



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2014**

Applied Business

Assessment Unit AS 3

assessing

External Influences on the Business Enterprise

[A3B31]

MONDAY 19 MAY, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

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 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 Identify and explain one market sector that Almac operates in, illustrating your answer with reference to the case study.

- Almac operates in the Secondary sector.
- The secondary sector also produces goods to export to other countries, which brings money into Northern Ireland's economy. Almac provides services to more than 600 companies – including world leaders in the pharmaceutical and biotech sectors.
- Examples: provides highly specialised drugs development.

Alternative answer:

- Almac operates in the Service sector.
- A comprehensive range of services extending from research through pharmaceutical and clinical development to commercialisation of product is provided.

Marking: [1] for identification; [1] for explanation; [2] for application. [4]

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2 Analyse Almac's policy of improving quality as a way of making the business more competitive.

- High quality products are more difficult to replicate than cheaper products. This means that competitors will find it hard to copy what Almac are producing.
- If high quality is achieved this may justify a high price being charged for the products. This may have been the tactic used by the company if it felt that it could not compete with cheap foreign imports.
- Brand loyalty: should result as long as customers are happy with the quality. Almac is recognised by various bodies and received an array of awards.
- There should be less wastage as the company will need to implement measures that will ensure that high quality is achieved.
- Customers may prefer high quality products because there will be less chance of receiving faulty products.
- Producing a high quality product can be costly. Measures need to be put in place to ensure that quality is maintained.
- In the long run replication is possible and this may mean that copycat firms may gain the advantage as they do not need to pay out initial research and development costs etc.
- There already exists a lot of competition in the market and this appears to be coming from cheap foreign imports, especially online.
- New technology streamlines productivity and improves customer quality service
- New/improved products/services

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	3 marks Candidate demonstrates a competent understanding of the ways in which improving quality can make a business more competitive. Candidate makes satisfactory use of specialist vocabulary when it is appropriate.	3 marks Candidate competently applies knowledge.	3 marks Candidate demonstrates a competent attempt to analyse the ways in which improving quality can make a business more competitive.
Level 2	2 marks Candidate demonstrates a satisfactory understanding of the ways in which improving quality can make a business more competitive. Candidate makes satisfactory use of specialist vocabulary when it is appropriate.	2 marks Candidate demonstrates a satisfactory attempt to apply knowledge.	2 marks Candidate demonstrates a satisfactory attempt to analyse the ways in which improving quality can make a business more competitive.
Level 1	1 mark Candidate demonstrates a limited understanding of the ways in which improving quality can make a business more competitive. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate demonstrates a limited attempt to apply knowledge.	1 mark Candidate demonstrates a limited attempt to analyse the ways in which improving quality can make a business more competitive.
Level 0	0 marks Candidate demonstrates no understanding of the ways in which improving quality can make a business more competitive. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate demonstrates no attempt to analyse the ways in which improving quality can make a business more competitive.

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3 Analyse **four** ways in which globalisation is important to Almac.

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Globalisation is important in the following ways:

- Expands trade in goods and services for Almac – provides services to more than 600 companies – including world leaders in the pharmaceutical and biotech sectors – increases sales revenues.
- An increase in transfers of financial capital across national boundaries including foreign direct investment (FDI) by multi-national companies – improves Almac’s liquidity.
- Companies worldwide including all the market leaders, use their services – increases Almac’s global market share.
- Increases growth for Almac, secures employment for 3300 staff.
- Allows Almac to employ foreign nationals yielding specialist knowledge/ know-how important in business process, creating competitive advantage.
- The emergence of countries playing a bigger role in the global trading system including China, Brazil, India and Russia – stimulate exports/growth/trade for companies like Almac.
- Enhances Almac’s corporate image worldwide.
- Diversification/reduce risk.
- Increased profitability/shareholder pressure.
- Enhanced supply chain.
- Possible economies of scale.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	4 marks Candidate demonstrates a competent understanding of the ways in which globalisation is important. Candidate makes satisfactory use of specialist vocabulary when it is appropriate.	4 marks Candidate competently applies knowledge.	4 marks Candidate demonstrates a competent attempt to analyse the ways in which globalisation is important.
Level 2	2–3 marks Candidate demonstrates a satisfactory understanding of the ways in which globalisation is important. Candidate makes satisfactory use of specialist vocabulary when it is appropriate.	2–3 marks Candidate demonstrates a satisfactory attempt to apply knowledge.	2–3 marks Candidate demonstrates a satisfactory attempt to analyse the ways in which globalisation is important.
Level 1	1 mark Candidate demonstrates a limited understanding of the ways in which globalisation is important. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate demonstrates a limited attempt to apply knowledge.	1 mark Candidate demonstrates a limited attempt to analyse the ways in which globalisation is important.
Level 0	0 marks Candidate demonstrates no understanding of the ways in which globalisation is important. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate demonstrates no attempt to analyse the ways in which globalisation is important.

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4 Analyse **five** factors that have influenced the degree of competition within the pharmaceutical industry.

Five factors that may influence the degree of competition from the following:

- Knowledge and know-how will affect the number of businesses operating within the pharmaceutical and clinical industry. If a great deal of technical knowledge, such as that in the pharmaceutical and clinical industry, is required then this will act as a barrier to entry.
- Regulations and legal requirements may influence the number of firms operating in a market. These may act as a barrier to entry into the industry if they are very strict.
- Natural monopolies might exist whereby there is only room for one company in the industry.
- The demand for the product and how this will affect the degree of competition in the pharmaceutical and clinical industry. If there is a fall in demand for the products such as bad press on trials of drugs etc, businesses may decide to leave the industry or may be forced to leave the industry.
- Start-up costs are a prime influence. The pharmaceutical and clinical industry is very capital intensive and this acts as a barrier to entry. The high amounts of capital required mean that only a few companies will be able to enter into this sector.
- Government influence may act as a factor influencing the degree of competition in the pharmaceutical and clinical industry. If the government sees this industry as economically important they may try to encourage businesses to set up. Alternatively they may wish to reduce the amount of competition in an industry by nationalising the pharmaceutical and clinical industry.
- Profitability will be an important factor as to how many businesses operate in the pharmaceutical and clinical industry. If abnormal profits are being made this will encourage new firms to enter a market.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	4–5 marks Candidate demonstrates a competent understanding of the factors influencing the degree of competition in the pharma/clinical industry. Candidate makes satisfactory use of specialist vocabulary when it is appropriate.	4–5 marks Candidate competently applies knowledge.	4–5 marks Candidate demonstrates a competent attempt to analyse the factors influencing the degree of competition in the pharma/clinical industry.
Level 2	2–3 marks Candidate demonstrates a satisfactory understanding of the factors influencing the degree of competition in the pharma/clinical industry. Candidate makes satisfactory use of specialist vocabulary when it is appropriate.	2–3 marks Candidate demonstrates a satisfactory attempt to apply knowledge.	2–3 marks Candidate demonstrates a satisfactory attempt to analyse the factors influencing the degree of competition in the pharma/clinical industry.
Level 1	1 mark Candidate demonstrates a limited understanding of the factors influencing the degree of competition in the pharma/clinical industry. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate demonstrates a limited attempt to apply knowledge.	1 mark Candidate demonstrates a limited attempt to analyse the factors influencing the degree of competition in the pharma/clinical industry.
Level 0	0 marks Candidate demonstrates no understanding of the factors influencing the degree of competition in the pharma/clinical industry. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate demonstrates no attempt to analyse the factors influencing the degree of competition in the pharma/clinical industry.

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5 Evaluate **two** ways in which each of the following Government Policies may affect Almac:

Fiscal Policy

- The government can try to influence Almac's spending by directly altering tax rates and the amount it spends, e.g. tax incentives for research/development.
- UK Corporation tax rate currently greater than that levied in Republic of Ireland. This may act as an incentive for Almac to relocate to the Republic of Ireland.
- Cashflow – Almac pays £5.5m of specialised staff salaries which affects their cashflow.
- Investments – Almac requires funding to finance investment, which can come from a variety of sources, e.g. borrowing, government incentives.
- Government spending may affect Almac, e.g. on healthcare; infrastructure.

Regional Policy

- Financial assistance provided by INI amounting to at least £2m to Almac.
- 229 jobs supported by INI, directly and indirectly through financial and other incentives, e.g. staff training.
- 13 400 sq. ft., factory/facilities supports jobs locally within construction and related industries. Almac is located in Craigavon, an area attracting financial incentives.
- Almac is located in Craigavon, which may be designated as a poorly-performing region, thus attracting financial incentives from Invest NI.
- Relax planning policy/legislation.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	4 marks Candidate demonstrates a competent understanding of the ways in which government policies (Fiscal/Regional) may affect Almac. Candidate makes good use of specialist vocabulary when it is appropriate.	4 marks Candidate applies knowledge competently.	4 marks Candidate competently analyses the ways in which government policies (Fiscal/Regional) may affect Almac.	7–8 marks Candidate demonstrates a competent evaluation of the ways in which government policies (Fiscal/Regional) may affect Almac. 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	2–3 marks Candidate demonstrates a satisfactory understanding of the ways in which government policies (Fiscal/Regional) may affect Almac. Candidate makes satisfactory use of specialist vocabulary when it is appropriate.	2–3 marks Candidate demonstrates a satisfactory attempt to apply knowledge.	2–3 marks Candidate demonstrates a satisfactory attempt to analyse the ways in which government policies (Fiscal/Regional) may affect Almac.	3–6 marks Candidate demonstrates a satisfactory evaluation of the ways in which government policies (Fiscal/Regional) may affect Almac. 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.

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Level 1	<p>1 mark Candidate demonstrates limited understanding of the ways in which government policies (Fiscal/Regional) may affect Almac. Candidate makes some use of specialist vocabulary when it is appropriate.</p>	<p>1 mark Candidate demonstrates a limited attempt to apply knowledge.</p>	<p>1 mark Candidate demonstrates a limited attempt to analyse the ways in which government policies (Fiscal/Regional) may affect Almac.</p>	<p>1–2 marks Candidate demonstrates limited evaluation of the ways in which government policies (Fiscal/Regional) may affect Almac. 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>
Level 0	<p>0 marks Candidate demonstrates no understanding of the ways in which government policies (Fiscal/Regional) may affect Almac. Candidate makes no use of specialist vocabulary when it is appropriate</p>	<p>0 marks Candidate demonstrates no attempt to apply knowledge.</p>	<p>0 marks Candidate demonstrates no attempt to analyse the ways in which government policies (Fiscal/Regional) may affect Almac.</p>	<p>0 marks Candidate demonstrates no attempt to evaluate the ways in which government policies (Fiscal/Regional) may affect Almac.</p>

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6 Evaluate how the proposed expansion of Almac is likely to affect **four** stakeholder groups.

Stakeholders could be affected with the expansion in the following ways:

- **Employees** – They will have an interest in the expansion of the pharmaceutical company as their jobs and salaries depend on revenue generated from sales and increased market share of the specialised drug that Almac provides. They will benefit from the expansion of the pharmaceutical company leading to enhanced job prospects and security of employment.
- **Suppliers** – The different suppliers of Almac (e.g. specialised equipment suppliers) will be affected by the expansion of the company as they will be keen to supply additional equipment/supplies and thus gain increased revenues and profits.
- **Customers** – Almac customers will be interested in the expansion of mining facilities, as this might lead to price stabilization or discounted pricing, they will also be looking at the quality of the product and standard of service received.
- **Shareholders** – They may benefit from enhanced dividends arising from increased profitability and earnings of Almac. The expansion will secure their investment in the business for at least another 20+ years.
- **Creditors (Trade Payables)** – Almac’s creditors (trade payables) can also be considered to have a stake in the success of the business. If Almac is successful after the expansion then it is more likely to be able to pay its creditors (trade payables) in full and on time.
- **Local community/Residents** – With Almac expanding this could cause additional problems with continued noise and pollution to local residents. The local community could benefit from increased employment. As a result 229 new employees will be recruited and may contribute to the local economy, which in turn will mean that other local businesses such as shops will also benefit.
- **Pressure groups** – They can take the form of trade unions (lobbying for better health and safety and working conditions); professional bodies and environmental groups (such as Greenpeace and Friends of the Earth), who would be concentrating on the environmental impact of the expansion of the company.
- **The government (National and Local)** – They will benefit from tax and other revenues from Almac. In addition to this expansion, unemployment will be reduced removing the necessity to provide unemployment benefits. Almac could receive money in the form of grants and loans to help in the expansion of the company; rates, duties, royalties, employee trainings/grants, unemployment reduction schemes.
- **Lenders** – may benefit from Almac’s £13.7m expansion (e.g. banks, financial institutions).

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	4 marks Candidate demonstrates a competent understanding of the ways in which the proposed expansion is likely to affect stakeholder groups. Candidate makes good use of specialist vocabulary when it is appropriate.	4 marks Candidate applies knowledge competently.	4 marks Candidate competently analyses the ways in which the proposed expansion is likely to affect stakeholder groups.	7–8 marks Candidate demonstrates a competent evaluation of the ways in which the proposed expansion is likely to affect stakeholder groups. 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	2–3 marks Candidate demonstrates a satisfactory understanding of the ways in which the proposed expansion is likely to affect stakeholder groups. Candidate makes satisfactory use of specialist vocabulary when it is appropriate.	2–3 marks Candidate demonstrates a satisfactory attempt to apply knowledge.	2–3 marks Candidate demonstrates a satisfactory attempt to analyse the ways in which the proposed expansion is likely to affect stakeholder groups.	3–6 marks Candidate demonstrates a satisfactory evaluation of the ways in which the proposed expansion is likely to affect stakeholder groups. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate has demonstrated a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.

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Level 1	1 mark Candidate demonstrates limited understanding of the ways in which the proposed expansion is likely to affect stakeholder groups. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate demonstrates a limited attempt to apply knowledge.	1 mark Candidate demonstrates a limited attempt to analyse the ways in which the proposed expansion is likely to affect stakeholder groups.	1–2 marks Candidate demonstrates limited evaluation of the ways in which the proposed expansion is likely to affect stakeholder groups. Candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	0 marks Candidate demonstrates no understanding of the ways in which the proposed expansion is likely to affect stakeholder groups. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate demonstrates no attempt to apply knowledge.	0 marks Candidate demonstrates no attempt to analyse the ways in which the proposed expansion is likely to affect stakeholder groups.	0 marks Candidate demonstrates no attempt to evaluate the ways in which the proposed expansion is likely to affect stakeholder groups.

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Total

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