b>Exemplar response:</b> Demand-pull inflation (<b>L1</b>) has been due to extra pressure from overseas for more popular UK exports (<b>L2</b>). This may allow the business to increase its prices overseas as well (<b>L3</b>).</p> <p>Cost-push inflation (<b>L1</b>) comes from higher costs, in this case from more expensive imports (<b>L2</b>). This will force the business to increase prices or reduce other costs (<b>L3</b>).</p> <p>As <i>Daily News plc</i> relies on importing most of its raw materials (<b>CONT</b>) this means any cost-push inflation will have a significant impact (<b>L4</b>). However, given it is trying to increase overseas subscribers (<b>CONT</b>) the business may be concerned about demand-pull inflation (<b>L4</b>). As</p>	16	<b>Levels of response</b>  <b>Level 4 (13 – 16 marks)</b> Candidate evaluates which cause of inflation may have the greatest impact on <i>Daily News plc</i> .  <b>Level 3 (9 – 12 marks)</b> Candidate analyses how inflation might affect a business.  <b>Level 2 (5 – 8 marks)</b> Candidate explains how inflation might affect a business.  <b>Level 1 (1 – 4 marks)</b> Candidate identifies how inflation might affect a business.  <b>Level 1</b> – names and/or states characteristics of one or more causes of inflation (cost-push, demand-pull, imported).  <b>Level 2</b> – explanation of the L1 cause(s).  <b>Level 3</b> – business-facing impact(s) of the L1 cause(s).  <b>Level 4</b> – award:  Award 13 marks for a basic generic evaluation, e.g., demand-pull inflation will be more significant than cost-push inflation (no context).  Award 14 marks for a supported generic evaluation of the most significant cause, e.g., demand-pull inflation is more significant as a firm has less control over this. It can reduce

Question		Answer	Marks	Guidance
		long as <i>Daily News plc</i> is able to buy more UK produced ink and as it continues to move to an electronic newspaper, the cost-push pressures may become less significant in the future ( <b>L4</b> ).		<p>costs, if necessary, to control cost-push inflation (no context).</p> <p>Award 15 marks for a basic contextual evaluation about the most significant cause, e.g., cost-push inflation is more significant as the business buys its raw materials, including paper and ink, from abroad (with context).</p> <p>Award 16 marks for a supported contextual evaluation about the most significant cause, e.g., as <i>Daily News plc</i> is planning to increase overseas subscribers and may no longer have to buy ink from abroad, demand-pull inflation may be more significant in the future (with context).</p>
3	(c)	<p>Responses may include:</p> <ul style="list-style-type: none"> <li>any inflation target is set by the government</li> <li>the target is a range (currently 2%, +/-1%)</li> <li>the MPC sets interest rates based on where inflation is relative to the target</li> <li>decisions by the MPC are proactive</li> <li>interest rates will be cut if inflation is too low and increased if inflation is too high</li> </ul>	3	<p>Three marks for an answer which correctly explains the relationship between the rate of inflation relative to the target and a decision about interest rates.</p> <p>Up to two marks for an answer which shows clear understanding of inflation targeting, without correctly explaining the relationship between it and interest rates.</p> <p>One mark for an answer with basic knowledge about what the inflation target is <u>or</u> that interest rates are used to help target inflation, without an attempt to explain the relationship between it and interest rates.</p>
3	(d)	<p>Impacts of an increase in interest rates include:</p> <ul style="list-style-type: none"> <li>costs of borrowing increases</li> <li>borrowing may become more difficult</li> <li>investment plans may be affected</li> <li>business may choose to save</li> <li>may strengthen the exchange rate</li> <li>may reduce business &amp; consumer confidence</li> <li>may reduce consumption</li> <li>may lead to higher costs from current borrowing and/or affect other spending plans</li> </ul>	9	<p>For each of three impacts of an increase in interest rates:</p> <ul style="list-style-type: none"> <li>one mark for an impact</li> </ul> <p>PLUS</p> <ul style="list-style-type: none"> <li>Two marks for a contextual analysis of the impact on <i>Daily News plc</i></li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>One mark for a non-contextual analysis of the impact on a business.</li> </ul>



Question	Answer	Marks	Guidance
	<p><b>Exemplar responses:</b>  <i>Daily News plc</i> is seeking to expand subscriptions abroad <b>(CONT)(+1)</b> so an increase in interest rates which leads to a stronger exchange rate <b>(1)</b> will make it harder to sell abroad with dearer exports <b>(+1)</b>.</p> <p>It will become more expensive to borrow money <b>(1)</b>. <i>Daily News plc</i> planned investment in new technology <b>(CONT)(+1)</b> may become more expensive which may reduce profits <b>(+1)</b>.</p> <p>Investment plans may be cancelled <b>(1)</b> so that <i>Daily News plc</i> does not buy the new computer services <b>(CONT)(+1)</b>. This may mean that its infrastructure will not be able to cope with plans for increased digital access <b>(+1)</b>.</p>		

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4 (a)	<p>Costs may include:</p> <ul style="list-style-type: none"> <li>• increased competition</li> <li>• duplication of resources</li> <li>• time taken to build foreign partnerships</li> <li>• need to adapt the brand / extra marketing abroad</li> <li>• cost of licensing</li> <li>• difficulties of dealing with foreign suppliers or customers (e.g., language or custom issues)</li> <li>• transportation distance and/or cost</li> <li>• impact on brand image</li> <li>• exchange rate costs (e.g., transaction fees or uncertain prices/costs)</li> <li>• tariffs/quotas</li> </ul> <p><b>Exemplar responses:</b></p> <p>The business may need to adapt its brand (1) for language or cultural reasons (1) which may cause a loss of brand recognition (1).</p> <p>Costs of transportation are high (1) due to the long distances you may need to transport products or raw materials (1). This may reduce the business' profits (1).</p> <p>Logistics of dealing with another country (1). They may be on a different time zone (1) which may mean you have to pay staff to work outside their normal hours when dealing with a customer or supplier (1).</p>	9	<p>For each of three costs of trading internationally, one mark for naming a correct cost, one mark for the explanation and one mark for analysing its effect on UK business.</p>
4 (b)	<p>Roles may include:</p> <ul style="list-style-type: none"> <li>• provides policy advice</li> <li>• helps to support currencies</li> <li>• lends money to developing countries</li> <li>• helps developing countries grow/enter global trade markets.</li> </ul> <p><b>Exemplar response:</b></p> <p>The IMF may help to support currencies (1) by advising countries about monetary policy (1).</p>	4	<p>One mark for the identification of a role up to a maximum of two identifications, plus one mark for each of two explanations.</p> <p>The IMF's role is to help countries rather than businesses</p>

Question	Answer	Marks	Guidance
5	<p>Use level of response criteria.</p> <p>Human Resource responses may include:</p> <ul style="list-style-type: none"> <li>• look to employ more staff or extra hours if paper grows and needs to be published 7 days a week</li> <li>• any move to greater use of digital media may need less employees (and/or a different type of employee)</li> <li>• economic growth may make investment in technology more likely which will have an impact on employment issues</li> <li>• the announced supply side policies may be increased which will make it easier to recruit staff</li> <li>• if economic growth leads to inflation this may lead to less pressure on costs so pay can be increased</li> <li>• economic growth in the UK may reduce the pressure for the business to expand overseas subscribers leading to less of a need for specialist staff</li> <li>• the recent cuts in employee costs may be able to be reversed.</li> </ul> <p><b>Exemplar response:</b></p> <p>An increase in economic growth may lead to a need to employ more staff <b>(L1)</b> as the economy improves and demand increases <b>(L2)</b>. <i>Daily News plc</i> is investing more into its digital services so there will be a need for more employees with the necessary skills which should be possible given the increased investment in journalism apprenticeships <b>(L3)</b>. The business may also need to increase wages <b>(L2)</b> if the economic growth leads to inflation, by using some of the profits made last year <b>(L3)</b>. Given that increased electronic media is likely to need fewer workers, the better option may be to increase wages <b>(CONT)(L4)</b> to ensure that the business has the best workers available. The fact the business made £15m profit last year (a rise of 17%) means that it should be able to afford this <b>(L4)</b>.</p> <p><b>NB:</b> Changes to wages can be accepted as part of the HR function</p>	16	<p><b>Levels of response</b></p> <p><b>Level 4 (13 – 16 marks)</b> Candidate evaluates how the HR function of <i>Daily News plc</i> should respond to the change in objective.</p> <p><b>Level 3 (9 – 12 marks)</b> Candidate analyses how the HR function should respond to the change in objective.</p> <p><b>Level 2 (5 – 8 marks)</b> Candidate explains how the HR function should respond to the change in objective.</p> <p><b>Level 1 (1 – 4 marks)</b> Candidate identifies how the HR function should respond to the change in objective.</p> <p>Award 13 marks for a basic generic argument about the response by the HR function, e.g., it will be affected most by a general increase in the output of the UK (no context).</p> <p>Award 14 marks for a supported generic evaluation about the response by the HR function, e.g., HR will be affected most by the increase in GDP as it will create more demand for its services and cost reduction is less of an important issue (no context).</p> <p>Award 15 marks for a basic contextual argument about the response by the HR function, e.g., HR may be more likely to focus on workers with better skills in electronic media to take advantage of the growth in GDP (with context).</p> <p>Award 16 marks for a supported contextual argument about the response by the HR function, e.g., HR may be more likely to focus on workers with better skills in electronic media, especially if unemployment moves close to zero. Due to this it may also need to offer higher wages which it should be able to afford given its growth in profit last year (with context).</p>

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