



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2013**

Applied Business

Assessment Unit AS 3

assessing

External Influences on the Business Enterprise

[A3B31]

MONDAY 20 MAY, AFTERNOON

MARK SCHEME

General Marking Instructions

Introduction

Mark schemes are published to assist teachers and students in their preparation for examinations. With the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may be seen as a way to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of students in schools and colleges.

The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes, therefore, are regarded as part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

1 Moy Park operates in the Consumer Goods and Services Market. Explain **two** characteristics of this market using examples from the case study.

There are a range of characteristics associated with a consumer goods and services market.

- There are many buyers (customers) within the marketplace;
- There is a limited number of sellers (food processing companies);
- The sellers (Moy Park) have knowledge of the market;
- Hygiene is paramount within this industry;
- Moy Park are producing consumables or non-durable goods for example, chicken and turkey;
- Highly competitive market. If candidates simply state that it is a market that sells goods and services this must be backed up with an example.

	AO1 Knowledge and Understanding	AO2 Application
Level 2	3–4 marks Candidate demonstrates a satisfactory understanding of the consumer goods and services market.	2 marks Candidate applies satisfactory level of knowledge in context of stimulus material.
Level 1	1–2 marks Candidate demonstrates a limited understanding of the consumer goods and services market.	1 mark Candidate applies limited knowledge in context of stimulus material.
Level 0	0 marks Candidate demonstrates no understanding of the consumer goods and services market.	0 marks Candidate does not attempt to apply knowledge to stimulus material.

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2 Identify one market sector that Moy Park operates in, and support your answer with **two** examples from the case study.

- Moy Park operates in the secondary sector of the economy as most of its activity involves manufacturing and processing, turning raw materials into goods.
- Marks will also be awarded to candidates who state that Moy Park operates in the primary sector as long as they related this to the activities carried out by Moy Park. For example, farming – dairying, potatoes and chicken eggs.
- Examples
 1. Moy Park offers a range of fresh, high quality, locally farmed chicken and
 2. complementary convenience food products.
- Moy Park have recently developed a new southern fried-style mini fillet.
- The company also supplies hatching eggs to a significant proportion of the total European market and is well organised as one of Europe’s largest growers of organic, free-range and corn-fed birds.

	AO1 Knowledge and Understanding	AO2 Application
Level 2	2–3 marks Candidate demonstrates a satisfactory understanding of the market sector that Moy Park operates in.	3–4 marks Candidate applies satisfactory level of knowledge in context of stimulus material.
Level 1	1–2 marks Candidate demonstrates a limited understanding of the market sector that Moy Park operates in.	1–2 marks Candidate applies limited knowledge in context of stimulus material.
Level 0	0 marks Candidate demonstrates no understanding of the market sector that Moy Park operates in.	0 marks Candidate does not attempt to apply knowledge to stimulus material.

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3 Analyse **three** conditions which may have increased demand for Moy Park's products.

The conditions of demand:

- **Change in population** – As the population increases the demand for most goods increases.
- **Change in income** – Income is a very important factor determining the level of demand for a particular product or service. Demand for people using Moy Park products will rise as income increases. People will have more disposal income to spend on Moy Park products and additional products or services they have to offer. The change in the economic climate and rise in unemployment has resulted in people staying at home and cooking for themselves or others instead of going to restaurants.
- **Change in the price of other goods** – Changes in the price of goods or services will have an influence on demand for Moy Park's goods.
- **Change in tastes and fashions** – Changes in tastes and fashions will have a huge impact on the demand for certain goods and services. At Moy Park customers are told that Moy Park is creating healthier products with better ingredients and they have recently developed a new southern fried-style mini fillet.
- **Availability of substitutes** – The level of demand for a good or service is the price of other closely related goods and services. Customers will look at the offers available from other food processing companies in Northern Ireland and which company is giving them the best deal of their products.
- **Legislation** – Changes in legislation can have huge effects on the demand for a good or service, e.g. the no-smoking ban and Monetary Policy Committed (MPC) or environmental regulations. Moy Park was recognised with a 'Platinum' award in the top category for being an environmentally responsible organisation by Business in the Community's ARENA networking.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	3 marks Candidate demonstrates a competent understanding of the conditions which may have increased demand for Moy Park's products.	3 marks Candidate competently applies knowledge effectively in the context of the stimulus material.	5–6 marks Candidate competently attempts to analyse the conditions which may have increased demand for Moy Park's products.
Level 2	2 marks Candidate demonstrates a satisfactory understanding of the conditions which may have increased demand for Moy Park's products.	2 marks Candidate applies satisfactory level of knowledge effectively in the context of the stimulus material.	3–4 marks Candidate shows a satisfactory attempt to analyse the conditions which may have increased demand for Moy Park's products.
Level 1	1 mark Candidate demonstrates a limited understanding of the conditions which may have increased demand for Moy Park's products.	1 mark Candidate applies limited knowledge in context of stimulus material.	1 mark Candidate shows a limited attempt to analyse the conditions which may have increased demand for Moy Park's products.
Level 0	0 marks Candidate demonstrates no understanding of the conditions which may have increased demand for Moy Park's products.	0 marks Candidate does not attempt to apply knowledge to stimulus material.	0 marks Candidate does not attempt to analyse the conditions which may have increased demand for Moy Park's products.

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- 4 Examine **three** advantages and **two** problems of competition within an industry such as food processing.

Advantages

- If Moy Park can introduce a product which customers like then the demand will increase as well as profits.
- Moy Park must remain competitive and in doing so it increases drive and determination within business.
- If demand for Moy Park products increases then it will be necessary to expand the current Moy Park facility to meet consumer demands.
- Diversification within Moy Park makes it possible to offer a range of fresh high quality, locally farmed chicken and complementary convenience food products to retail and foodservice customers across Europe.
- If Moy Park produces a quality product and there is sufficient consumer demand then they can set their own prices, to retain existing customers and attract new custom.
- Moy Park brand is well established and consumers can identify with the brand. This means that Moy Park will be able to better their rivals and retain their position as a market leader.
- Pricing strategy: may increase demand for Moy Park goods, increase market share.

Problems

- Moy Park may go out of business if they don't keep-to-date with modern manufacturing methods or best industry practices.
- Moy Park may have to sell their products cheaper to keep up with rival food processors. This may inevitably compromise the quality aspect of their product.
- Moy Park may be unable to dominate the market (price wars). Cheaper imports transported from within the EU or from outside may dictate market price.
- Moy Park will always have to diversify and move into different areas of business to maintain their share of the market. Diversification has a cost which will undoubtedly impact on profitability.
- Moy Park may close if they do not remain competitive. Increased competition may result in a reduction in demand for their products and profits will decrease.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	4–5 marks Candidate demonstrates a competent understanding of the advantages and problems of competition within an industry such as food processing.	4–5 marks Candidate competently applies knowledge effectively in the context of the stimulus material.	4–5 marks Candidate competently attempts to analyse the advantages and problems of competition within an industry such as food processing.
Level 2	2–3 marks Candidate demonstrates a satisfactory understanding of the advantages and problems of competition within an industry such as food processing.	2–3 marks Candidate applies a satisfactory level of knowledge effectively in the context of the stimulus material.	2–3 marks Candidate shows a satisfactory attempt to analyse the advantages and problems of competition within an industry such as food processing.
Level 1	1 mark Candidate demonstrates a limited understanding of the advantages and problems of competition within an industry such as food processing.	1 mark Candidate applies limited knowledge in context of stimulus material.	1 mark Candidate shows a limited attempt to analyse the advantages and problems of competition within an industry such as food processing.
Level 0	0 marks Candidate demonstrates no understanding of the advantages and problems of competition within an industry such as food processing.	0 marks Candidate does not attempt to apply knowledge to stimulus material.	0 marks Candidate does not attempt to analyse the advantages and problems of competition within an industry such as food processing.

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- 5 Evaluate **four** different methods in which Moy Park might improve its competitiveness.
- **Pricing Strategies** – Moy Park could seek to improve its competitiveness through its pricing strategies. They could vary strategies such as skimming, penetration, destroyer pricing, e.g. largest growers of organic free-range and corn-fed birds.
 - **Improving quality** – Moy Park can compete on the basis of quality rather than price, e.g. creating healthier products with better ingredients and they have recently developed a new southern fried-style mini fillet.
 - **Adding value** – If Moy Park can add value to its products/services then it can sell them at a higher price, e.g. Moy Park is now working on an extensive corporate responsibility programme for employees and the community, to cover education, healthy living and charitable activities.
 - **Advertising** – Moy Park could advertise their products/services more in an attempt to raise awareness.
 - **Product differentiation** – Moy Park can modify their products/services in an attempt to make it appear different to that of its rivals, e.g. Moy Park is part of the Rose Energy consortium, which is aiming to build a plant to convert chicken litter to energy.
 - **Organic growth** – Moy Park organically grows naturally through increasing sales and market share, e.g. more than 200 million chickens and 2 million turkeys are now processed and the McLarnon Feeds mill has been added to the company's resources.
 - **Mergers** – Moy Park could look for opportunities to merge with other businesses.
 - **Takeovers/Acquisitions** – Moy Park has been part of the Brazil-based Marfrig Group since 2008.
 - **Diversification** – Moy Park could try to diversify and manufacture other products.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	<p>4 marks Candidate demonstrates a competent understanding of the different methods by which Moy Park might improve its competitiveness.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>4 marks Candidate competently applies knowledge.</p>	<p>4 marks Candidate competently analyses the different methods by which Moy Park might improve its competitiveness.</p>	<p>7–8 marks Candidate gives a competent evaluation of the different methods by which Moy Park might improve its competitiveness, and comes to a final judgement.</p> <p>Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear.</p> <p>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.</p>

<p>Level 2</p>	<p>2–3 marks Candidate demonstrates a satisfactory understanding of the different methods by which Moy Park might improve its competitiveness.</p> <p>Candidate makes adequate use of specialist vocabulary when it is appropriate.</p>	<p>2–3 marks Candidate makes a satisfactory attempt to apply knowledge.</p>	<p>2–3 marks Candidate makes a satisfactory attempt to analyse the different methods by which Moy Park might improve its competitiveness.</p>	<p>3–6 marks Candidate gives a satisfactory evaluation of the different methods by which Moy Park might improve its competitiveness, and comes to a final judgement.</p> <p>Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time.</p> <p>The candidate has demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.</p>
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<p>Level 1</p>	<p>1 mark Candidate demonstrates a limited understanding of the different methods by which Moy Park might improve its competitiveness.</p> <p>Candidate makes some use of specialist vocabulary when it is appropriate.</p>	<p>1 mark Candidate makes a limited attempt to apply knowledge.</p>	<p>1 mark Candidate makes a limited attempt to analyse the different methods by which Moy Park might improve its competitiveness.</p>	<p>1–2 marks Candidate attempts limited evaluation of the different methods by which Moy Park might improve its competitiveness.</p> <p>Candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear.</p> <p>The candidate demonstrates a limited form and style appropriate to the purpose of the question. Organisation of the answer is limited.</p>
<p>Level 0</p>	<p>0 marks Candidate demonstrates no understanding of the different methods by which Moy Park might improve its competitiveness.</p> <p>Candidate makes no use of specialist vocabulary when it is appropriate.</p>	<p>0 marks Candidate does not attempt to apply knowledge.</p>	<p>0 marks Candidate shows no attempt to analyse the different methods by which Moy Park might improve its competitiveness.</p>	<p>0 marks Candidate makes no attempt to evaluate the different methods by which Moy Park might improve its competitiveness.</p>

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6 Discuss the potential impact of the following **four** government policies on Moy Park's business operations:

- Fiscal Policy
- Monetary Policy
- Supply Side Policy
- Regional Policy

Policies

- **Monetary Policy** is concerned with controlling the supply of money in the economy and controlling the cost and availability of credit. If there were to be an increase in interest rates this could cause Moy Park not to expand or invest in their business since borrowing to fund an investment programme becomes more expensive. If monetary policy is adjusted, it could result in a fall in consumer's spending and there could be less demand for Moy Park produce.
- **Fiscal Policy** is the use of government spending, taxation and borrowing to influence the level of aggregate demand in the economy. The government can try to influence this level through directly altering tax rates and the amount it spends on services.
 - Regeneration will benefit the economy (and possibly Moy Park) as a whole through the multiplier effect.
 - Moy Park can become over reliant on subsidies and grants and may find it difficult to stand on their own feet when they are removed.
- **Supply Side Policy** is to shift the aggregate supply curve to the right, allowing the economy to enjoy higher levels of employment and economic growth without any increase in the inflation rate. If the government adjusts supply side policies through, e.g. income tax cuts, it will enable more money to circulate and increase consumer's spending, thus it may result in a greater demand for Moy Park's products. Government may increase support to business and create employment.
- **Regional Policy** is to distribute funds from the high performance parts of the UK to the poorly-performing regions. Regional policy is administrated through regional development agencies such as Invest Northern Ireland, and generally entails the provision of investment grants for firms in Assisted Areas.
 - Regeneration can be costly. The government may need to offer incentives such as grants and subsidies to encourage Moy Park to stay.
 - Infrastructure etc may be improved which in the long term may benefit the region even more.
 - Craigavon has been a major employer for people in the food processing industry and will possess many valuable skills.
 - If the government does not try to regenerate the area (Craigavon), social problems may arise.
 - Regeneration can be a waste of money unless the government tries to encourage Moy Park to stay.
 - There is the danger that regeneration initiatives will only work for a limited period of time. Once subsidies and grants are removed the competitive advantage of the beneficiaries may be lost and they may move out of the region again.
 - Businesses in other areas may complain that the business in the areas being regenerated are obtaining an unfair advantage.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	<p>4 marks Candidate demonstrates a competent understanding of the potential impact of the government policies on Moy Park's business operations.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>4 marks Candidate competently applies knowledge.</p>	<p>4 marks Candidate competently analyses the potential impact of the government policies on Moy Park's business operations.</p>	<p>7–8 marks Candidate gives a competent evaluation of the potential impact of the government policies on Moy Park's business operations, and comes to a final judgement.</p> <p>Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear.</p> <p>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.</p>

<p>Level 2</p>	<p>2–3 marks Candidate demonstrates a satisfactory understanding of the potential impact of the government policies on Moy Park’s business operations. Candidate makes adequate use of specialist vocabulary when it is appropriate.</p>	<p>2–3 marks Candidate makes a satisfactory attempt to apply knowledge.</p>	<p>2–3 marks Candidate makes a satisfactory attempt to analyse the potential impact of the government policies on Moy Park’s business operations.</p>	<p>3–6 marks Candidate gives a satisfactory evaluation of the potential impact of the government policies on Moy Park’s business operations, and comes to a final judgement.</p> <p>Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time.</p> <p>The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.</p>
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Level 1	<p>1 mark Candidate demonstrates a limited understanding of the potential impact of the government policies on Moy Park's business operations. Candidate makes some use of specialist vocabulary when it is appropriate.</p>	<p>1 mark Candidate makes a limited attempt to apply knowledge.</p>	<p>1 mark Candidate makes a limited attempt to analyse the potential impact of the government policies on Moy Park's business operations.</p>	<p>1–2 marks Candidate attempts limited evaluation of the potential impact of the government policies on Moy Park's business operations. 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.</p>
Level 0	<p>0 marks Candidate demonstrates no understanding of the potential impact of the government policies on Moy Park's business operations. Candidate makes no use of specialist vocabulary when it is appropriate.</p>	<p>0 marks Candidate does not attempt to apply knowledge.</p>	<p>0 marks Candidate shows no attempt to analyse the potential impact of the government policies on Moy Park's business operations.</p>	<p>0 marks Candidate makes no attempt to evaluate the potential impact of the government policies on Moy Park's business operations.</p>

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Total

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