

Cambridge Technicals Business

Unit 10: Economics for business

Level 3 Cambridge Technical in Business
05878

Mark Scheme for June 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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MARKING INSTRUCTIONS

PREPARATION FOR MARKING

RM3

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit.
3. Log-in to RM3 and mark the **required number** of practice responses (“scripts”) and the **required number** of standardisation responses. **YOU MUST MARK 6 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.**

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 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 or the RM3 messaging system, or by email.
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 must give candidates the benefit of the doubt and mark the crossed out response where legible.

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. Award No Response (NR) if:

- there is nothing written in the answer space.

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

7. 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.**

If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

8. Assistant Examiners may send a brief report on the performance of candidates to your Team Leader (Supervisor) by the end of the marking period.

9. Annotations

Annotation	Meaning
Tick	Valid point, mark awarded
Cross	Incorrect
Question mark	Response unclear
OFR	Own Figure Rule
BOD	Benefit of doubt (mark awarded)
TV	Too vague (mark not awarded)
REP	Repetition of a previous point or the scenario (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)
SEEN	No material deserving reward
BP	Blank Page (if a full page is left blank)

Highlighting is also available to highlight any particular points on the script. (Do **NOT** use the comments box at the foot of the page)

10. 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)	<p>Responses may include:</p> <ul style="list-style-type: none"> • one firm / lack of competition • price maker/setter / can control price • profitable (in the long-run) • (high) barriers to entry • (high) sunk costs • economies of scale • differentiated product • (more than) 25% market share (CMA definition) • no close substitutes / provides products no other business provides 	2	<p>One mark for each correct answer up to a maximum of two.</p> <p>Ensure the two features are different</p> <p>Allow separate examples of barriers to entry</p> <p>No reward for 'large'</p>
1	(b)	<p>Factors may include:</p> <ul style="list-style-type: none"> • level of productivity • costs of production (e.g., labour, machinery, rent, materials) • availability of factors of production • health & safety regulations • (government) subsidies or grants • the level of VAT (sales tax) • weather/climate • unexpected events • changes in technology <p>Exemplar responses:</p> <p>The government may increase H&S regulations (1) which leads to an increase in costs of the business (1) which will lead to a fall in supply (1).</p> <p>Costs (1) of production such as labour costs (1) may increase. This will reduce supply of a service (1).</p> <p>An increase in productivity (1) will lead to a fall in costs of production (1). This will lead to supply shifting to the right (1).</p>	9	<p>For each of three determinants of supply, one mark for naming a determinant, one mark for the explanation (or example) and one mark for analysing its effect on supply of a service.</p> <p>To award the analysis mark, there needs to be a correct link between the change in the factor and the direction of change in supply/output.</p> <p>Accept references to how the supply curve will shift for the analysis mark</p> <p>Accept a general answer of government policy changes</p> <p>Accept a maximum of one answer about the supply of the total market (e.g., the level of competition, globalisation)</p> <p>No reward for availability of supplies or raw materials unless it is linked to costs</p>

Question		Answer	Marks	Guidance															
1	(c)	<table border="1"> <thead> <tr> <th>Example</th> <th>Internal economy of scale</th> <th>External economy of scale</th> </tr> </thead> <tbody> <tr> <td>Technical</td> <td>✓</td> <td></td> </tr> <tr> <td>Location of suppliers</td> <td></td> <td>✓</td> </tr> <tr> <td>Industry concentration</td> <td></td> <td>✓</td> </tr> <tr> <td>Risk bearing</td> <td>✓</td> <td></td> </tr> </tbody> </table>	Example	Internal economy of scale	External economy of scale	Technical	✓		Location of suppliers		✓	Industry concentration		✓	Risk bearing	✓		4	<p>One mark for each correct answer.</p> <p>Award zero marks for any row that includes two ticks.</p>
Example	Internal economy of scale	External economy of scale																	
Technical	✓																		
Location of suppliers		✓																	
Industry concentration		✓																	
Risk bearing	✓																		
1	(d)	<p>Use level of response criteria.</p> <p>Responses may include:</p> <ul style="list-style-type: none"> currently mainly independently owned retailers in the town centres poor transport links and little to attract people into the town centre may generate economies of scale for retailers limited amount of competition at present will be more rivals in the town centre may lead to price wars current retailers may be forced out more choice in short-run but possibly less in the long-run well-known brands may take a position of price leadership and independent firms become price takers may lead to more non-price competition <p>Exemplar response: Lower local taxes may mean that more well-known brands are attracted to open stores in Camford's town centres (L2).</p>	16	<p>Levels of response</p> <p>Level 4 (13 – 16 marks) Candidate evaluates which policy is likely to have the greatest impact on competition in Camford.</p> <p>Level 3 (9 – 12 marks) Candidate analyses the impact on competition in Camford.</p> <p>Level 2 (5 – 8 marks) Candidate explains how competition may be affected.</p> <p>Level 1 (1 – 4 marks) Candidate identifies how competition may be affected.</p> <p>Level 1 – names one or more changes to competition.</p> <p>Level 2 – explanation of the L1 cause(s).</p> <p>Level 3 – impact of the cause(s) on competition.</p>															

Question	Answer	Marks	Guidance
	<p>This will lead to more rivals for the independent retailers, but more choice for consumers (L3).</p> <p>More customers will go to the town centre (L1) if there is an improved bus services (L2). This will encourage retailers to compete for these customers possibly using non-price competition (L3).</p> <p>The reduction in local taxes is likely to have the greatest impact on competition as the well-known brands (CONT) will have more buying power and may be able to charge lower prices leading to a price war (L4). This may be more likely if they are able to gain from economies of scale ultimately leading to the independent retailers (CONT) having to either charge much lower prices or go out of business (L4).</p>		<p>Level 4 – award:</p> <p>Award 13 marks for a basic generic evaluation, e.g. lower local taxes will be more significant than improved bus services. (no context).</p> <p>Award 14 marks for a supported generic evaluation of the most significant cause, e.g. lower local taxes will be more significant than improved bus services. A business will be attracted by lower costs of opening a store and most people travel by car (no context).</p> <p>Award 15 marks for a basic contextual evaluation about the most significant cause, e.g. lower local taxes aimed at well-known brands will have a large impact on the high streets as there are currently only independent retailers (with context).</p> <p>Award 16 marks for a supported contextual evaluation about the most significant cause, e.g. lower local taxes aimed at well-known brands will have a large impact on the high streets as there are currently only independent retailers. These retailers will be less able to compete against the powerful brands which may lead to less competition in the future (with context).</p>

Question	Answer	Marks	Guidance
2	<p>Use level of response criteria.</p> <p>Relevant information may include:</p> <ul style="list-style-type: none"> • government spending (G) is funded by taxation (T) • taxation may be central or local • more taxation allows for more government spending • $G > T$ leads to more government borrowing • higher government borrowing each year adds to the national debt • national debt is the aggregate of government borrowing each year • national debt will only fall if $T > G$ • increased borrowing leads to interest costs which may reduce government spending in the future • increased money in the economy (from G) may create more jobs in the public sector and more spending throughout the economy (via the multiplier) • increased national debt may lead to less government spending in the future • any reference to Fig.1. <p>Exemplar response: If government spending exceeds taxation the national debt will increase (L1) so that more money is owed by the country (L2). This may lead to higher taxation in the future which will increase costs for business or reduce demand for their products (L3). However, Fig. 1 shows that government spending has exceeded taxation since 2012 (CONT) and the gap is increasing. This means that businesses will be more likely to benefit from the increased growth of the UK from this positive fiscal policy (L4).</p>	8	<p>Levels of response</p> <p>Level 4 (7 – 8 marks) Candidate evaluates the impact on UK businesses of government spending exceeding taxation</p> <p>Level 3 (5 – 6 marks) Candidate analyses impact(s) of government spending exceeding taxation on business.</p> <p>Level 2 (3 – 4 marks) Candidate explains impact(s) of government spending exceeding taxation.</p> <p>Level 1 (1 – 2 marks) Candidate identifies impact(s) of government spending exceeding taxation.</p> <p>The upper mark of each level can be awarded for clear identification, explanation, analysis or evaluation.</p>

Question		Answer	Marks	Guidance
3	(a)	<p>Responses may include:</p> <ul style="list-style-type: none"> prevent mergers/takeovers (1) which will prevent large companies from forming (1) monitor/regulate prices (1) so that consumers are not forced to pay too much (1) enforce consumer protection laws (1) such as customer service standards being maintained (1) encourage more competition (1) to keep prices low / reduce barriers to entry (1) reduce collusion / power of dominant firms (1) so that they act in the public interest (1). 	4	<p>One mark for each correct identification to a maximum of two, plus one mark for each of two explanations.</p> <p>No reward for references to ethical behaviour</p>
3	(b)	<p>Use level of response criteria.</p> <p>Responses may include:</p> <ul style="list-style-type: none"> provision of IT support (e.g., more offsite capacity) maintenance of equipment managing resources providing administrative support, e.g., photocopying/printing <p>Exemplar responses:</p> <p>The Business Support function is responsible for providing equipment and administrative support across the organisation (L1). It will ensure that the new team has all the necessary workspace and IT equipment (L2) so that they can carry out their work of checking up on the food takeaways efficiently. (L3).</p> <p>As the Business Support function deals with the different areas of <i>Camford County Council</i>, it may be able to move some equipment around (L2) from where it is not needed. For example, if it buys new computer equipment from overseas it can use the older equipment for this team (L3).</p>	9	<p>Levels of response</p> <p>Level 3 (7 – 9 marks) Candidate analyses possible response(s) of <i>Camford County Council's</i> Business Support Services to the creation of the new team of employees.</p> <p>Level 2 (4 – 6 marks) Candidate explains possible response(s) of the business support function to the creation of a new team of employees.</p> <p>Level 1 (1 – 3 marks) Candidate identifies possible response(s) of the business support function to the creation of a new team of employees.</p> <p>The upper mark for L3 should be awarded for detailed and specific argument.</p> <p>Make sure that the answer is about the business support function and not the work of the environmental health team.</p>

Question		Answer	Marks	Guidance
4	(a)	<p>Factors may include:</p> <ul style="list-style-type: none"> mobile/communication technologies (1) which make it easier for businesses to trade internationally (1) free trade (1) which reduces the costs / inconvenience / barriers of trading internationally (1) improved transport infrastructure (1) so that it is cheaper to transport products (1) 	6	<p>One mark for each correct factor to a maximum of three, plus one mark for each of three developments.</p> <p>Allow more than one example of transport infrastructure (i.e., containerisation, pipelines, aviation, ports, rail, road.)</p> <p>The Internet is TV for communication technologies</p> <p>Technology answers must be focused on mobile or communication technology</p>
4	(b)	<p>Benefits of buying from overseas include:</p> <ul style="list-style-type: none"> lower prices able to overcome any domestic limitations (e.g., availability of suitable services) access to more suppliers / wider choice better quality services <p>Exemplar responses:</p> <p><i>Camford County Council</i> may be able to buy services which it cannot obtain in the UK (1). As it may be looking to improve bus services into the town centre (CONT) it could buy specialised software to implement these changes as efficiently as possible (+1).</p> <p>Prices of imports may be lower than in the UK (1). As the Business Support Department is under pressure to cut costs (CONT) this will save money which can then be spent on essential services (+1).</p> <p>Imported services may be better quality (1) so that <i>Camford County Council</i> can improve the level of care provided in its care homes (CONT). This may improve the reputation of the services provided by the council (+1).</p>	9	<p>For each of three benefits of buying from overseas:</p> <ul style="list-style-type: none"> one mark for a possible benefit <p>PLUS</p> <ul style="list-style-type: none"> two marks for a contextual analysis of the benefit (i.e., to <i>Camford County Council</i>) <p>or</p> <ul style="list-style-type: none"> one mark for a non-contextual analysis of the benefit (i.e., to any business)

Question		Answer	Marks	Guidance
4	(c)	<p>Responses may include:</p> <ul style="list-style-type: none"> • exchange rate has increased (appreciated) • demand for Sterling has increased • may be due to more UK exports being demanded • Sterling is demanded by overseas individuals or businesses • UK interest rates may have increased • the (equilibrium) quantity of Sterling has increased in the economy • supply of Sterling has not changed <p>Exemplar response: The exchange rate has increased (1) as the quantity demand for Sterling has gone up (1) which may have been due to an increase in UK interest rates (1).</p>	3	<p>Three marks for an answer which states that the Sterling exchange rate has increased, with a correct explanation of a possible reason as to why this has occurred.</p> <p>Two marks for an answer which contains knowledge about reasons for changes in the Sterling exchange rate, without being clear about how this has happened.</p> <p>One mark for an answer which states that the Sterling exchange rate has increased/appreciated, <u>or</u> the quantity of Sterling has increased.</p> <p>No reward for answers which consider the impact of the change in the exchange rate</p>

Question		Answer	Marks	Guidance
5	(a)	<p>Claimant count:</p> <ul style="list-style-type: none"> measures those people who are unemployed and claiming benefit/JSA (2) excludes those eligible to work but not entitled to unemployment benefit (1) data is seasonally adjusted (1) <p>Labour force survey</p> <ul style="list-style-type: none"> the number of people available for work and seeking work but currently without a job (2) uses the ILO definition of unemployment (1) based on a sample of 60 000 households (1) individuals have been out of work for at least 4 weeks (1) individuals are able to start work in the next 2 weeks (1) 	4	<p>In each case, award:</p> <p>Two marks for an accurate answer</p> <p>One mark for a general idea of the term, e.g.</p> <ul style="list-style-type: none"> those claiming benefits does not include all those unemployed <p>Two marks for an accurate answer</p> <p>One mark for a general idea of the term, e.g.</p> <ul style="list-style-type: none"> only based on a sample available to work <p>In both cases, no reward for answers which <u>only</u> reference being 'unemployed', 'out of work' or 'do not work'.</p>

Question	Answer	Marks	Guidance
5 (b)	<p>Use level of response criteria.</p> <p>Responses regarding a 4% decrease in GDP over the next three years include:</p> <ul style="list-style-type: none"> • cyclical unemployment • less demand in the economy • may mean a recession • unemployment is lower than the UK average in Camford • may prevent plans to regenerate the town centres if demand falls. <p>Responses regarding a rapid decline in UK manufacturing may include:</p> <ul style="list-style-type: none"> • structural unemployment • 20% of workers in Camford are employed in manufacturing • unemployment likely to be longer term • two medium-sized technology manufacturers have announced their move to Camford • may be a greater need for the council's help with retraining workers. <p>Responses regarding concerns about the unemployed not having the skills to be re-employed may include:</p> <ul style="list-style-type: none"> • frictional unemployment - workers are moving between jobs (or structural due to the 'skills mismatch' argument) • this is likely to be exaggerated if people do not have the necessary skills • population of Camford is older than rest of the UK which might make retraining more problematic • workers in manufacturing may find it easier to move into technology, than the retail jobs likely to increase in town centres. 	16	<p>Levels of response</p> <p>Level 4 (13 – 16 marks) Candidate evaluates which cause of unemployment is likely to have the greatest impact on Camford.</p> <p>Level 3 (9 – 12 marks) Candidate analyses the impact(s) <u>on a locality</u> of the unemployment.</p> <p>Level 2 (5 – 8 marks) Candidate explains the cause(s) of unemployment <u>or</u> the impact of unemployment.</p> <p>Level 1 (1 – 4 marks) Candidate identifies the cause(s) of unemployment.</p> <p>Candidates must explicitly select which concern has the greatest impact (with valid justification, following previous analysis) to be awarded Level 4.</p> <p>Award 13 marks for a generic argument about the main cause, e.g. a rapid decline in manufacturing is the most significant cause because this will have a long-term impact (no context).</p> <p>Award 14 marks for a comparative, non-contextual argument about the main cause, e.g., a rapid decline in manufacturing is the most significant cause because this will have a long-term impact whereas a fall in GDP is likely to be reversed in the following years (no context).</p> <p>Award 15 marks for a contextual argument about the main cause, e.g., a rapid decline in manufacturing is the most significant cause because 20% of the population of Camford is employed in this sector (with context).</p>

Question	Answer	Marks	Guidance
	<p>Exemplar response: A rapid decline in manufacturing is an example of structural unemployment (L1) as the economy is moving from jobs in the secondary sector to the service sector (L2). This will affect Camford, as 20% of the population is employed in manufacturing (CONT). These jobs may never be replaced even with the arrival of two new technology manufacturers to the area (L3).</p> <p>I therefore think that this will be a much greater cause of unemployment in Camford than a 4% fall in GDP. Camford has a relatively older population (CONT) than the rest of the UK and so many will be retired. Although a fall in GDP may affect spending in Camford, as the town centres are already in decline this may have less effect. Also, the fall in GDP is likely to be cyclical (and so reversed in the future) whereas the decline in manufacturing is likely to be permanent (L4).</p>		Award 16 marks for a comparative, contextual argument about the main cause, e.g., a rapid decline in manufacturing is the most significant cause because this will have a long-term impact especially with 20% of the population employed in this sector, whereas the lack of suitable skills in the unemployed can be corrected by the council arranging for retraining (with context).

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