6.9 Exchange Rate Fluctuations and Business Competitiveness: 10-minute Pack

AQA 8132 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. This pack uses short scenarios about UK businesses and exchange rate movements. No calculator is needed. Write answers in full sentences where asked for explanation or analysis questions.

1 Which one of the following best defines an exchange rate for a UK business trading with Europe?

- ☐ A) The fee a bank charges to exchange money between accounts in the same currency
- ☐ B) The rate at which one currency can be exchanged for another, for example pounds to euros
- ☐ C) The tax charged on goods imported from outside the UK
- ☐ D) The interest rate on a business overdraft

(Total for Question 1 is 1 mark)

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2 Which one of the following is a likely immediate effect of a stronger pound for a UK importer who buys materials from France?

- ☐ A) Imported materials become more expensive in pounds
- ☐ B) Imported materials become cheaper in pounds
- ☐ C) The importer must pay more euros for the same pound amount
- ☐ D) UK exports become cheaper abroad

(Total for Question 2 is 1 mark)

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3 Priya owns Coastal Crafts Ltd, a small UK business that exports handmade wool scarves to shops in Germany. If the prompt states 'the pound has strengthened against the euro', identify the direction of the currency movement described for the pound. State your answer.

(Total for Question 3 is 2 marks)

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4 State one reason why a UK importer paying in euros benefits when the pound strengthens against the euro.

(Total for Question 4 is 1 mark)

5 State whether a stronger pound tends to help or harm a UK business that both imports most inputs and exports the finished product. State your answer and give one brief reason.

(Total for Question 5 is 1 mark)

6 Priya is deciding whether to change Coastal Crafts Ltd's strategy after a stronger pound. Recommend one short-term action she could take to protect sales in Germany and briefly justify it in one sentence.

(Total for Question 6 is 2 marks)

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Mark scheme · 6.9 Exchange Rate Fluctuations and Business Competitiveness: 10-minute Pack

Question 1

B cao **B1**

Answer: B

Question 2

B cao **B1**

Answer: B

Question 3

identifies that the pound has risen in value against the euro **B1**

or states the pound buys more euros than before **B1**

Answer: The pound has risen in value against the euro, so one pound now buys more euros than before.

Question 4

it costs fewer pounds to buy the same number of euros, reducing the pound cost of imports **B1**

Answer: Because the pound buys more euros, the importer can buy the same supplies for fewer pounds, reducing import costs.

Question 5

a judgement with a matching reason: help, because imported inputs become cheaper and cut costs; or harm, because exports become dearer abroad and less competitive; also accept that it depends on which effect is larger, with a reason **B1**

Answer: Either, with a matching reason: help, because imported inputs become cheaper; or harm, because exports become dearer abroad (accept: it depends on which effect is larger).

Question 6

recommends a sensible short-term action, e.g. temporarily reducing the pound price or offering bundle discounts **B1**

provides a brief justification linked to protecting sales or maintaining market share **B1**

Answer: For example, temporarily reduce the pound price slightly or offer bundled discounts to keep the euro price competitive, helping to protect sales and market share in Germany while observing the exchange rate movement.

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