

## QCF Specimen Question Papers

Please note that ABE **will not be able to accept any queries** about the individual questions in the papers.

The specimen question papers are provided for **information purposes** only; they are intended to give candidates an indication of the **types of paper** that will be used to assess the QCF units and to provide a flavour of the sort of questions that might be asked. There may be minor differences between the style of the specimen question paper and that of the actual examination paper.

It is **essential** that you look at the specimen question paper for **each unit** that you are taking. This is because there are various types of question paper under QCF.

### Key points for all QCF question papers:

- **All the Learning Outcomes will be assessed**—under NQF only a selection of Learning Outcomes was assessed.
- Make sure that you **read and understand the instructions**—the paper may be divided into sections; in some sections all questions will be compulsory; in others you will be offered a choice between questions.
- **Allocate your time carefully**—you may be required to answer **more questions** than you would have answered under NQF. Make sure that you take account of the number of marks available for each question when deciding how to allocate your time.



**Level 5 Diploma**  
**Economics for Business**  
**QCF Specimen Question Paper**

1. Time allowed: **3 hours**.
2. The number of questions you have to answer is marked clearly at the top of each section. **Read the instructions at the top of each section carefully.** Do not answer more questions than instructed.
3. **If you are offered a choice between two questions in a section you must NOT answer both questions.**
4. The number of marks per question may vary. Marks for subdivisions of questions and the total marks for each question are shown in brackets after the question.
5. **No books, dictionaries, notes or any other written materials are allowed in this examination.**
6. **Calculators, including scientific calculators, are allowed providing they are not programmable and cannot store or recall information. Electronic dictionaries and personal organisers are NOT allowed.**
7. Candidates who break ABE regulations, or commit any misconduct, will be disqualified from the examinations.
8. **Question papers must not be removed from the Examination Hall.**

You must complete **BOTH SECTIONS** of this paper.

## **SECTION A**

**You must answer ALL SIX questions in Section A.**

**The questions do not carry equal marks. The mark allocation is shown after each question.**

**Section A is worth 86% of the total marks available for this paper.**

### **Q1**

A firm can produce either soap or toothpaste or a combination of both of these products.

- (a) Draw a Production Possibility Frontier for the firm to show the alternative production outcomes.  
**(3 marks)**
  - (b) Use the Production Possibility Frontier to illustrate the opportunity cost to the firm of producing soap.  
**(3 marks)**
  - (c) If the firm is operating at a point inside the Production Possibility Frontier, explain why this is inefficient and identify some strategies that the firm might adopt to enable it to operate on the Production Possibility Frontier.  
**(8 marks)**
- (Total 14 marks)**

### **Q2**

- (a) Using a supply and demand diagram, identify and explain the concept of 'market equilibrium'.  
**(4 marks)**
  - (b) Using a supply and demand diagram, explain clearly what will happen to the market equilibrium price and quantity if the price of a close substitute rises.  
**(5 marks)**
  - (c) Using a supply and demand diagram, explain what will happen to the market equilibrium price and quantity if the government decides to subsidise this product.  
**(5 marks)**
- (Total 14 marks)**

### **Q3**

- (a) Define the term 'income elasticity of demand'.  
**(2 marks)**
  - (b) Using the concept of income elasticity of demand, explain the difference between a 'Normal good' and an 'Inferior good'.  
**(4 marks)**
  - (c) Explain why an understanding of the concept of income elasticity of demand might be useful to a business.  
**(8 marks)**
- (Total 14 marks)**

**Q4**

- (a) Distinguish between 'diminishing marginal returns' and 'diseconomies of scale'. **(4 marks)**
- (b) Explain how large firms can achieve economies of scale. **(10 marks)**  
**(Total 14 marks)**

**Q5**

- (a) Draw an accurately labelled diagram to illustrate how a profit maximising monopoly might operate in a long run equilibrium situation. Identify the profit maximising price and level of output. **(6 marks)**
- (b) Explain the potential benefits that a firm might gain if it becomes a monopoly. **(9 marks)**  
**(Total 15 marks)**

**Q6**

- (a) Identify the key factors which determine why lenders charge a rate of interest to borrowers. **(6 marks)**
- (b) Discuss the possible impact of an increase in the level of interest rates on a business which needs to constantly invest in modern machinery and also imports a large amount of raw materials. **(9 marks)**  
**(Total 15 marks)**

**END OF SECTION A**

**MAXIMUM MARKS FOR SECTION A: 86**

**TURN OVER TO SECTION B**

**SECTION B**

**You must answer ONE question from Section B. Do NOT answer BOTH Q7 AND Q8.**

**Both questions carry 14 marks.**

**Section B is worth 14% of the total marks available for the paper.**

**EITHER:**

**Q7**

- (a) Explain how currency values are determined in a floating exchange rate system. **(4 marks)**
- (b) Discuss why some businesses might prefer a fixed rather than a floating exchange rate system. **(10 marks)**  
**(Total 14 marks)**

**OR:**

**Q8**

- (a) Explain how currency values are determined in a fixed exchange rate system. **(4 marks)**
- (b) Discuss why some businesses might prefer a floating rather than a fixed exchange rate system. **(10 marks)**  
**(14 marks)**

**END OF SECTION B**

**MAXIMUM MARKS FOR SECTION B: 14**

**END OF EXAMINATION PAPER**

**TOTAL MAXIMUM MARKS: 100**