

ADVANCED General Certificate of Education 2014

GCE Applied Business

Assessment Unit A2 12

assessing

The Global Market

[A6B61]

MONDAY 23 JUNE, MORNING

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 Define the term "Growth" and with reference to the case study explain **two** reasons why global trade is important to the agri-food industry in Northern Ireland.

Growth can be defined as the process of improving some measure of an enterprise's success. Business growth can be achieved either by increasing the top line or revenue of the business with greater product sales or service income, or by increasing the bottom line or profitability of the operation by minimising costs.

Growth is important as it:

- Secures jobs (e.g. 3000 staff).
- Increases revenues (e.g. £300 m + turnover).
- Maintains profits and market share.
- Contributes to the economy (e.g. £3 bn contribution to NI economy).

	AO1 Knowledge and Understanding	AO2 Application
Level 2	2 marks Candidate demonstrates satisfactory understanding of the term Growth.	3–4 marks Candidate applies satisfactory knowledge fully in context of stimulus material.
Level 1	1 mark Candidate demonstrates limited understanding of the term Growth.	1–2 marks Candidate applies limited knowledge in context of stimulus material.
Level 0	0 marks Candidate demonstrates no understanding of the term Growth.	0 marks Candidate does not attempt to apply knowledge to stimulus material.

[6] 6

2 Explain **two** ways in which the global trading activities of the agri-food industry might affect consumers.

Price

- The agri-food industry activities are likely to be affected by inflation as the product has variable factors which affect price and will be borne ultimately by the final consumer in this market.
- Increased inflation costs can increase costs of products and can affect demand and possibly decrease the prices for the agri-food industry products.
- Decreased inflation costs can decrease the costs of products and can affect demand/possibly increase the prices for the agri-food industry products.
- It is assumed that the agri-food prices are available at competitive prices enabling NI wide customers to access the product range.
- Example: NI beef cheaper than Brazilian beef; NI chicken cheaper than Asian chicken.

Quality

- The UK Government has such stringent quality testing of agri-food products sold in their country that the Northern Ireland companies must ensure that their products match/exceed the quality specifications of NI Consumers.
- Event exhibitions allow export customers to experience quality displays with viewings experienced at the point of attendance, rather than the point of purchase. This is an important aspect of the nature of the agri-food industry as their reputation is important in this aspect.
- The effect of appropriate standards of quality means that customer/consumers will benefit from the knowledge that the Northern Ireland agri-food industry has rigorous testing procedures in place to ensure that its products are of high quality and will continue to be so.

Choice

- It is assumed that the agri-food products will successfully meet the needs of customers/consumers through increasing the choices of product provided. These would include new diary foods/new recipes/products for local cultures and tastes.
- The effect of providing an element of choice is that it is likely to benefit customers and increase the profile of the agri-food companies, leading to a larger customer/consumer/market base and increased revenues.

Availability

• It is assumed that the agri-food industry products are available to customers through various formats, including displays in local supermarkets/organised events/TV cookery shows and advertising campaigns.

	AO1 Knowledge and Understanding	AO2 Application
Level 2	2–4 marks Candidate demonstrates satisfactory understanding of the ways that the global trading activities of the agri-food companies will impact on consumers.	2 marks Candidate applies satisfactory knowledge fully in context of stimulus material.
Level 1	1–2 marks Candidate demonstrates limited understanding of the ways that the global trading activities of the agri-food companies will impact on consumers.	1 mark Candidate applies limited knowledge effectively in context of stimulus material.
Level 0	0 marks Candidate demonstrates no understanding of the ways that the global trading activities of the agri-food companies will impact on consumers.	0 marks Candidate does not attempt to apply knowledge to stimulus material.

[6]

6

AVAILABLE MARKS

- 3 Analyse the following regulations governing global trade and their effects on businesses within the agri-food industry in Northern Ireland.
 - Tax
 - Health and Safety
 - Customs and Excise

Tax

Tax rates vary from country to country as to both level and the way they are collected. Some big businesses will seek to arrange their tax affairs so as to minimise the profits made in high tax economies and maximise profits in low tax economies. Some countries like Ireland which has a low Corporation Tax level on profits have been very successful in attracting multinationals to its shores.

Northern Ireland agri-food companies with high profits and high exports, no VAT, will have additional profits to reinvest into the companies especially R&D for the new emerging export markets.

Health & Safety

Threats like the recent dioxin or melamine scares have put the spotlight squarely on the agri-food supply chain. Government Departments from around the world are now testing meat, poultry and dairy products for many more contaminants, to much finer levels and with much more vigour than ever before.

Dealing in the agri-food industry it is paramount that all exported foods from Northern Ireland comply with all the world wide Health & Safety legislations Non compliance can result in the whole agri-food industry products being tarnished with exports ceasing across the industry resulting in decreased sales, decreased profits and increased redundancies across Northern Ireland.

Customs and Excise

Customs and Excise, now part of HMRC, refers to customs duty and excise duty. In certain countries, the national tax authorities that are responsible for collecting those duties are named Customs and Excise. VAT, tariffs, customs duties and Corporation Taxes differ throughout the trading world. Even the VAT and Corporation Taxes within the EU are different even though they talk of tax harmonisation throughout the EU.

Customs and Excise will collect Tariffs which are taxes placed on specific imported goods and are called import or customs duties. These duties are normally levied on substitute goods, placed to protect the domestic substitute product, specific industries, raise taxes and some infant industries.

The agri-food industry will have to look at each country's tariffs and quotas to ensure that the prices they charge are correct otherwise the demand can be reduced affecting sales and profits.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	3 marks Candidate demonstrates a competent understanding of how Tax, Health & Safety and Customs and Excise govern global trade and their effects on business within NI. Candidate makes competent use of specialist vocabulary when it is appropriate.	3 marks Candidate applies knowledge competently.	4–6 marks Candidate competently analyses how Tax, Health & Safety and Customs and Excise govern global trade and their effects on business within NI.
Level 2	2 marks Candidate demonstrates a satisfactory understanding of how Tax, Health & Safety and Customs and Excise govern global trade and their effects on business within NI. Candidate makes satisfactory use of specialist vocabulary when appropriate.	2 marks Candidate makes a satisfactory attempt to apply knowledge.	2–3 marks Candidate shows a satisfactory attempt to analyse how Tax, Health & Safety and Customs and Excise govern global trade and their effects on business within NI.
Level 1	1 mark Candidate demonstrates limited understanding of how Tax, Health & Safety and Customs and Excise govern global trade and their effects on business within NI. Candidate makes use of specialist vocabulary when it is appropriate.	1 mark Candidate demonstrates limited knowledge.	1 mark Candidate shows a limited attempt to analyse how Tax, Health & Safety and Customs and Excise govern global trade and their effects on business within NI.

Level 0	O marks Candidate demonstrates no understanding of how Tax, Health & Safety and Customs and Excise govern global trade and their effects on business within NI. Candidate makes no use of specialist vocabulary.	0 marks Candidate does not attempt to apply knowledge.	O marks Candidate shows no attempt to analyse how Tax, Health & Safety and Customs and Excise govern global trade and their effects on business within NI.
---------	--	--	--

[12]

12

4 Discuss how each of the following factors may affect firms within the agri-food industry when trading globally.

Culture

- People from different cultures are likely to purchase different dairy/meat products representing their specific needs. Examples would include Halal meat specific to the Jewish faith.
- Kosher foods with the Jewish faith.

Increased Competition

• Possible increase of competitors in the emerging world markets who may be located near customers/consumers may affect the agri-foods competitive cost advantage and therefore the demand for its products.

Design and Packaging

- Planning and fashioning the complete form and structure of a product's package. In creating a new design or revamping an existing design, the following aspects of a product's package are usually reviewed: size and shape, colour, closure, outside appearance, protection and economy, convenience, labelling, and the packaging material's effects on the environment.
- The best packaging system is then developed by careful evaluation of product, market competition, and existing product line. Generally speaking, package redesigning is done one element at a time, to preserve the brand loyalty of existing customers.
- Marketing support speciality embracing the planning, creation, and production of the entire physical presentation of a product's package. Trained designers specialise in this field, which encompasses the art and science of creating optimal product packages.
- Each agri-food company must design their food related material, providing their customers with an excellent taste.
- The packaging's labelling must conform to consumer legislation, language and health and safety issues.

Product Promotion

An action taken by a company's marketing staff with the intention of encouraging the sales. For example, product promotion performed by a typical business might take the form of advertising the product in question via print or Internet ads, direct mail or e-mail letters, trade shows, telephone and personal sales calls, TV and radio ads, billboards, posters and flyers.

- The agri-food industries can promote their dairy products by using various formats, including: national radio/television appearances while this has the effect of increasing global profits/revenues.
- The agri-food industries can promote their memorabilia using a common internet website, tutorial videos showing how to cook certain foods using their products.
- The agri-food companies can promote their products by encouraging television producers to use them in cooking television programmes.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	4 marks Candidate demonstrates a competent understanding of how Culture, Increased Competition, Design and Packaging and Product Promotion may affect firms within the agri-food industries in NI when trading globally. Candidate makes competent use of specialist vocabulary when appropriate.	4 marks Candidate applies knowledge effectively.	4 marks Candidate competently analyses how Culture, Increased Competition, Design and Packaging and Product Promotion may affect firms within the agri-food industries in NI when trading globally.	4 marks Candidate gives a competent discussion of Culture, Increased Competition, Design and Packaging and Product Promotion may affect firms within the agri-food industries in NI when trading globally. Candidate demonstrates competent 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 satisfactory understanding of how Culture, Increased Competition, Design and Packaging and Product Promotion may affect firms within the agri-food industries in NI when trading globally. Candidate makes satisfactory use of specialist vocabulary when appropriate.	2–3 marks Candidate attempts to apply satisfactory knowledge.	2–3 marks Candidate shows a satisfactory attempt to analyse how Culture, Increased Competition, Design and Packaging and Product Promotion may affect firms within the agri-food industries in NI when trading globally.	2–3 marks Candidate gives a satisfactory discussion of how Culture, Increased Competition, Design and Packaging and Product Promotion may affect firms within the agri-food industries in NI when trading globally. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory style of writing appropriate to the purpose of the question. Answer is organised in a satisfactory manner

10

AVAILABLE MARKS

Level 1	1 mark Candidate demonstrates limited understanding of how Culture, Increased Competition, Design and Packaging and Product Promotion may affect firms within the agri-food industries in NI when trading globally. Candidate makes use of specialist vocabulary when appropriate.	1 mark Candidate attempts to apply limited knowledge.	1 mark Candidate shows limited attempt to analyse how Culture, Increased Competition, Design and Packaging and Product Promotion may affect firms within the agri-food industries in NI when trading globally.	1 mark Candidate attempts limited discussion of how Culture, Increased Competition Design and Packaging and Product Promotion may affect firms within the agri-food industries in NI when trading globally. Candidate makes little 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 question. The organisation of the answer is limited.
Level 0	0 marks Candidate demonstrates no understanding of how Culture, Culture, Increased Competition, Design and Packaging and Product Promotion	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate shows no attempt to analyse how Culture, Increased Competition, Design and Packaging and Product Promotion may affect	0 marks Candidate makes no attempt to discuss how Culture, Increased Competition, Design and Packaging and Product Promotion

may affect firms within the agri-food industries in NI when trading globally. Candidate makes no use of specialist vocabulary.	firms within the agri-food industries in NI when trading globally.	may affect firms within the agri-food industries in NI when trading globally.
--	---	---

[16]

16

5 Discuss **two** reasons for and **two** reasons against globalisation and its importance to the Northern Ireland economy.

The ability to produce any good or service anywhere in the world, using raw materials, components, capital and technology from anywhere, sell the resulting output anywhere, and place the profits anywhere.

Arguments for Globalisation:

- Access to scarce resources. This enables NI-based consumers/businesses to
 acquire scarce resources not accessible in domestic market, e.g. grain, meat
 and dairy products. It allows NI-based businesses to provide locally sourced
 resources to foreign based customers.
- Increases Revenues/Profitability/Market Share enables NI-based businesses to increase sales revenues and profitability since it increases customer numbers/volume/transactions beyond the scope of the domestic market.
- Data suggests that China will require 200 million tonnes of meat protein. Brazil will require 5 million tonnes. India and Pakistan will require 30 million tonnes of dairy products. China will require 10 million tonnes.
- Economies of Scale exporting enables NI-based businesses to take advantage of economies of scale by producing/selling greater quantities to global markets, thus decreasing costs evidenced by greater quantities/volumes of competents exported.
- Data suggests that Irish beef is cheaper that Brazilian beef. NI chicken is cheaper than Thai chicken.
- Reduced Trade Barriers the emergence of global trade/economic unions (USA/EU) has reduced the existence of trade barriers, making it easier to import/export between member countries of economic unions, e.g. reduced prices/increased quantities available to meet customer demand.
- Free Movement of Labour/Capital globalisation has facilitated the easier movement of labour/capital funding between different states.
- Data suggests that local food sector continues to increase sales, increasing employment and expand exports.

Arguments against Globalisation:

• Increased competition with easier entry to/from domestic markets, foreign firms can enter the local market and establish a presence which may increase competition between locally based firms in an industry – this may lead to the decline of firms/industries as competitors can undercut the competition on the

12

- basis of price or unique selling point.
- Increased costs entry into global markets for NI-based firms can lead to an increase in costs due to greater levels of expenditure incurred in relation to meeting customer demand, maintaining market share and supporting the needs of the market this might reduce profitability.
- Increased testing on the agri-food chain supply is worrying the industry. World wide governments are asking for increased testing and quality controls on all agri-food products which can only increase costs and affect possible demand for its products.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	4 marks Candidate demonstrates a competent understanding of the arguments for and against globalisation. Candidate makes competent use of specialist vocabulary when appropriate.	4 marks Candidate applies competent knowledge effectively.	4 marks Candidate competently analyses the arguments for and against globalisation.	4 marks Candidate competently evaluates the arguments for and against globalisation. Candidate demonstrates competent 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 satisfactory understanding of the arguments for and against	2–3 marks Candidate attempts to apply satisfactory knowledge.	2–3 marks Candidate satisfactorily attempts to analyse the arguments for and against globalisation.	2–3 marks Candidate gives a satisfactory evaluation of the arguments for and against globalisation.

	globalisation. Candidate makes satisfactory use of specialist vocabulary when appropriate.			Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level or writing form and style of writing appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	1 mark Candidate demonstrates limited understanding the arguments for and against globalisation. Candidate makes use of specialist vocabulary when appropriate.	1 mark Candidate attempts to apply limited knowledge.	1 mark Candidate shows a limited attempt to analyse the arguments for and against globalisation.	1 mark Candidate attempts a limited evaluation of the arguments for and against globalisation. Candidate makes little use of spelling, punctuation and grammar. The meaning of the text is not always not always clear. The candidate demonstrates a limited form and style appropriate to the question. The organisation of the answer is limited.

Level 0 0 marks Candidate demonstrates no understanding of the arguments for and against globalisation. Candidate makes no use of specialist vocabulary.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate shows no attempt to analyse the arguments for and against globalisation.	0 marks Candidate makes no attempt to evaluate the arguments for and against globalisation.
--	--	--	---

VAILABLE

[16]

16

6 Evaluate the following issues in relation to the use of air and land transport by NI agri-food business when trading globally.

NI business should consider the speed at which the product range must reach the customers/consumers within the global markets they are attempting to serve. Speed is of the essence due to the natures of the dairy, meat, drink and vegetable products.

Air

Speed

- Air transport could be considered for export market to ensure speed of supply.
- Since the product range might be of a perishable nature, speed might be an important factor hence air transport may be more appropriate especially for export to European countries otherwise the other avenues of transport would be more cost effective.

Road

- Dairy requires refrigerated lorry transport to customers.
- Drink requires sea boat lorry/road transport to customers.
- Vegetable requires boat and lorry – instant distribution due to its perishable nature.
- Meat/cows require road transport because of the size and cost.
- Road transport for longer export destinations must be considered.

NI businesses should verify that the method of air transport chosen is cost effective. The cost of transport will vary depending on air/road.

Cost

- In order to secure deliveries of the product range into the markets and meet the demands of customers quickly and reliably interruptions to the transport network mean that the reliability can be questioned e.g. due to bad weather and availability booking in advance are often required.
- Reliability of the export company or transport company can be questioned by consumers if delays are experienced.
- Sea transport takes longer than air transport however, examples of products transported, agri-foods (exports).
- Air Transport of products would only be used in the event of urgent transportation due to its high cost base from NI.

- Road haulage is very expensive on long haul journeys and weight of product. Therefore it would be more cost effective for agri-foods to use lorries/ refrigerated for UK deliveries.
- Use of Lorries would be used in mass movement/transportation of live cattle to UK destinations and further afield.
- Dairy products require refrigerated lorries to transport across Europe.
- Sea and land transport of live animals from UK ports to EU Ports and beyond would be more cost effective.

NI businesses should verify that the method of air transport chosen is reliable.

Reliability

- Three airports in Northern Ireland, capable of transporting small durable products to majority of UK/ EU destinations.
- Weather would be the only problem with this type of transport.
- Much faster than roads only with small packages.
- Limited number of ports from Northern Ireland, that can cater for lorries. Only allowed 8 hours per lorry as per tachograph. Road repairs, tailbacks, bottlenecks and weather can cause the deliveries to be held up.
- Much longer than air but can carry larger containers of products.

NI businesses should consider how the product range is to be handled.

Handling Characteristics

- Perishable nature of the product means that the packaging/handling must be efficient to ensure success in global markets; examples of products – agri-foods might be transported by air and must be packaged in a way as to ensure that products arrive in perfect condition.
- The products must be packaged carefully to ensure that the products arrive at their destination as fresh as they have left Northern Ireland. This can be done through the large refrigerated lorries specifically built for this type of long haul product range.

Final judgment: conclude that air/road transport are effective methods of distribution for perishable agri-foods and other methods more applicable to other agri-food product range.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	7-8 marks Candidate demonstrates a competent understanding of the issues of speed, cost, reliability and handling characteristics in relation to air and road transport of agri-food products from NI when trading globally. Candidate makes competent use of specialist vocabulary when appropriate.	4 marks Candidate competently applies knowledge.	4 marks Candidate competently analyses the issues of speed, cost, reliability and handling characteristics in relation to air transport of agri-food products from NI when trading globally.	7-8 marks Candidate gives a competent evaluation of the issues of speed, cost, reliability and handling characteristics in relation to air transport of agri-food products from NI when trading globally and comes to a final judgment. Candidate demonstrates competent 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 3–6 marks 3–6 marks 3 marks 3 marks Candidate Candidate Candidate Candidate demonstrates attempts to shows a gives satisfactory apply a satisfactory satisfactory satisfactory evaluation of understanding of attempt to the issues speed, level of analyse the the issues of cost, reliability knowledge. issues of speed, cost, and handling speed, cost, reliability and characteristics in reliability handling relation to air and handling characteristics characteristics in relation transport of agri-food in relation to to air transport products from air transport of agri-food NI when trading of agri-food products from globally. products NI when Candidate makes from NI trading satisfactory use globally and when trading of specialist globally. comes to a vocabulary when final judgment. Candidate appropriate. demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level or writing form and style of writing appropriate to the purpose of the question. Answer is organised in a satisfactory

manner.

AVAILABLE MARKS

Level 1	1–2 marks Candidate demonstrates limited understanding of the issues speed, cost, reliability and handling characteristics in relation to air transport of agri-food products from NI when trading globally. Candidate makes use of specialist vocabulary when appropriate.	1–2 marks Candidate attempts to apply limited knowledge.	1–2 marks Candidate shows limited analysis the issues of speed, cost, reliability and handling characteristics in relation to air transport of agri-food products from NI when trading globally.	1–2 marks Candidate attempts a limited evaluation of the issues of speed, cost, reliability and handling characteristics in relation to air transport of agri-food products from NI when trading globally. Candidate makes little 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 question. The organisation	AVAI M.
Level 0	O marks Candidate demonstrates no understanding of the issues speed, cost, reliability and handling characteristics in relation to air transport of agri- food products from NI when trading globally and makes no use of specialist vocabulary.	0 marks Candidate does not attempt to apply knowledge.	O marks Candidate shows no attempt to analyse, the issues of speed, cost, reliability and handling characteristics in relation to air transport of agri-food products from NI when trading globally.	O marks Candidate makes no attempt to evaluate the issues of speed, cost, reliability and handling characteristics in relation to air transport of agri-food products from NI when trading globally.	

Total

24 **80**