



*Rewarding Learning*

ADVANCED  
General Certificate of Education  
2013

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**GCE Applied Business**

Assessment Unit A2 12

*assessing*

The Global Market

[A6B61]

THURSDAY 20 JUNE, MORNING

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**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 Define the term “global trading”, and explain **one** way in which it is important to the Northern Ireland economy.

- trading between business/customers across national borders.
- benefits:
  - job security and growth (166 new jobs);
  - increased exports

	<b>AO1 Knowledge and Understanding</b>	<b>AO2 Application</b>
Level 2	<b>[2]</b> Candidate demonstrates a satisfactory understanding of the term global trading.	<b>[2]</b> Candidate applies a satisfactory level of knowledge in context of stimulus material.
Level 1	<b>[1]</b> Candidate demonstrates a limited understanding of the term global trading.	<b>[1]</b> Candidate applies limited knowledge in context of stimulus material.
Level 0	<b>[0]</b> demonstrates no understanding of the term global trading.	<b>[0]</b> Candidate does not attempt to apply knowledge to stimulus material.

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- 2 Analyse **three** methods by which Andor Technology plc may have entered overseas markets.
- Franchising: a form of business organisation where a product/service is sold in accordance with the franchisor's terms and conditions related to trade name/product/business practices, in consideration of a fee; Andor Technology plc might set up a franchise business/offices in various locations across UK, Europe and USA in order to promote camera sales/distribution;
  - Licensing: a form of business activity whereby the business authorises the production/sale of the product range under license by a business partner; this would typically involve payment of fees to the original business, with the business partner making the camera product range available in overseas market under specific terms and conditions;
  - Joint Venture: a form of business organisation whereby one or more businesses join together to form another business, where the terms and conditions of business practice are jointly agreed, e.g. Andor Technology plc might enter into a joint venture with an overseas camera/lighting company in order to market cameras in USA, hence using the distribution networks already in existence in the US market;
  - Direct Investment: a form of business organisation whereby the original business invests in a business operation in the international market – this could include the takeover or merger of an existing business or establishment of a new business, e.g. Andor Technology plc have taken over existing businesses in USA (Photonic Instruments)/Zurich (Bitplane);
  - Multinationals: a form of business organisation whereby a current business may transform itself into a multinational corporation, with global operations on a significant scale; depending on the size of the current business. In relation to Andor Technology plc it operates as an MNC in its own right, since it is quoted on London Stock Exchange and serves customers in over 55 countries.

	<b>AO1 Knowledge and Understanding</b>	<b>AO2 Application</b>	<b>AO3 Analysis</b>
Level 3	<b>[3]</b> Candidate demonstrates a competent understanding of the ways in which Andor Technology plc may have entered overseas markets. Candidate makes adequate use of specialist vocabulary when it is appropriate.	<b>[3]</b> Candidate attempts to competently apply knowledge.	<b>[5]–[6]</b> Candidate shows an attempt to competently analyse the ways Andor Technology plc may have entered overseas markets.
Level 2	<b>[2]</b> Candidate demonstrates a satisfactory understanding of the ways in which Andor Technology plc may have entered overseas markets. Candidate makes adequate use of specialist vocabulary when it is appropriate.	<b>[2]</b> Candidate attempts to apply knowledge to a satisfactory standard.	<b>[3]–[4]</b> Candidate shows an attempt to satisfactorily analyse the ways Andor Technology plc may have entered overseas markets.
Level 1	<b>[1]</b> Candidate demonstrates a limited understanding of the ways in which Andor Technology plc may have entered overseas markets. Candidate makes some use of specialist vocabulary when it is appropriate.	<b>[1]</b> Candidate attempts to apply limited knowledge.	<b>[1]–[2]</b> Candidate shows a limited attempt to analyse the ways in which Andor Technology plc may have entered overseas markets.
Level 0	<b>[0]</b> Candidate demonstrates no understanding of the ways in which Andor Technology plc may have entered overseas markets. Candidate makes no use of specialist vocabulary when it is appropriate.	<b>[0]</b> Candidate does not attempt to apply knowledge.	<b>[0]</b> Candidate shows no attempt to analyse the ways in which Andor Technology plc may have entered overseas markets.

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3 Explain **two** types of financial assistance and **two** types of non-financial assistance for global trade available to a business such as Andor Technology plc.

- Financial Assistance:
  - Training grants for staff;
  - Export credit guarantees;
  - Funds to invest in new equipment/export facilities;
- Non-Financial Assistance:
  - Trade Missions/Representatives;
  - Export advice;
  - Marketing and other support.

	<b>AO1 Knowledge and Understanding</b>	<b>AO2 Application</b>
Level 3	<b>[7]–[8]</b> Candidate demonstrates a competent understanding of financial/non-financial assistance available to a business such as Andor Technology plc. Candidate makes adequate use of specialist vocabulary when it is appropriate.	<b>[4]</b> Candidate competently attempts to apply knowledge.
Level 2	<b>[4]–[6]</b> Candidate demonstrates a satisfactory understanding of financial/non-financial assistance available to a business such as Andor Technology plc. Candidate makes adequate use of specialist vocabulary when it is appropriate.	<b>[3]</b> Candidate attempts to apply knowledge to a satisfactory standard.
Level 1	<b>[1]–[3]</b> Candidate demonstrates a limited understanding of the financial/non-financial assistance available to a business such as Andor Technology plc. Candidate makes some use of specialist vocabulary when it is appropriate.	<b>[1]–[2]</b> Candidate applies limited knowledge.
Level 0	<b>[0]</b> Candidate demonstrates no understanding of the financial/non-financial assistance available to a business such as Andor Technology plc. Candidate makes no use of specialist vocabulary when it is appropriate.	<b>[0]</b> Candidate does not attempt to apply knowledge.

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4 Andor Technology plc trades globally. Analyse **three** impacts this would have on consumers.

**Price:**

- niche market, high end/value scientific products, thus can charge premium prices;
- customers of Andor Technology plc will be able to acquire products at a competitive price per unit (digital camera) or at a cheaper price compared to other producers (Bitplane/Photonic Instruments);
- digital camera prices appear to have been kept at competitive rates, which might attract greater volume of customers (10,000); customers benefit from cheaper prices;

**Quality:**

- customers of Andor Technology plc may be able to acquire products (digital cameras) of high quality, specifically tailored to meet the needs of customers and facilitate their requirements (hospitals/universities/governments);
- customers benefit from greater levels of quality within the product range (as stated on webpage);

**Choice:**

- product portfolio/segmentation stated on web page;
- customers benefit from greater level of choice of digital cameras; various camera products/producers (Bitplane/Photonic Instruments/Andor)

**Availability:**

- customers of Andor Technology plc are able to acquire/access product range in a variety of formats, to suit their needs (digital/heat/light adaptive technologies);
- this might not restrict the ability of a customer to place orders for cameras and thus benefit the customer, e.g. placing a bulk order.

	<b>AO1 Knowledge and Understanding</b>	<b>AO2 Application</b>	<b>AO3 Analysis</b>
Level 3	<b>[3]</b> Candidate demonstrates a competent understanding of the impact of global trade on customers of Andor Technology plc. Candidate makes adequate use of specialist vocabulary when it is appropriate.	<b>[3]</b> Candidate attempts to apply knowledge competently.	<b>[5]–[6]</b> Candidate shows a competent attempt to analyse the impact of global trade on customers of Andor Technology plc.
Level 2	<b>[2]</b> Candidate demonstrates a satisfactory understanding of the impact of global trade on customers of Andor Technology plc. Candidate makes adequate use of specialist vocabulary when it is appropriate.	<b>[2]</b> Candidate attempts to apply knowledge satisfactorily.	<b>[3]–[4]</b> Candidate shows a satisfactory attempt to analyse the impact of global trade on customers of Andor Technology plc.
Level 1	<b>[1]</b> Candidate demonstrates a limited understanding of the impact of global trade on customers of Andor Technology plc. Candidate makes some use of specialist vocabulary when it is appropriate.	<b>[1]</b> Candidate attempts to apply limited knowledge.	<b>[1]–[2]</b> Candidate shows a limited attempt to analyse the impact of global trade on customers of Andor Technology plc.
Level 0	<b>[0]</b> Candidate demonstrates no understanding of the impact of global trade on customers of Andor Technology plc. Candidate makes no use of specialist vocabulary when it is appropriate.	<b>[0]</b> Candidate does not attempt to apply knowledge.	<b>[0]</b> Candidate shows no attempt to analyse the impact of global trade on customers of Andor Technology plc.

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5 Discuss **two** advantages and **two** disadvantages for Andor Technology plc of E-Commerce as a method of distribution.

**Advantages:**

- Reduce costs:
- Andor Technology plc management team can link directly with national/international customers via the website (bypass intermediaries);
- management team can share IT costs, since global trade should lead to greater sales volumes and thus lower unit costs; reduce distribution costs, since they plan to allow users online access to the study material;
- Shorten supply chain: use of IT resources enables direct contact with suppliers of merchandise and enables direct contact with customers;
- Global trading: Andor Technology plc management team can use E-Commerce to participate in global trading activities with customers/suppliers throughout the world;
- Promotion: Andor Technology plc management team can promote/market the study material (cameras/online/mobile formats) using the website and other portable communication devices in domestic and overseas markets;
- Customer information: E-Commerce facilities enable customer details to be stored in order to maintain contact for various reasons, e.g. special orders, special offers/discounts;
- Others: 24/7 access; shop from anywhere; compare prices; cheaper product prices; help and support; product reviews; personal offers.

**Disadvantages:**

- Competition: E-Commerce facilities need to be informative and attractive in order to enhance the customer experience in a highly competitive market, otherwise visitors may go elsewhere;
- Cost/Time requirements: setting up/maintaining E-Commerce facilities requires time and money, which may be limited; this could also extend to staff training – Andor Technology plc management team needs to ensure that staff training is undertaken so that staff are fully aware of the contents of the website and how to use it to meet the needs of customers;
- Accessibility: not all customers have access to online resources, thus may not be able to appreciate the facilities available online or accessible through the use of portable communication devices;
- Systems Issues: availability of website;

	<b>AO1 Knowledge and Understanding</b>	<b>AO2 Application</b>	<b>AO3 Analysis</b>	<b>AO4 Evaluation</b>
Level 3	<p><b>[4]</b> Candidate demonstrates a competent understanding of the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc. Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p><b>[4]</b> Candidate applies knowledge effectively.</p>	<p><b>[4]</b> Candidate competently analyses the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc.</p>	<p><b>[4]</b> Candidate gives a competent evaluation of the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc. 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.</p>
Level 2	<p><b>[3]</b> Candidate demonstrates a satisfactory understanding of the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc. Candidate makes adequate use of specialist vocabulary when it is appropriate.</p>	<p><b>[3]</b> Candidate attempts to apply knowledge satisfactorily.</p>	<p><b>[3]</b> Candidate shows a satisfactory attempt to analyse the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc.</p>	<p><b>[3]</b> Candidate gives a satisfactory evaluation of the impact of the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. 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>

Level 1	<b>[1]–[2]</b> Candidate demonstrates a limited understanding of the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc. Candidate makes some use of specialist vocabulary when it is appropriate.	<b>[1]–[2]</b> Candidate attempts to apply some knowledge.	<b>[1]–[2]</b> Candidate shows a limited attempt to analyse the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc.	<b>[1]–[2]</b> Candidate attempts a limited evaluation of the impact of the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc. 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	<b>[0]</b> Candidate demonstrates no understanding of the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc. Candidate makes no use of specialist vocabulary when it is appropriate.	<b>[0]</b> Candidate does not attempt to apply knowledge.	<b>[0]</b> Candidate shows no attempt to analyse the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc.	<b>[0]</b> Candidate makes no attempt to evaluate the advantages and disadvantages of using E-Commerce facilities to Andor Technology plc.

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6 Evaluate how each of the following factors should be considered by a business such as Andor Technology plc when participating in global trade:

- Increased Competition
- Currency
- Technical Standards.

Increased Competition:

- Andor Technology plc will face increased competition from other producers, either located within the domestic market and/or international market;
- Andor Technology plc have acquired a number of suppliers to the industry – Bitplane AG (Switzerland) and Photonic Instruments (USA);
- Increased competition appears to have favoured Andor Technology plc hence increased profits and growth in markets;
- Acquisition of Bitplan and Photonic Instruments allow Andor to respond effectively to increased competition and enter global market for digital cameras and related technology;

- This has been beneficial to Andor, however, increased competition means an increase in competitor numbers in the industry, but there is no reference to this in the stimulus thus it is assumed that increased competition does not impact Andor Technology plc at present.

#### Currency:

- Andor Technology plc must have sufficient financial resources in order to allow the company to survive in the global market, i.e. fierce competition; finance for future research/development (10% of revenues); fund the working capital requirements of the business;
- Andor Technology plc 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 10,000+ customers in 55 countries;
- Currency fluctuations will have affected the price paid for the purchase of Bitplane (Zurich) and Photonic Instruments (USA), which might have meant that each company was over/under priced at the time of purchase compared to current market values;
- Currency fluctuations between sterling and other currencies may lead to profitable opportunities, however if currency fluctuations are weak, then Andor Technology plc could lose money on foreign exchange transactions and reduce profits;
- A problem with currency is that Andor Technology plc must have facilities to enable customers located in 55 countries to pay in sterling – this will incur costs – both in terms of transaction costs and currency exchange – this might increase cost and thus price per unit, reducing competitiveness;

#### Technical Standards:

- Andor Technology plc must produce/sell their product range (digital cameras) to meet various regulations in force within the global medical industry, e.g. specialist lighting/imaging in treatment of various diseases included Cancer;
- The new camera range (iXon3 digital camera, per website) and microscopy solutions must also comply with the technical standards/transport regulations in order to enable Andor Technology plc to succeed in the global high-value digital camera market;
- The spare parts business is crucial to the success of Andor Technology plc in the global market as customers want to be reassured about availability of spares;
- Andor Technology plc states that it invests 10% of turnover in research/development, thus this would ensure that technical standards of the products (digital cameras, microscopy solutions) are world class, industry leading and yield a competitive advantage;
- The problem with technical standards might be that they constantly change – today's technology may date quickly hence research/development costs are expensive and reduce profits – although this is not apparent from the case study data (interim profits increased 40%).

	<b>AO1 Knowledge and Understanding</b>	<b>AO2 Application</b>	<b>AO3 Analysis</b>	<b>AO4 Evaluation</b>
Level 3	<b>[5]–[6]</b> Candidate demonstrates a competent understanding of the various factors related to global trade to be considered by Andor Technology plc. Candidate makes good use of specialist vocabulary when it is appropriate.	<b>[5]–[6]</b> Candidate applies knowledge effectively.	<b>[5]–[6]</b> Candidate competently analyses the various factors related to global trade to be considered by Andor Technology plc.	<b>[5]–[6]</b> Candidate gives a competent evaluation of the various factors related to global trade to be considered by Andor Technology plc. 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	<b>[3]–[4]</b> Candidate demonstrates a satisfactory understanding of the various factors related to global trade to be considered by Andor Technology plc. Candidate makes adequate use of specialist vocabulary when it is appropriate.	<b>[3]–[4]</b> Candidate attempts to apply knowledge satisfactorily.	<b>[3]–[4]</b> Candidate shows a satisfactory attempt to analyse the various factors related to global trade to be considered by Andor Technology plc.	<b>[3]–[4]</b> Candidate gives a satisfactory evaluation of the various factors related to global trade to be considered by Andor Technology plc. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. 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.

Level 1	<b>[1]–[2]</b> Candidate demonstrates a limited understanding of the various factors related to global trade to be considered by Andor Technology plc. Candidate makes some use of specialist vocabulary when it is appropriate.	<b>[1]–[2]</b> Candidate attempts to apply some knowledge.	<b>[1]–[2]</b> Candidate shows a limited attempt to analyse the various factors related to global trade to be considered by Andor Technology plc.	<b>[1]–[2]</b> Candidate attempts a limited evaluation of the various factors related to global trade to be considered by Andor Technology plc. 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	<b>[0]</b> Candidate demonstrates no understanding of the various factors related to global trade to be considered by Andor Technology plc. Candidate makes no use of specialist vocabulary when it is appropriate.	<b>[0]</b> Candidate does not attempt to apply knowledge.	<b>[0]</b> Candidate shows no attempt to analyse the various factors related to global trade to be considered by Andor Technology plc.	<b>[0]</b> Candidate makes no attempt to evaluate the various factors related to global trade to be considered by Andor Technology plc.

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**Total**

**80**