

Cambridge Technicals Business

Unit 10: Economics for business

Level 3 Cambridge Technical in Business
05878

Mark Scheme for January 2024

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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

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 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. Always check the pages at the end of the response (and any additional lined pages if present) in case any answers have been continued there. If the candidate has continued an answer there then add an annotation to confirm that the work has been seen.
7. Assistant Examiners may email a brief report on the performance of candidates to your Team Leader (Supervisor) by the end of the marking period. Your report should contain notes on particular strength displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.

8. Annotations

Annotation	Meaning
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)
OFR	Own figure rule

9. 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)	The relationship between the price of a product and its supply	2	<p>Two marks for an accurate answer, e.g.</p> <ul style="list-style-type: none"> the quantity producers are willing to supply at a given price the relationship between price and supply how much supply changes if price changes. <p>One mark for a general idea of the term, e.g.</p> <ul style="list-style-type: none"> any reference to price factors which may affect the supply curve (e.g. availability of raw materials).
1	(b)	<p>Shift in demand curve: D or 'a change in consumer tastes'</p> <p>Movement along the demand curve: A or 'a change in price'</p>	2	<p>One mark for selecting the correct factor in each case.</p> <p>No reward if more than one answer is provided, even if one of them is correct (contradictory response).</p>

Question		Answer	Marks	Guidance
1	(c)	<p>Use level of response criteria.</p> <p>Responses regarding the decrease in government spending on public services may include:</p> <ul style="list-style-type: none"> • government is a customer for signs • less spending on roads will mean less demand/sales for signs (complements) • leads to a fall in the demand curve (shift to left) • a fall in demand will lead to a fall in equilibrium price • may lead to less revenue and profit • multiplier is 5. <p>Responses regarding more health & safety regulations may include:</p> <ul style="list-style-type: none"> • health & safety is a cost to a business • more regulations will increase this cost • higher costs will move the supply curve to the left (decrease in supply) • this may lead to higher prices and lower sales • Quality Signage Ltd needs detailed and annual health & safety training for its employees (maybe more difficult/expensive for those with disabilities) • may lead to more demand for signs as other firms have to increase their H&S signage. <p>Exemplar response: As a customer of signs, less spending on public services will reduce demand by local councils (L2). This will lead to a fall in equilibrium price (L3). More health & safety regulations will mean that the firm will have higher costs (L1) which will lead to a decrease in supply (L2). This will lead to an increase in equilibrium price (L3).</p>	16	<p>Levels of response</p> <p>Level 4 (13 – 16 marks) Candidate evaluates which factor is likely to have the greatest impact on Quality Signage Ltd.</p> <p>Level 3 (9 – 12 marks) Candidate analyses the impact(s) of the factor(s) on the <u>market equilibrium</u>.</p> <p>Level 2 (5 – 8 marks) Candidate explains how the factor(s) affects the business or market.</p> <p>Level 1 (1 – 4 marks) Candidate identifies knowledge about the factor(s).</p> <p>Candidate must explicitly select which factor 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 factor, e.g., greater costs of health & safety will have the greatest impact as these are always expensive, and any increase will force prices up.</p> <p>Award 14 marks for a contextual argument about the main factor, e.g., higher costs of health & safety will have the greatest impact, as Quality Signage Ltd's employees must undertake detailed and regular training which is likely to be more expensive than for other businesses.</p> <p>Award 15 marks for a comparative, generic argument about the main factor, e.g., more health & safety regulations are the most significant because this will</p>

Question	Answer	Marks	Guidance
	<p>Given the need for detailed and regular health & safety training (CONT), the increase in regulations will be a more significant cost (L4). The fall in government spending may be replaced with a growth in the overseas market which Quality Signage Ltd is looking to enter (L4).</p>		<p>reduce supply as workers need to spend more time training, whereas the business may be able to find a new customer to replace spending by the government.</p> <p>Award 16 marks for a comparative, contextual argument about the main factor, e.g., given the need for so much health & safety training (especially if some employees have disabilities) any increase would cost Quality Signage Ltd a lot of money. This may not be offset as the business may be unable to replace government spending with enough exports to France and Spain.</p> <p>NB: Answers may make use of supply and demand diagrams to show explanation and analysis, but they are NOT required.</p>

Question		Answer	Marks	Guidance
2		<p>Use level of response criteria.</p> <p>Responses may consider:</p> <ul style="list-style-type: none"> • monopoly providers may mean <ul style="list-style-type: none"> ○ no close substitutes ○ economies of scale ○ highly profitable ○ high capital & sunk costs • monopolistically competitive providers may mean <ul style="list-style-type: none"> ○ large number of firms ○ profits in short run only ○ brand image will be important • impact on competition as industry becomes more monopolistically competitive <ul style="list-style-type: none"> ○ more rivals ○ potential for price wars ○ use of non-price competition ○ price taker rather than price leadership <p>Exemplar responses: A monopoly may mean only one firm (L1) but as the market becomes more monopolistically competitive more firms enter it (L1). This may mean an increase in the level of competition (L2). The business may now need to focus on the quality and speed of service it offers to fight off the competition (L3).</p>	9	<p>Levels of response</p> <p>Level 3 (7 – 9 marks) Candidate analyses how the change in market structure from monopoly to monopolistic competition may affect business activity.</p> <p>Level 2 (4 – 6 marks) Candidate explains <u>changes</u> because of changes in the market structure.</p> <p>Level 1 (1 – 3 marks) Candidate identifies characteristic(s) of monopoly and/or monopolistically competitive market structures.</p> <p>The upper mark of each level can be awarded for clarity of response.</p>
3	(a) (i)	<p>As the business cycle has passed the boom phase GDP is declining (1) which may mean that business investment will start to fall (1).</p> <p>Although the decline phase of the business cycle has begun (1) business may continue to spend on investment to prevent falling demand (1).</p>	2	<p>One mark for stating how this may affect business investment.</p> <p>One mark for recognising the stage of the business cycle or what is happening to GDP/demand.</p> <p>Accept the phase as being decline/downturn/recession.</p>

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3	(c)	<p>Menu costs</p> <ul style="list-style-type: none"> the need to amend price lists required to keep up with constant changes in costs and/or competitor prices will occur more regularly due to inflation <p>‘Shoe leather’ costs</p> <ul style="list-style-type: none"> people hold less cash when inflation is high need to make more regular trips to the bank to withdraw cash (even in a cashless economy there may still be a cost involved) can also refer to the time and effort required for individuals to shop around to find the ‘best’ price <p>Uncertainty</p> <ul style="list-style-type: none"> likely to increase with rising inflation firms unable to confidently predict a future price (especially if it needs to set prices for the future) consumers unsure as to what is happening to price which may affect a decision to buy <p>Exemplar responses:</p> <p>Menu costs - The need to change price lists (1) if costs are constantly changing (1) which costs the business money it could have spent on something else (1).</p> <p>‘Shoe leather’ costs - Increased effort needed by customers to shop around (1) to find the ‘best’ price if they are constantly changing (1) so demand may fall (1).</p> <p>Uncertainty - Firms are less sure of setting the ‘right’ price (1) as they are constantly changing (1). This may limit the ability to make a profit (1).</p>	9	For each of the three consequences of inflation, one mark for knowledge of the term, one mark for an explanation and one mark for analysing the impact.

Question		Answer	Marks	Guidance
4	(a)	<p>Responses may include:</p> <ul style="list-style-type: none"> • demand for sterling • supply of sterling • interest rates • market equilibrium • confidence / GDP / expectations • inflation rate • open market operations. 	2	<p>One mark for each correct answer up to a maximum of two marks.</p> <p>No reward for 'demand' or 'supply' (TV) or another country's value / exchange rate</p> <p>Accept answers which may <u>clearly</u> affect speculation activity – e.g., political/economic stability, country's debt.</p>
4	(b)	<p>Use level of response criteria.</p> <p>Relevant information may include:</p> <ul style="list-style-type: none"> • may be differences in culture • may be differences in time zone • issues caused by exchange rates • increased competition • difficulties of working in different languages (both when speaking and with documentation) • different legal arrangements (e.g., standards for road signs) • may increase costs (leading to higher prices or lower profits) • many road signs are identical in Europe to the UK • customers may be keen to use a charity (especially one supporting military veterans) • Sasha is French and speaks many languages. <p>Exemplar response: There may be issues operating in a foreign language (L1) especially when dealing with contracts (L2). This is likely to increase the costs for the business (L3). However, Sasha speaks a number of languages (CONT) which may help to minimise the problems and costs of working in different countries (L4) so this issue is not significant for Quality Signage Ltd.</p>	8	<p>Levels of response</p> <p>Level 4 (7 – 8 marks) Candidate evaluates whether dealing with foreign customers will cause significant difficult for Quality Signage Ltd.</p> <p>Level 3 (5 – 6 marks) Candidate analyses impact(s) of dealing with foreign customers.</p> <p>Level 2 (3 – 4 marks) Candidate explains issue(s) of dealing with foreign customers.</p> <p>Level 1 (1 – 2 marks) Candidate identifies issue(s) of dealing with foreign customers.</p>

Question		Answer	Marks	Guidance															
4	(c)	Indicative content: <ul style="list-style-type: none"> • mobile/communication technologies • free trade • transport infrastructure (e.g., containerisation, pipelines, aviation, ports, rail/road) • rise of multinational companies • international financial flows. 	2	<p>One mark for each correct answer up to a maximum of two marks.</p> <p>NB: Answers of ‘The internet’ or ‘Technology’ are TV.</p> <p>Any reference to ‘trading blocs’ must be about their removal or reduction.</p>															
4	(d)	<table border="1"> <thead> <tr> <th>Role:</th> <th>IMF</th> <th>WTO</th> </tr> </thead> <tbody> <tr> <td>Helps support a country’s currency</td> <td>✓</td> <td></td> </tr> <tr> <td>Helps to negotiate the removal of tariffs</td> <td></td> <td>✓</td> </tr> <tr> <td>Lends money to developing countries</td> <td>✓</td> <td></td> </tr> <tr> <td>Provides policy advice to countries</td> <td>✓</td> <td></td> </tr> </tbody> </table>	Role:	IMF	WTO	Helps support a country’s currency	✓		Helps to negotiate the removal of tariffs		✓	Lends money to developing countries	✓		Provides policy advice to countries	✓		4	<p>One mark for each correct answer</p> <p>Award zero marks for any row which includes two ticks.</p>
Role:	IMF	WTO																	
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Question		Answer	Marks	Guidance
4	(e)	<p>Responses by the marketing function may include:</p> <ul style="list-style-type: none"> price changes carry out market research changes to promotion strategy changes to advertising changes to the marketing mix (4Ps) use of marketing decision tools look to introduce new products/designs sell via different methods (e.g., greater use of the internet). <p>Exemplar responses: It may consider increasing prices (1) given the increased costs of transport to other countries (+1) and the increased levels of inflation (CONT).</p> <p>There will be a need to change advertising literature (1). This will need to be in different languages (CONT) which will add to costs (+1).</p> <p>Promotion strategy may need changing (1). Given that the French business wants to buy from a charity (CONT) it may be something to make more significant in promotional material used in France (+1).</p>	9	<p>For each of three responses by the marketing function:</p> <ul style="list-style-type: none"> one mark for each response <p>PLUS</p> <ul style="list-style-type: none"> two marks for a contextual analysis of the response on Quality Signage Ltd. [CONT annotation required.] <u>or</u> one mark for a non-contextual analysis of the response on a business. <p>NB: Ensure suggestions are clearly the role of the marketing function. For example, checking on the language of signs in different countries or considering transportation would be the work of the Operations function; employing or training new workers (even in Marketing) is an HR function.</p> <p>Ensure that each answer is clearly different from the others.</p>
5	(a)	<p>Answers may include:</p> <ul style="list-style-type: none"> acceptable (stable) levels of economic growth acceptable (stable/control) levels of inflation (accept achieve target rate of inflation) achieving low levels of unemployment (or full employment) a stable currency stable balance of payments / current account (aim for a surplus). 	3	<p>One mark for each valid objective of UK government policy, up to a maximum of three marks.</p> <p>No reward for a basic reference to economic growth, inflation, unemployment, or currency <u>without</u> mention of its level or stability.</p> <p>No reward for references to budget deficit or general welfare targets.</p>

Question	Answer	Marks	Guidance
5 (b)	<p>Use level of response criteria.</p> <p>Responses regarding the increase in the inflation target include:</p> <ul style="list-style-type: none"> • current target is 2.5% and current inflation is 9% • increases in the inflation target may infer that higher rates of inflation are now acceptable and will be the norm in the future • business will build in a higher rate of inflation into their forecasts (and pricing) • may suggest that inflation is out of control which may further affect economic uncertainty. <p>Responses regarding an immediate increase in interest rates may include:</p> <ul style="list-style-type: none"> • will increase cost of borrowing • may reduce willingness of businesses to borrow • may be less of a problem if interest rates increase more slowly than inflation (real interest rates will fall) • will depend by how much interest rates increase. <p>Exemplar response: Any increase in interest rates will raise the cost of borrowing (L1) so this may restrict many businesses ability to borrow (L2). As Quality Signage Ltd needs to borrow £800,000 it may decide it is too expensive so will be unable to buy essential new machinery (L3). Increasing the inflation target may suggest that inflation is likely to remain high (L1) but may have no immediate effect on the level of inflation. It is already well above this new target (L2) so Quality Signage Ltd will still experience increases in its costs (L3). Given the announcement of large cuts in government spending (CONT) and the need for Quality Signage Ltd</p>	16	<p>Levels of response</p> <p>Level 4 (13 – 16 marks) Candidate evaluates which change in monetary policy is likely to have the greatest impact on Quality Signage Ltd.</p> <p>Level 3 (9 – 12 marks) Candidate analyses impact(s) of the change(s) in monetary policy on business.</p> <p>Level 2 (5 – 8 marks) Candidate explains the change(s) in monetary policy.</p> <p>Level 1 (1 – 4 marks) Candidate identifies consequence(s) of change(s) in monetary policy.</p> <p>Candidate must explicitly select which change 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 issue, e.g., an immediate increase in interest rates is the most significant issue because it will affect any business as most are likely to be borrowing money.</p> <p>Award 14 marks for a contextual argument about the main issue, e.g., the increase in interest rates is the most significant issue because Quality Signage Ltd is wanting to borrow £800,000 to buy new machinery.</p> <p>Award 15 marks for a comparative, generic argument about the main issue, e.g., the increase in interest rates is the most significant issue for a business as it will be happening immediately, whereas a change in the inflation</p>

Question	Answer	Marks	Guidance
	<p>to invest in new machinery (CONT), any increase in interest rates is the most significant as it may limit the businesses' ability to expand abroad or remain competitive in a changing UK market (L4). Changes to inflation targets will have less of an immediate impact on the business, as the consequences will take time to work through the economy (L4).</p>		<p>target may have no immediate effect on the day-to-day thinking of a business.</p> <p>Award 16 marks for a comparative, contextual argument about the main issue, e.g., as Quality Signage Ltd. is looking to expand abroad and borrow money, any increase in interest rates will have a cost impact and will be the most significant issue. On the other hand, an increase in the inflation target may have no effect, as inflation is already well above the new target.</p>

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