



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2014

Applied Business

Assessment Unit AS 3

assessing

External Influences on the Business Enterprise

[A3B31]

WEDNESDAY 8 JANUARY, 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 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 Explain how globalisation affects a company such as Niche Drinks.

There are many reasons why globalisation is important to a company like Niche Drinks.

- The main reason is that there is a limited market for the goods that Niche Drinks produces, and therefore they may find it difficult to survive, if they rely on one country to buy their products.
- This is particularly important to Niche Drinks as their business is very non-durable and they therefore need to market on a global scale to promote their Irish Cream Liqueur.
- To increase market share and profits.
- To sustain/increase employment.

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

[4]

4

2 Identify **two** conditions of demand, and explain their importance to Niche Drinks in Northern Ireland.

- **Change in population** – the size of the population in Northern Ireland will have an effect on the demand for Niche Drinks. Example, a decrease in the population or people who do not drink alcohol will obviously lead to a decrease in demand for drinks.
- **Change in income** – the levels of disposable income in the economy will determine the demand for Niche Drinks. Example, if disposable income levels are generally low, then the demand for drinks may be low.
- **Change in the price of other goods** – price will have an important influence on the demand for Niche Drinks. Example, snacks, meals, event admission fees.
- **Change in taste and fashions** – changes on where to purchase Niche Drinks i.e. Internet, attending house parties, going to pubs etc.
- **Availability of substitutes** – this will play an important part in determining the demand for Niche Drinks in Northern Ireland. Substitutes may include pure orange, diluted drinks, non-alcohol drinks etc.
- **Legislation** – age limit (18) applies to consumers of Niche Drinks.

Marking: [1] for identification; [2] for explanation; [1] application
(2 × [4])

[8]

8

3 Explain **four** features of an oligopoly with reference to the case study.

- A few firms selling similar products: Derry/Londonderry was formally a world leader in whiskey production. Bushmills, Cooley and Jameson’s are at present the only three distilleries in Ireland.
- Each firm produces branded products: Niche Drinks currently manufactures Luxco’s St Brendan’s Irish Cream which is exported to the United States, Scandinavia, Russia and mainland Europe. The company also manufactures other ranges of Irish cream liqueur products and ready-made cocktail drinks.
- Allows firms to make super-normal profits.

- Likely to be significant barriers to entry, e.g. large amounts of capital investment required which tends to prevent competitors entering the market. Niche Drinks are planning to erect a new £10m, custom-built factory complex in the city.
- Importance of advertising and selling costs. Niche Drinks will employ aggressive and defensive weapons to gain a greater share in the market and to maximise their sales. This expenditure is the lifeblood of an oligopolistic business like Niche Drinks.
- Product differentiation: Niche Drinks controls a large part of the market by producing differentiated products.
- Price rigidity: If Niche Drinks makes a price cut, its rival firms retaliate with the same practice. There occurs a price-war in the oligopolistic condition.

	AO1 Knowledge and Understanding	AO2 Application
Level 3	6–8 marks Candidate demonstrates a competent understanding of the features of an oligopoly.	4 marks Candidate applies a competent level of knowledge effectively in the context of the case study.
Level 2	3–5 marks Candidate demonstrates a satisfactory understanding of the features of an oligopoly.	3 marks Candidate applies a satisfactory level of knowledge effectively in the context of the case study.
Level 1	1–2 marks Candidate demonstrates a limited understanding of the features of an oligopoly.	1–2 marks Candidate applies limited knowledge in the context of the case study.
Level 0	0 marks Candidate demonstrates no understanding of the features of an oligopoly.	0 marks Candidate does not attempt to apply knowledge to the case study.

[12]

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4 Analyse **two** ways in which each of the following government policies might directly affect Niche Drinks' business operation:

(i) Fiscal Policy

- Governmental use of expenditure/taxation as a way of, for example, controlling unemployment/economic growth.
- If taxes are reduced or consumer expenditure increased, this will lead to an increase in disposable income of individuals, thus individuals may be willing to purchase more from Niche Drinks, therefore increasing customer numbers using Niche Drinks.
- Increasing government expenditure may also help firms – if funds are spent on transport infrastructure, this may encourage new firms to a region.
- The main disadvantage of an expansion in fiscal policy is that it may lead to inflationary pressures which could be counterproductive to a business such as Niche Drinks.

(ii) Regional Policy

- It distributes funds from the high performance parts of the UK to the poorly-performing regions. Niche Drinks plan to build the new whiskey-making facility at an Invest NI owned site.
- Regional policy is administrated through regional development agencies such as Invest Northern Ireland and generally entails the provision of investment grants for businesses like Niche Drinks in Assisted Areas.
- New Deal provides employment in certain areas.
- Trade mission fairs, etc.
- Marketing and exports support.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	7–8 marks Candidate demonstrates a competent understanding of the ways in which government policy might directly impact on Niche Drinks' business operation.	4 marks Candidate applies a competent level of knowledge effectively of the ways in which government policy might directly impact on Niche Drinks' business operation.	4 marks Candidate shows a competent level of analysis of the ways in which government policy might directly impact on Niche Drinks' business operation.
Level 2	4–6 marks Candidate demonstrates a satisfactory understanding of the ways in which government policy might directly impact on Niche Drinks' business operation.	2–3 marks Candidate applies a satisfactory level of knowledge effectively of the ways in which government policy might directly impact on Niche Drinks' business operation.	2–3 marks Candidate shows a satisfactory attempt to analyse the ways in which government policy might directly impact on Niche Drinks' business operation.

Level 1	1–3 marks Candidate demonstrates a limited understanding of the ways in which government policy might directly impact on Niche Drinks’ business operation.	1 mark Candidate applies limited knowledge of the ways in which government policy might directly impact on Niche Drinks’ business operation.	1 mark Candidate shows a limited attempt to analyse the ways in which government policy might directly impact on Niche Drinks’ business operation.
Level 0	0 marks Candidate demonstrates no understanding of the ways in which government policy might directly impact on Niche Drinks’ business operation.	0 marks Candidate does not attempt to apply knowledge to Niche Drinks.	0 marks Candidate does not attempt to analyse the ways in which government policy might directly impact on Niche Drinks’ business operation.

[16]

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5 Evaluate how the proposed building of a new £10m custom-built factory by Niche Drinks is likely to affect **four** stakeholders.

- **Employees** – They will benefit from any expansion that Niche Drinks do in the future leading to enhanced job prospects and promotions. The case study states: It will create new employment in both areas while also providing security for more than 60 workers currently at the St Brendan’s plant.
- **Suppliers** – Those who supply Niche Drinks with raw materials or essential services will also benefit from its growth. They are likely to get more orders from Niche Drinks as a result.
- **Customers** – They will benefit from a greater choice of products or service provided by Niche Drinks. The case study states: other ranges of Irish cream liqueur products and ready-made cocktail drinks plus their own brand of whiskey.
- **Shareholders** – owners of Niche Drinks will benefit from the likely increased profits.
- **Creditors/Lenders** – They can also be considered to have a stake in the success of the business. Niche Drinks’ success means it is more likely to be able to pay the creditors in full and on time.
- **Local community** – Could benefit from increased employment. As result of more jobs at Niche Drinks new employees will contribute to the local economy, which in turn will mean that other local businesses in the area such as shops, cafes will also benefit. House prices could increase in the local areas.
- **Pressure groups** – They can take the form of trade unions, professional bodies and environmental groups such as Greenpeace and Friends of the Earth. Examples, disputes of pay rises.
- **The Government** – They can benefit from increased tax revenues from Niche Drinks. In addition to the expansion in Derry/Londonderry unemployment will be reduced removing the necessity to provide unemployment benefit.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	<p>4 marks Candidate demonstrates a competent understanding of how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</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 likely effects on stakeholder groups.</p>	<p>7–8 marks Candidate gives a competent evaluation of the likely effects on stakeholder groups.</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 how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</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 how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</p>	<p>3–6 marks Candidate gives a satisfactory evaluation of how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</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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<p>Level 1</p>	<p>1 mark Candidate demonstrates a limited understanding of how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</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 how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</p>	<p>1–2 marks Candidate attempts limited evaluation of how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</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>
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<p>Level 0</p>	<p>0 marks Candidate demonstrates no understanding of how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</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 how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</p>	<p>0 marks Candidate makes no attempt to evaluate how the proposed erection of a new £10m custom-built factory by Niche Drinks is likely to affect its stakeholder groups.</p>
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[20]

20

6 Evaluate **one** way in which Niche Drinks might use each of the following methods to improve its competitiveness:

- (i) **Improving quality** – Niche Drinks can compete on the basis of quality rather than price, e.g. creating healthier/quality products with better ingredients. They are hoping to launch a new brand of whiskey.
- (ii) **Adding value** – Niche Drinks can add value to its products and services. It can sell them at a higher price, e.g. providing additional Irish Whiskeys for them to try. Niche Drinks would have a corporate responsibility towards their employees and the community to cover education, healthy eating and charitable activities.
- (iii) **Product differentiation** – Niche Drinks could modify their products and services in an attempt to make them appear different to those of its rivals. Example, this area was the leading light in Irish whiskey production well into the early 20th century and they want to revive that tradition and create more indigenous jobs.
- (iv) **Organic growth** – Niche Drinks organically grows naturally through increasing sales and market share. Their current site has been in use as either a dairy or drinks manufacturing plant for over 50 years and, while they continue to operate to the highest standards, it gets harder to maintain the production facilities as each year goes by. Niche Drinks have decided to seek planning approval for change of use of the existing site to supermarket use and to relocate Niche Drinks to a new factory.

	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 Niche Drinks 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 Niche Drinks might improve its competitiveness.</p>	<p>7–8 marks Candidate gives a competent evaluation of the different methods by which Niche Drinks might improve its competitiveness.</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 Niche Drinks 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 Niche Drinks might improve its competitiveness.</p>	<p>3–6 marks Candidate gives a satisfactory evaluation of the different methods by which Niche Drinks might improve its competitiveness.</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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<p>Level 1</p>	<p>1 mark Candidate demonstrates a limited understanding of the different methods by which Niche Drinks 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 Niche Drinks might improve its competitiveness.</p>	<p>1–2 marks Candidate attempts limited evaluation of the different methods by which Niche Drinks 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>
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<p>Level 0</p>	<p>0 marks Candidate demonstrates no understanding of the different methods by which Niche Drinks might improve its competitiveness. 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 Niche Drinks might improve its competitiveness.</p>	<p>0 marks Candidate makes no attempt to evaluate the different methods by which Niche Drinks might improve its competitiveness.</p>	
					<p>[20]</p>
					<p>Total</p>
					<p>80</p>