

GCE A2

Applied Business

January 2010

Mark Schemes

Issued: April 2010

MARK SCHEMES (2010)

Foreword

Introduction

Mark Schemes are published to assist teachers and students in their preparation for examinations. Through 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 help 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 16- and 18-year-old 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 a 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.

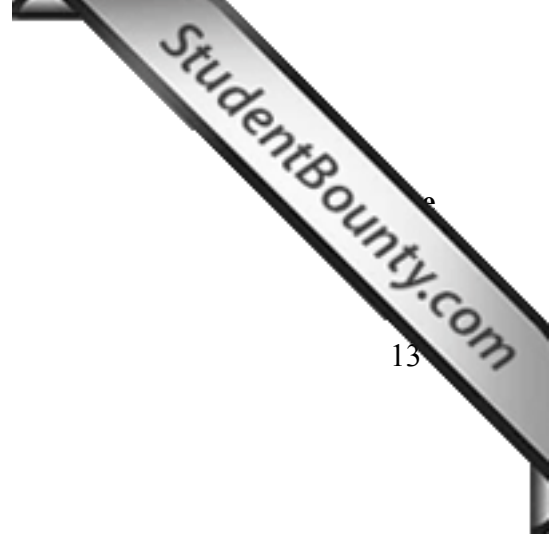
The Council hopes that the mark schemes will be viewed and used in a constructive way as a further support to the teaching and learning processes.

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Finance

[A6B11]

THURSDAY 21 JANUARY, AFTERNOON

MARK SCHEME

1 (a) You are required to calculate the following accounting ratios, based on the formulae provided:

1. Return on Capital Employed:	Aer Lingus plc	Ryanair Holdings plc
$\frac{\text{Profit/(Loss) Before Tax}}{\text{Capital Employed}} \times 100\%$	$\frac{(79.3)}{816.2} \times 100\%$	$\frac{338.9}{2539.8} \times 100\%$
Return on Capital Employed:	(9.7)%	13.3%

[2]

2. Net Profit Margin:	Aer Lingus plc	Ryanair Holdings plc
$\frac{\text{Profit/(Loss) Before Tax}}{\text{Sales}} \times 100\%$	$\frac{(79.3)}{1115.8} \times 100\%$	$\frac{338.9}{1692.5} \times 100\%$
Net Profit Margin:	(7.1)%	20%

[2]

3. Current Ratio:	Aer Lingus plc	Ryanair Holdings plc
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	$\frac{1135}{645.9}$	$\frac{2354.3}{1117.7}$
Current Ratio:	1.7 times	2.1 times

[2]

4. Gearing:	Aer Lingus plc	Ryanair Holdings plc
$\frac{\text{Long Term Debt}}{\text{Capital Employed}} \times 100\%$	$\frac{462.5}{816.2} \times 100\%$	$\frac{2033.7}{2539.8} \times 100\%$
Gearing:	56.6%	80%

[2]

- (b) Using the information above and the ratios calculated in part (a), discuss the financial position of Aer Lingus plc and Ryanair Holdings plc with respect to the following ratios:

1. Return on Capital Employed Ratio

The Return on Capital Employed Ratio = profit before tax/capital employed
This ratio measures the return in relation to the total amount of money invested in the business. The ratio indicates that for every €1 invested in the business Aer Lingus plc makes a loss of €0.097 and Ryanair Holdings plc earns a return of just over €0.1334. By making a comparison between these two competitors Ryanair Holdings plc is making a return in relation to the total money invested in the business. Aer Lingus plc could improve its ROCE by increasing its operating profit without raising further capital. It could also reduce the amount of capital employed perhaps by repaying some long-term debt. [3]

2. Net Profit Margin Ratio

The Net Profit Percentage = Net Profit after tax/Sales × 100%
The net profit ratio is calculated by subtracting expenses from gross profit. The net profit margin is found by expressing the net profit as a percentage of sales. The ratio indicates the amount of net profit per €1 of sales that a business has earned. Aer Lingus plc makes a loss of €0.071 whereas Ryanair Holdings earns a return of just over €0.20. By making a comparison between these two competitors Ryanair Holdings plc is making a return in relation to the total sales of the business. A greater net profit margin indicates that the business is profitable. Aer Lingus is making no return on their sales so they may be failing to control indirect costs. Improvements in the net profit margin may be achieved through higher sales or tighter control of costs, particularly indirect costs. [3]

3. Current Ratio

The Current Ratio = current assets/current liabilities
Although different businesses will have different acceptance ratios, as a rule of thumb a ratio of 2:1 is considered to be good. This means that the business has £2 worth of current assets for every £1 worth of current liabilities. Aer Lingus has an equity ratio of 1.74 times whereas Ryanair Holdings has an equity ratio of 2.1 times. By making a comparison between these two competitors Ryanair Holdings plc is making a return of 2.1 times in relation to the current liabilities in the business, which is acceptable. With Aer Lingus' ratio being (1.74) times they may find it difficult to meet their current liabilities. Conversely a higher ratio may mean that although current liabilities should be met, the business may be holding too much current assets. For example, a business may have too much cash, stock levels may be too high, debtors may be too high, or creditors may be too low. To properly evaluate this ratio, it would require additional information regarding the make-up of current assets and monitored over time [3]

4. Gearing Ratio

The Gearing Ratio = long term loans/capital employed

This measure of a business's performance is important because by raising too high a proportion of capital through fixed interest capital firms become vulnerable to increases in interest rates. This ratio tells us the Gearing ratio for Aer Lingus plc is (56.6)% whereas Ryanair Holdings is (80)%. By making a comparison between these two competitors both companies have over 50% of their capital employed in the form of loans. Both companies would need to look at their high gearing and their vulnerability to increases in interest rates. However, this may be considered acceptable in these businesses as they are growing quickly and generating high profits for Ryanair Holdings. The companies can improve their gearing by repaying long-term loans, issuing more ordinary shares or redeeming debentures. [3]

([3] × 4)

[12]

- (c) Evaluate the usefulness to investors of using accounting ratios to assess the financial position of companies such as Aer Lingus plc and Ryanair Holdings plc.

Advantages

- Gives an indication if there are any problems, e.g. performance, profitability, liquidity, gearing
- Quantitative measures facilitate assessment of the financial performance of the business across a range of areas
- Comparisons can be made regarding financial performance over time
- Comparisons can be made regarding financial performance relative to other businesses, other investments
- Can be used in addition to variance analysis to evaluate attainment of performance targets.

Disadvantages

- May be difficult to make comparisons with similar businesses due to different accounting policies
- Ratios are only as accurate as the underlying information in financial statements, thus subject to manipulation and seasonal factors
- Analysis limited to quantitative issues, providing little information regarding rivals, etc.
- Ignores qualitative issues in broader business environment and non-financial indicators, e.g. goodwill, reputation, quality, staff turnover/wider economic indicators
- Only expressed in numerical terms – do not provide reasons/explanations
- Ratio analysis may not apply/be relevant in certain circumstances.

AO1 Knowledge and understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
<p>Level 3 3 marks Candidate demonstrates a good understanding of the usefulness of accounting ratios. Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>3 marks Candidate applies knowledge effectively.</p>	<p>3 marks Candidate thoroughly analyses the usefulness of accounting ratios.</p>	<p>3 marks Candidate gives a full evaluation of the usefulness of accounting ratios 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.</p>
<p>Level 2 2 marks Candidate demonstrates an adequate understanding of the usefulness of accounting ratios. Candidate makes adequate use of specialist vocabulary when it is appropriate.</p>	<p>2 marks Candidate attempts to apply reasonable knowledge.</p>	<p>2 marks Candidate shows some attempt to analyse the usefulness of accounting ratios.</p>	<p>2 marks Candidate gives a satisfactory evaluation of the usefulness of accounting ratios 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 demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.</p>
<p>Level 1 1 mark Candidate demonstrates some understanding of the usefulness of accounting ratios. Candidate makes some use of specialist vocabulary when it is appropriate.</p>	<p>1 mark Candidate attempts to apply some knowledge.</p>	<p>1 mark Candidate shows little attempt to analyse the usefulness of accounting ratios.</p>	<p>1 mark Candidate attempts some evaluation of the usefulness of accounting ratios. 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.</p>
<p>Level 0 0 marks Candidate demonstrates no understanding of the usefulness of accounting ratios. 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 usefulness of accounting ratios.</p>	<p>0 marks Candidate makes no attempt to evaluate the usefulness of accounting ratios.</p>

AVAILABLE MARKS

[12]

32

- 2 (a) Using the information **from the trial balance**, fully complete the Trading, Profit and Loss Account of “Sandwiches Delicious” for the year ended 31 December 2009. Clearly show the financial results of trading activities.

Trading, Profit and Loss Account of “Sandwiches Delicious” for the year ended 31 December 2009.

	£	£	£	
Sales			95 000	
Returns In			(1 000)	[1]
			94 000	[1]
Opening Stock		2 334		
Purchases	59 600			
Returns Out	(1 575)	58 025		[2]
		60 359		[1]
Closing Stock		2 340		
Cost of goods sold			58 019	[1]
Gross Profit			35 981	[1]
Less Expenses:				
Heating and Light expenses	3 100			
Plus owing	6 400	9 500		[1]
Telephone expenses	2 900			
Advertising		1 750		
Rent	2 300			
Less Rent Prepaid	400	1 900		[1]
Wages		20 000	36 050	[1]
Net Loss			(69)	[2]

Marking: [1] mark for each item correctly annotated/stated/signed, **and demonstration** of the correct figure/calculation (as denoted in bold) as appropriate. OFR applies. ([1] × 12) [12]

(b) Using the information **from the Trial Balance**, complete the Balance Sheet of “Sandwiches Delicious” for the year ended 31 December 2009. Clearly show the relevant information.

Balance Sheet of “Sandwiches Delicious” as at 31 December 2009.

	£	£	£	
Fixed Assets			44 000	
Current Assets				
Debtors	1 550			
Stock	2 340			[1]
Prepaid	400			
		4 290		[1]
Current Liabilities				
Creditors	2 340			
Amount Owing	6 400			[1]
Bank Overdraft	9 000	(17 740)		[1]
Working Capital			(13 450)	[1]
Net Assets			30 550	[1]
Financed by:				
Opening Capital	42 619			
Less Net Loss	(69)	42 550		[2]
Less Drawings		-12 000		
Capital Employed			30 550	[1]

Marking: [1] mark for each item correctly annotated/stated/signed, **and demonstration** of the correct figure/calculation (as denoted in bold) as appropriate. OFR applies. ([1] × 9) [9]

(c) Lisa is thinking about expanding the business and changing the business from a sole trader to a Private Limited Company. To do this she will have to issue shares. Explain to Lisa the following types of shares.

(i) Ordinary Shares

Ordinary shares – a financial security representing part ownership of a business that does not entitle the holder to a fixed payment from profits, but does confer voting rights.

(ii) Preference Shares

Preference shares – a financial security representing part ownership of a business that entitles the holder to a fixed payment from profits.

([2] for explanation, [2] for application); $[2] \times 2$

[4]

25

- 3 (a) Luke, the company's accountant, had started to prepare the cash budget but had to leave to attend a board meeting in another location. You are required to assist Luke, by completing the cash budget for the third quarter of 2010, by completing the relevant information in **Table B**, to show the projected closing cash balance at the end of each month.

Table B – Cash Budget Third Quarter (2010)

	July	Aug	Sept	
	£	£	£	
Opening Balance	(5 500)	(9 350)	(12 750)	[1]
Cashflows In:				
Sales Revenues	56 500	57 400	45 000	
Government Grants	0	0	15 000	[1]
Total Cashflows In	56 500	57 400	60 000	[1]
Cashflows Out:				
Purchase Round Balers	22 000	22 000	22 000	
Loan repayments	5 000	5 000	5 000	[1]
Wages	23 500	23 500	23 500	
Animal Feedstuff	5 600	5 600	5 600	
Vet Bills	2 150	2 750	2 300	[1]
Overheads	1 200	1 200	1 200	
Telephone	0	0	500	
Advertising	900	750	750	
Total Cashflows Out	(60 350)	(60 800)	(60 850)	[3]
Closing Balance	(9 350)	(12 750)	(13 600)	[3]

Marking: [1] for each figure correctly calculated/stated (denoted in bold above) as appropriate. (11 × [1]). OFR applies. [11]

- (b) Using the information in the Forecasted Operating Statement and the Cash Budget (Tables A and B respectively), evaluate the various options open to Ashbrook Fun Farm Limited in order to avoid a potential cash deficit.
- Increase revenues by increasing ticket prices from £5 per person, or aim to increase visitor numbers up from 9000 per year. A £1 increase per person would generate an extra £9000 per year. Budgeting allows Ashbrook Fun Farm Limited to plan and control its income in order to maximise cashflow into the business, for example in this context.
 - Reduce overheads, or the amounts spent on cashflows out as appropriate. Budgeting is therefore a useful control mechanism for an organisation. Budgeting allows Ashbrook Fun Farm Limited to plan and control its expenditure in order to minimise expenditures where possible, and can highlight areas where it is not performing as efficiently as it could. In this context.
 - The sales department could consider changing the sales prices at various times of the year, in order to attract more visitors during off-peak season. The budgeting process defines areas of responsibility and targets to be achieved by different personnel.
 - Budgets generally lead to a more efficient use of resources at the disposal of Ashbrook Fun Farm Limited leading to a better control of costs.
 - Staff might be more aware of the need to avoid cash deficits and aim to avoid unnecessary spending, or alternatively, staff might be given bonuses to encourage higher sales revenues from sales for example in the Farm Shop – a budget therefore helps to motivate staff in this respect.
 - The business may wish to consider leasing the equipment (Round Balers) thus saving up to £22 000 each month, depending on the amount of the lease payment, even if the lease payment was less than £22 000, it would still represent a cost saving, which can help minimise the forecasted cash deficit.
 - Issue of additional equity EU/grants or loan finance may alleviate cash flow deficit in short term.

AO1 Knowledge and understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
<p>Level 3 3 marks Candidate demonstrates a very good understanding of the options in order to facilitate cash management. Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>3 marks Candidate applies knowledge effectively.</p>	<p>3 marks Candidate thoroughly analyses the options in order to facilitate cash management.</p>	<p>3 marks Candidate gives a full evaluation of the options in order to facilitate cash management 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.</p>
<p>Level 2 2 marks Candidate demonstrates a good understanding of the options in order to facilitate cash management. Candidate makes adequate use of specialist vocabulary when it is appropriate.</p>	<p>2 marks Candidate applies knowledge on its relevance to stimulus material.</p>	<p>2 marks Candidate shows some attempt to analyse the options in order to facilitate cash management.</p>	<p>2 marks Candidate gives a satisfactory evaluation of the options in order to facilitate cash management 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 demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.</p>
<p>Level 1 1 mark Candidate demonstrates some understanding of the options in order to facilitate cash management. Candidate makes some use of specialist vocabulary when it is appropriate.</p>	<p>1 mark Candidate attempts to apply some knowledge.</p>	<p>1 mark Candidate shows little attempt to analyse the options in order to facilitate cash management.</p>	<p>1 mark Candidate attempts some evaluation of the options in order to facilitate cash management. 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.</p>
<p>Level 0 0 marks Candidate demonstrates no understanding of the options in order to facilitate cash management. 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 options in order to facilitate cash management.</p>	<p>1 marks Candidate makes no attempt to evaluate the options in order to facilitate cash management.</p>

[12]

Total

AVAILABLE MARKS

23

80



Rewarding Learning

ADVANCED
General Certificate of Education
January 2010

GCE Applied Business

Assessment Unit A2 12

assessing

The Global Market

[A6B61]

MONDAY 25 JANUARY, AFTERNOON

MARK SCHEME

1 Explain **one** health and safety requirement which could be applied to the Giant's Causeway and the Giant's Causeway Visitor Centre.

- GCVC website provides safety advice to visitors about walking along the coastal pathways of the GC;
- GCVC would have a duty of care towards employees, visitors and other stakeholders regarding the facilities available and use of the Centre in general;
- GCVC would have a duty of care towards employees similar to that of an employer.

Marking: ([2] for explanation; [1] for application)

[3]

3

2 (a) Using an example from the case study, explain what is meant by the term “exchange controls”.

“Exchange controls” are taken to mean restrictions/controls placed upon businesses and individuals of a foreign country which limit the amount of that nation’s currency which can be imported/exported by its citizens. Examples of countries which have imposed exchange controls include Australia, USA and Egypt, which have the effect of limiting the amount of foreign currency which can be taken into Northern Ireland.

	AO1 Knowledge and Understanding	AO2 Application
Level 1	1–2 marks Candidate demonstrates a good understanding of the term “exchange controls”.	1–2 marks Candidate applied knowledge effectively in respect of use of “exchange controls”.
Level 0	0 marks Candidate demonstrates no understanding of the term “exchange controls”.	0 marks Candidate does not attempt to apply knowledge.

[4]

(b) With reference to the case study, explain **three** ways in which the introduction of a “tax” might affect the tourism industry within Northern Ireland.

- Increased government revenues: the introduction of taxes will increase government revenues – as stated in the case study, the Spanish government gained £25 m from imposing a “tourist tax” in the Balearic Islands in 2001;
- Tourist numbers: the introduction of a “tourist tax” might lead to a decrease in visitor numbers to NI or the attractions within NI (Giant’s Causeway/GCVC; Mourne Mountains, Marble Arch Caves), with a consequent effect on reduced spending levels in the local economy;
- Environmental Improvements: the case study indicates that funds raised from the “tourist tax” can be used to fund environmental improvements – whether this actually occurs is debatable;
- Administration: since this forms part of the regulations governing global trade, the introduction of a “tourist tax” will lead to administration difficulties/additional workload, e.g. service providers/management teams at various tourist landmarks (GCVC) and/or hoteliers may be asked to act as “tax collectors” for the government.
- Possibility of unemployment in tourism sector of economy due to reduced numbers of tourists/disposable income

	AO1 Knowledge and Understanding	AO2 Application
Level 3	4 marks Candidate demonstrates a good understanding of the ways in which a “tourist tax” might affect the tourism industry in NI. Candidate makes good use of specialist vocabulary when it is appropriate.	4–5 marks Candidate applies knowledge effectively.
Level 2	2–3 marks Candidate demonstrates an adequate understanding of the ways in which a “tourist tax” might affect the tourism industry in NI. Candidate makes adequate use of specialist vocabulary when it is appropriate.	2–3 marks Candidate attempts to apply reasonable knowledge.
Level 1	1 mark Candidate demonstrates some understanding of the ways in which a “tourist tax” might affect the tourism industry in NI. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate attempts to apply some knowledge.
Level 0	0 marks Candidate demonstrates no understanding of the ways in which a “tourist tax” might affect the tourism industry in NI. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.

[9]

13

- 3 Discuss the advantages and disadvantages to the Giant's Causeway Visitor Centre of using "E-Commerce" facilities.

Advantages:

- Reduce costs: GCVC can link directly with national/international visitors via the website;
- Reduce costs: GCVC might reduce distribution costs of products/information since this can be downloaded by online users;
- Shorten supply chain: use of IT resources of Moyle District Council enables direct contact with suppliers of merchandise and enables direct contact with visitors;
- Global trading: GCVC can use E-Commerce to participate in global trading activities with customers/suppliers throughout the world e.g. visitors can order goods from shop;
- Promotion: GCVC can promote/market the GC and GCVC using the website in domestic and overseas markets;
- Free information: the GCVC website provides links with other service providers in the area for the benefit of visitors/customers/local businesses.

Disadvantages:

- Competition: E-Commerce facilities need to be informative and attractive in order to enhance the visitor experience in a highly competitive market, otherwise visitors may go elsewhere;
- Staff training: the GCVC 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 visitors;
- Cost/time requirements: setting up/maintaining E-Commerce facilities requires time and money, which may be limited;
- Accessibility: not all visitors have access to online resources, thus may not be able to appreciate the facilities available at the GC/GCVC.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	4 marks Candidate demonstrates a good understanding of the advantages and disadvantages of using E-Commerce facilities to the GCVC. Candidate makes good use of specialist vocabulary when it is appropriate.	4 marks Candidate applies knowledge effectively.	4 marks Candidate thoroughly analyses the advantages and disadvantages of using E-Commerce facilities to the GCVC.
Level 2	3 marks Candidate demonstrates an adequate understanding of the advantages and disadvantages of using E-Commerce facilities to the GCVC. Candidate makes adequate use of specialist vocabulary when it is appropriate.	3 marks Candidate attempts to apply reasonable knowledge.	3 marks Candidate shows some attempt to analyse the advantages and disadvantages of using E-Commerce facilities to the GCVC.
Level 1	1–2 marks Candidate demonstrates some understanding of the advantages and disadvantages of using E-Commerce facilities to the GCVC. Candidate makes some use of specialist vocabulary when it is appropriate.	1–2 marks Candidate attempts to apply some knowledge.	1–2 marks Candidate shows little attempt to analyse the advantages and disadvantages of using E-Commerce facilities to the GCVC.
Level 0	0 marks Candidate demonstrates no understanding of the advantages and disadvantages of using E-Commerce facilities to the GCVC. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate shows no attempt to analyse the advantages and disadvantages of using E-Commerce facilities to the GCVC.

[12]

12

- 4 Using information from the case study, evaluate **three** ways in which global tourist trading is important to the Northern Ireland economy.
- Jobs: the number of jobs in the tourism sector of the NI economy as at February 2008 was approx. 30 000; but the GCVC directly employs a minimum of seven staff and others indirectly. Evaluation: this is likely to be of benefit to the NI economy;
 - GVA: the contribution of the tourism sector to the NI economy in terms of Gross Value Added (GVA) as at February 2008 was 2.0%. Evaluation: this is likely to be of benefit to the NI economy;
 - Revenues: The estimated revenues received from the tourism sector of the NI economy in 2003 amounted to £395 m. This facilitates economic growth and the economy and secures jobs and livelihoods. Evaluation: this is likely to be of benefit to the NI economy;
 - Revenues: the estimated revenues received from international visitors within the tourism sector of the NI economy in 2003 amounted to £274 m. Evaluation: this is likely to be of benefit to the NI economy.
 - Image: the greater the number of tourists that visit the GC and GCVC, the better the image of the tourist industry and NI generally, which in turn would increase visitor numbers and spending in the local economy;
 - Unemployment: the greater the numbers of employed staff in the tourism industry, the lower unemployment levels are likely to be in the economy, thus reduced amounts of social benefits are payable.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	3 marks Candidate demonstrates a good understanding of the ways global tourism can contribute to the trading situation in NI. Candidate makes good use of specialist vocabulary when it is appropriate.	3 marks Candidate applies knowledge effectively.	3 marks Candidate thoroughly analyses the ways global tourism can contribute to the trading situation in NI.	3 marks Candidate gives a full evaluation of the ways global tourism can contribute to the trading situation in NI, 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	2 marks Candidate demonstrates an adequate understanding of the ways global tourism can contribute to the trading situation in NI. Candidate makes adequate use of specialist vocabulary when it is appropriate.	2 marks Candidate attempts to apply reasonable knowledge.	2 marks Candidate shows some attempt to analyse the ways global tourism can contribute to the trading situation in NI.	2 marks Candidate gives a satisfactory evaluation of the ways global tourism can contribute to the trading situation in NI, 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 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	1 mark Candidate demonstrates some understanding of the ways global tourism can contribute to the trading situation in NI. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate attempts to apply some knowledge.	1 mark Candidate shows little attempt to analyse the ways global tourism can contribute to the trading situation in NI.	1 mark Candidate attempts some evaluation of the ways global tourism can contribute to the trading situation in NI. 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 of writing appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	0 marks Candidate demonstrates no understanding of the ways global tourism can contribute to the trading situation in NI. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate shows no attempt to analyse the ways global tourism can contribute to the trading situation in NI.	0 marks Candidate makes no attempt to evaluate the ways global tourism can contribute to the trading situation in NI.

[12]

12

5 Evaluate the impact that the Giant's Causeway and the Giant's Causeway Visitor Centre have on the following:

- (a) Consumers (national and international visitors)
- (b) Business

- Consumers (national and international visitors):
 - Consumers (712 714) can benefit from the expertise of staff that are employed in the Giant's Causeway and the Giant's Causeway Visitor Centre, in relation to knowledge of local tourism and attractions (similar to product element of marketing mix). Evaluation: this is likely to benefit consumers;
 - Consumers can benefit from the good reputation of the Giant's Causeway and the Giant's Causeway Visitor Centre, since it has attracted the status of World Heritage site and differentiated from other global landmarks, gifts/souvenirs as branded are differentiated from other landmarks (an aspect of promotion in context of marketing mix). Evaluation: this is likely to benefit consumers;
 - Consumers can benefit from the facilities provided in the Giant's Causeway Visitor Centre, including for example, audio-visual theatre, language provision, free information, Bureau de Change facilities, gift shop and website. Evaluation: this is likely to benefit consumers.
 - The Giant's Causeway and Visitor's Centre can provide tourists with an experience of a rich cultural heritage, striking scenery and spectacular coastline views (an example of a cultural aspect of international trade). Evaluation: this is likely to benefit consumers.
- Business:
 - The National Trust and Moyle Council may benefit from increased visitor numbers, since it is likely that visitors to the attractions will increase revenues. Evaluation: this is likely to benefit business;
 - Local businesses such as hotels/B&Bs will likely benefit from increased throughput of customers/visitors visiting the attractions; this is likely to lead to improved sales revenues and profitability. Evaluation: this is likely to benefit business;
 - Local businesses not directly related to the tourism industry may benefit from increased revenues/profitability/larger market share since they will supply related goods/services in support of the key attractions/visitors. Evaluation: this is likely to benefit business.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	4 marks Candidate demonstrates a good understanding of the impact of GC/GCVC on consumers and businesses. Candidate makes good use of specialist vocabulary when it is appropriate.	4 marks Candidate applies knowledge effectively.	4 marks Candidate thoroughly analyses the impact of GC/GCVC on consumers and businesses.	4 marks Candidate gives a full evaluation of the impact of GC/GCVC on consumers and businesses 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	3–2 marks Candidate demonstrates an adequate understanding of the impact of GC/GCVC on consumers and businesses. Candidate makes adequate use of specialist vocabulary when it is appropriate.	3–2 marks Candidate attempts to apply reasonable knowledge.	3–2 marks Candidate shows some attempt to analyse the impact of GC/GCVC on consumers and businesses.	3–2 marks Candidate gives a satisfactory evaluation of the impact of GC/GCVC on consumers and businesses 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 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	1 mark Candidate demonstrates some understanding of the impact of GC/GCVC on consumers and businesses. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate attempts to apply some knowledge.	1 mark Candidate shows little attempt to analyse the impact of GC/GCVC on consumers and businesses.	1 mark Candidate attempts some evaluation of the impact of GC/GCVC on consumers and businesses. 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 of writing appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	0 marks Candidate demonstrates no understanding of the impact of GC/GCVC on consumers and businesses. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate shows no attempt to analyse the impact of GC/GCVC on consumers and businesses.	0 marks Candidate makes no attempt to evaluate the impact of GC/GCVC on consumers and businesses.

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6 Prepare a detailed SWOT analysis for the Giant's Causeway Visitor Centre.

Strengths:

- Price: it is assumed that the prices charged for merchandise in the GCVC are competitive;
- Price: no "tourist tax" is currently levied, having little/no effect on visitor numbers;
- Quality: the Giant's Causeway and GCVC name/brand known globally – being NI's premier tourist destination. A number of industry awards have been conferred on GCVC staff (CIE Tours and NI Travel & Tourism Awards);
- Availability: the GC/GCVC are open daily;
- Facilities: Audio-Visual Theatre: featuring twelve-minute audio-visual presentations; commentaries in five European languages;
- Free information about other attractions of the Causeway Coast and Glens of Antrim area, including places to eat, accommodation and events listings;
- Competitive Advantage: it is the only landmark of its kind in Ireland, designated a World Heritage site, thus generates economies of scale in terms of operating costs, facilities available and visitor numbers (712 714 in 2007).

Weaknesses:

- Fire Damage: damage to property sustained in 2000 has not been repaired and this could lower visitor expectations of facilities and reputation of GCVC;
- Profitability: no financial information is available; no evidence of extensive marketing campaigns.

Opportunities:

- Market Share: operating on a global scale is assumed to increase/maintain market share and increase revenues for both the National Trust/GC/GCVC, since 712 714 visitors appear to have visited the site during 2007;
- Diversification: the local tourism industry could continue to diversify – increased visitor numbers (up 78.6% over five years) would imply increased demand for services within the tourism industry (hotels/B&Bs etc.);
- Geographical Presence: the GC/GCVC operates on a global scale, being accessible to national/international visitors from different markets, e.g. USA, Australia, Egypt, Ireland and UK;
- E-Commerce: use of internet and similar facilities will increase profile of the GC/GCVC, making it more accessible to visitors.

Threats:

- Regulations: regulations governing global trade, including the introduction of a "tourist tax" might deter visitors, reducing visitor numbers;
- Competition: the GC/GCVC faces stiff competition from other international tourist destinations (Great Barrier Reef, Pyramids, Balearic Islands) and national landmarks (Mourne Mountains and Marble Arch Caves) in terms of attracting visitors, in order to generate revenues/maintain market share;
- Location: the remote location could mean that visitors find it difficult to access, since they are reliant upon public transport networks.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	5–6 marks Candidate demonstrates a good understanding of a SWOT analysis in relation to the GCVC. Candidate makes good use of specialist vocabulary when it is appropriate.	5–6 marks Candidate applies knowledge effectively.	9–12 marks Candidate thoroughly analyses the issues related to a SWOT analysis in relation to the GCVC.
Level 2	3–4 marks Candidate demonstrates adequate understanding of a SWOT analysis in relation to the GCVC. Candidate makes adequate use of specialist vocabulary when it is appropriate.	3–4 marks Candidate attempts to apply reasonable knowledge.	5–8 marks Candidate shows some attempt to analyse the issues related to a SWOT analysis in relation to the GCVC.
Level 1	1–2 marks Candidate demonstrates some understanding of a SWOT analysis in relation to the GCVC. Candidate makes some use of specialist vocabulary when it is appropriate.	1–2 marks Candidate attempts to apply some knowledge.	1–4 marks Candidate shows little attempt to analyse the issues related to a SWOT analysis in relation to the GCVC.
Level 0	0 marks Candidate demonstrates no understanding of a SWOT analysis in relation to the GCVC. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate shows no attempt to analyse the issues related to a SWOT analysis in relation to the GCVC.

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Total

80

