



ADVANCED
General Certificate of Education
January 2012

GCE Applied Business
Assessment Unit A2 12
assessing

The Global Market

[A6B61]

THURSDAY 26 JANUARY, AFTERNOON

**MARK
SCHEME**

1 Explain the term “comparative advantage”, using two examples from the case study.

- Theory stating that countries should specialise in production of goods/services most efficiently produced – if so, then they have comparative advantage compared to other countries;
- Examples: Northern Ireland might have comparative advantage in heavy engineering products (truck trailers); Saudi Arabia might have comparative advantage in production of oil.

	AO1 Knowledge and Understanding	AO2 Application
Level 2	[2] Candidate demonstrates satisfactory understanding of the term comparative advantage.	[3]–[4] Candidate applies satisfactory knowledge fully in context of stimulus material.
Level 1	[1] Candidate demonstrates limited understanding of the term.	[1]–[2] Candidate applies limited knowledge in context of stimulus material.
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] Candidate does not attempt to apply knowledge to stimulus material.

[6]

6

2 Analyse **three** benefits to SDC Trailers Limited of operating from two separate locations within the UK.

- Enables production activities to be completed effectively/efficiently – e.g. tipper/dumper trailers can only be manufactured in England due to specialised nature of the product;
- Enables SDC Trailers Ltd to maintain a presence in England and in the European market – closer geographical location compared to Northern Ireland;
- Convenient for UK-based customers to acquire SDC Trailers Ltd products and spare parts;
- Maintains the perception that SDC Trailers is a UK-based business compared to Northern Ireland based which enhances market presence and allows SDC Trailers Ltd to operate a repair centre.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 2	[2]–[3] Candidate demonstrates a satisfactory understanding of the benefits of operating from two separate locations.	[2]–[3] Candidate applies knowledge satisfactorily in the context of the stimulus material.	[2]–[3] Candidate shows a satisfactory attempt to analyse the benefits of operating from two separate locations in context of stimulus material.
Level 1	[1] Candidate demonstrates limited understanding of the benefits of operating from two separate locations.	[1] Candidate applies limited knowledge in context of stimulus material.	[1] Candidate shows a limited attempt to analyse the benefits of operating from two separate locations in context of stimulus material.
Level 0	[0] Candidate demonstrates no understanding of the benefits of operating from two separate locations.	[0] Candidate does not attempt to apply knowledge to stimulus material.	[0] Candidate does not attempt to analyse the benefits of operating from two separate locations in context of stimulus material.

[9]

9

3 Analyse **three** ways in which Invest NI might assist SDC Trailers Limited to trade globally.

- Financial Assistance: funding for investment in plant/machinery/production facilities; research and development funds;
- Financial Assistance: funding in terms of training grants for staff;
- Non-financial Assistance: support for trade missions; gateway to export schemes;
- Non-financial Assistance: advice/contacts in relation to markets in the Middle East region; Invest in Trade Initiative.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 2	[3] Candidate demonstrates a satisfactory understanding of the ways in which Invest NI assists firms to trade globally. Candidate makes adequate use of specialist vocabulary when it is appropriate.	[3] Candidate attempts to apply a satisfactory level of knowledge.	[3] Candidate shows a satisfactory attempt to analyse the ways in which Invest NI assists firms to trade globally.
Level 1	[2] Candidate demonstrates a limited understanding of the ways in which Invest NI assists firms to trade globally. Candidate makes some use of specialist vocabulary when it is appropriate.	[1]–[2] Candidate attempts to apply limited knowledge.	[1]–[2] Candidate shows a limited attempt to analyse the ways in which Invest NI assists firms to trade globally.
Level 0	[0] Candidate demonstrates no understanding of the ways in which Invest NI assists firms to trade globally. Candidate makes no use of specialist vocabulary when it is appropriate.	[0] Candidate does not attempt to apply knowledge.	[0] Candidate shows no attempt to analyse the ways in which Invest NI assists firms to trade globally.

[9]

9

4 Discuss one advantage and one disadvantage of **each** of the following methods of distribution by SDC Trailers Limited:

- Agents
- Direct Selling

Agents

Advantages:

- An agent can act independently in some foreign markets – this can be important in securing increased sales of SDC Trailers Ltd's merchandise/product range;
- An agent can secure exports of SDC Trailers' products range – e.g. negotiate licensing agreements on behalf of the company with customers for use of their product range – truck trailers;
- An agent can have good market expertise – SDC Trailers Ltd's agent in Middle East might have experience of working within the global transport industry and identify potential markets;
- SDC Trailers Ltd can retain control over their brand name/income and can influence promotion of their activities with the use of an agent.

Disadvantages:

- In relation to SDC Trailers Ltd, an agent is not likely to share the costs of delivery of products to customers – the company are likely to have to meet such costs from revenues;
- An agent is not likely to hold significant stockholdings, thus SDC Trailers Ltd might be reliant upon a third party to ensure efficient distribution of product range;
- An agent might not accept the credit risk associated with SDC Trailers Ltd's activities – the company ultimately have to find the financial resources to fund their sales/distribution activities from production/sales activities; case study states that SDC Trailers had already tried the 'agent' approach and did not appear to place much value/reliance on this method of distribution.

Direct Selling

Advantages:

- NI-based firms such as SDC Trailers Ltd, can maximise their revenues/profits since no third party/agent is involved in transactions linked to the Saudi Arabian transport operator;
- This approach enables firms such as SDC Trailers Ltd to maintain a direct relationship with the customer, and enhance the professional approach to business dealings and improve relationships.

Disadvantages:

- NI-based firms such as SDC Trailers Ltd, may not have a full working knowledge of the transport industry in specific markets, and as such, building relationships such as this takes time and much effort;
- Might be an expensive and time consuming approach to doing business globally and require support from local government agencies, such as Invest NI.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4
Level 3	[4] Candidate demonstrates a competent understanding of various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling). Candidate makes good use of specialist vocabulary when it is appropriate.	[4] Candidate competently applies knowledge.	[4] Candidate competently analyses various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling).	[4] Candidate gives a comprehensive discussion of various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling), and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3] Candidate demonstrates a satisfactory understanding of various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling). Candidate makes adequate use of specialist vocabulary when it is appropriate.	[3] Candidate attempts to apply satisfactory level of knowledge.	[3] Candidate shows a satisfactory attempt to analyse various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling).	[3] Candidate gives a satisfactory discussion of various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling), and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate has demonstrated a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.

Level 1	[1]–[2] Candidate demonstrates limited understanding of various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling). Candidate makes some use of specialist vocabulary when it is appropriate.	[1]–[2] Candidate attempts to apply limited knowledge.	[1]–[2] Candidate shows a limited attempt to analyse various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling).	[1]–[2] Candidate shows limited discussion of various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling). Candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. Organisation of the answer is limited.
Level 0	[0] Candidate demonstrates no understanding of various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling). Candidate makes no use of specialist vocabulary when it is appropriate.	[0] Candidate does not attempt to apply knowledge	[0] Candidate shows no attempt to analyse various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling).	[0] Candidate makes no attempt to discuss the various methods of distribution used by SDC Trailers Ltd (Agents/Direct Selling).

[16]

AVAILABLE MARKS

16

- 5 Discuss four impacts on the Northern Ireland economy which a business such as SDC Trailers Limited would have by trading globally.

Employment Levels:

- It is assumed that SDC Trailers Limited can provide employment for locally based staff (in the county) directly and indirectly in terms of staff employed in subcontract related work, in both production (locally) and distribution (globally) of its product range;
- Assumed that the contract to supply to Saudi customer has been priced to secure the deal;

Economic Growth:

- It is assumed that SDC Trailers Limited can generate increased revenues and consequently increased levels of spending power (potential multiplier effect) in the local economy (in the county) and secure greater number of jobs/livelihoods in local economy, e.g. shop sales, foreign currency transactions;
- Visiting customers to the local area may well increase trade locally and thus increase growth by staying in local hotels/B&Bs/local airports/travel to/from company premises (taxis etc.);

Inflation:

- SDC Trailers Limited's activities are not likely to directly affect inflation; this is because the product range are not considered to be "consumables", thus not likely to be directly included in inflation calculations;
- Rather, the company's product range is more durable in nature, involving capital expenditure by businesses, which need to fund the purchases – this requires funding from sales revenues, which are likely to be charged at higher prices in order to secure greater cashflow to pay for the delivery of products supplied to final customers, e.g. foodstuffs/goods;

Exchange Rates:

- SDC Trailers Limited's activities will likely encourage a demand for foreign currencies, since they export their products/services globally, e.g. the Middle East and Europe – this is likely to require currency exchange transactions (sterling/euro/dollars etc.) on the part of suppliers, customers, staff, management, the company itself and other stakeholders which will increase the demand and possibly impact the exchange rates between sterling and the respective national currencies.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4
Level 3	[4] Candidate demonstrates a competent understanding of the impact of SDC Trailers Ltd's global trading activities on local economy. Candidate makes good use of specialist vocabulary when it is appropriate.	[4] Candidate competently applies knowledge.	[4] Candidate competently analyses the impact of SDC Trailers Ltd's global trading activities on local economy.	[4] Candidate gives a competent evaluation of the impact of SDC Trailers Ltd's global trading activities on local economy, and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3] Candidate demonstrates satisfactory understanding of the impact of SDC Trailers Ltd's global trading activities on local economy. Candidate makes adequate use of specialist vocabulary when it is appropriate.	[3] Candidate attempts to apply a satisfactory knowledge.	[3] Candidate shows a satisfactory attempt to analyse the impact of SDC Trailers Ltd's global trading activities on local economy.	[3] Candidate gives a satisfactory evaluation of the impact of SDC Trailers Ltd's global trading activities on local economy, and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate has demonstrated a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.

Level 1	[1]–[2] Candidate demonstrates limited understanding of the impact of SDC Trailers Ltd’s global trading activities on local economy. Candidate makes some use of specialist vocabulary when it is appropriate.	[1]–[2] Candidate attempts to apply limited knowledge.	[1]–[2] Candidate shows a limited attempt to analyse the impact of SDC Trailers Ltd’s global trading activities on local economy.	[1]–[2] Candidate shows a limited evaluation of the impact of SDC Trailers Ltd’s global trading activities on local economy. Candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. Organisation of the answer is limited.
Level 0	[0] Candidate demonstrates no understanding of the impact of SDC Trailers Ltd’s global trading activities on local economy. Candidate makes no use of specialist vocabulary when it is appropriate.	[0] Candidate does not attempt to apply knowledge.	[0] Candidate shows no attempt to analyse the impact of SDC Trailers Ltd’s global trading activities on local economy.	[0] Candidate makes no attempt to evaluate the impact of SDC Trailers Ltd’s global trading activities on local economy.

[16]

AVAILABLE MARKS

16

6 Evaluate how **each** of the following factors might affect SDC Trailers Limited when trading globally:

- Business practices
- Design and packaging
- Technical Standards
- Currency

Business Practices:

- SDC Trailers Ltd should adapt to the various business practices undertaken in global markets and respond to them, in order to secure business, e.g. participate in INI trade missions, use of direct contact with customers, quality measures incorporated throughout the production processes; agreement of delivery deadlines with customers; INI director refers to the professional approach adopted;
- The use of the website might be a common approach to securing future orders, since the website provides information about SDC Trailers Ltd product range, existing customers, and contact details about the business.

Design and Packaging:

- SDC Trailers Ltd must design/produce truck trailers according to customer specifications, providing customers with an excellent experience in terms of acquiring a product for use in the transport industry; truck trailers and/or spare parts must be finished as new and packaged to suit the customer;
- SDC Trailers Ltd must also design the trailers to meet customer requirements in terms of colours (livery), safety equipment, functionality and other transport regulations.

Technical Standards:

- SDC Trailers Ltd must produce/sell their product range to meet various regulations in force within the global transport industry, e.g. with respect to trailer height, weight, safety markings, lighting and braking systems and equipment specifications (tyres, electrical wiring etc.);
- The refurbishment of second-hand trailers must also comply with the technical standards/transport regulations in order to enable SDC Trailers Ltd to succeed in the global transport industry; the spare parts business is crucial to the success of SDC Trailers in the global market as customers want to be reassured about availability of spares.

Currency:

- SDC Trailers Ltd must have sufficient financial resources in order to allow the company to survive in the global market, i.e. fierce competition; finance future research/development; fund the working capital requirements of the business;
- SDC Trailers Ltd must also manage the foreign exchange risks facing the business, and agree payment deadlines/methods with customers, as this will impact the cashflows of the business, e.g. payment terms will have been agreed with the Saudi Arabian customer in respect of the 200 truck trailers being supplied under contract.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4
Level 3	[4] Candidate demonstrates a competent understanding of various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally. Candidate makes good use of specialist vocabulary when it is appropriate.	[4] Candidate competently applies knowledge.	[4] Candidate competently analyses the various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally.	[9]–[12] Candidate gives a comprehensive evaluation of the factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally, and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3] Candidate demonstrates satisfactory understanding of various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally. Candidate makes adequate use of specialist vocabulary when it is appropriate.	[3] Candidate attempts to apply a satisfactory level of knowledge.	[3] Candidate shows a satisfactory attempt to analyse various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally.	[5]–[8] Candidate gives a satisfactory evaluation of various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally, and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate has demonstrated a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.

Level 1	[1]–[2] Candidate demonstrates limited understanding of various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally. Candidate makes some use of specialist vocabulary when it is appropriate.	[1]–[2] Candidate attempts to apply limited knowledge.	[1]–[2] Candidate shows limited attempt to analyse various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally.	[2]–[4] Candidate shows a limited evaluation of the various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally. Candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate demonstrates no understanding of various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally. Candidate makes no use of specialist vocabulary when it is appropriate.	[0] Candidate does not attempt to apply knowledge.	[0] Candidate shows no attempt to analyse various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally.	[0] Candidate makes no attempt to evaluate the various factors (business practices/design/technical standards/currency), affecting SDC Trailers Ltd when trading globally.

[24]

Total

AVAILABLE MARKS

24

80