

ADVANCED General Certificate of Education 2016

GCE Applied Business

Assessment Unit A2 12

assessing
The Global Market**

[A6B61]

MONDAY 27 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.

With reference to Invest NI, explain **two** types of financial assistance available to Wrightbus Ltd when trading globally.

AVAILABLE MARKS

Financial

- Government financial funding can be obtained from INI to assist investment in locating to Northern Ireland
- Plant/machinery grants
- Product development/ICT facilities 3D Technology (knocked-down bus kits)
- Training grants for new skills for staff
- Financial support from Invest NI For Research & Development (£7m cost, part funded)
- Financial support from EU/ERDF under Sustainable Competitiveness Programme (£7m cost, £1.8m part funded)
- Funding for trade missions to Middle East.

	AO1 Knowledge and Understanding	AO2 Application
Level 2	[3]–[4] Candidate demonstrates satisfactory explanation and understanding of two types of financial assistance available to Wrightbus.	[2] Candidate applies satisfactory knowledge fully in context of stimulus material.
Level 1	[1]–[2] Candidate demonstrates limited explanation and understanding of two types of financial assistance available to Wrightbus.	[1] Candidate applies limited knowledge in context of stimulus material.
Level 0	Candidate demonstrates no explanation and understanding of two types of financial assistance available to Wrightbus.	[0] Candidate does not attempt to apply knowledge to stimulus material.

3

[6] 6

2 Explain the operations of the World Trade Organisation (WTO) and one way in which the WTO might influence the growth of Wrightbus Ltd's global trade.

Operations:

- The WTO encourages trade liberalisation.
- The WTO researches trade issues, formulates rules and supervises trade negotiations which lead to agreements between member countries.

Influence:

- Wrightbus Ltd is able to enter new markets, USA, Middle East, Republic of Ireland due to the operations of the WTO
- WTO paves the way for businesses to export into other global markets through trade negotiation and trade agreements between each member country.

	AO1 Knowledge and Understanding	AO2 Application
Level 2	[3]–[4] Candidate demonstrates satisfactory understanding of the WTO and how it might influence the growth of global trade in relation to Wrightbus Ltd.	Candidate applies satisfactory knowledge fully in context of stimulus material.
Level 1	[1]–[2] Candidate demonstrates limited understanding of the WTO and how it might influence the growth of global trade in relation to Wrightbus Ltd.	[1] Candidate applies limited knowledge effectively in context of stimulus material.
Level 0	Candidate demonstrates no understanding of the WTO and how it might influence the growth of global trade in relation to Wrightbus Ltd.	[0] Candidate does not attempt to apply knowledge to stimulus material.

4

[6]

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- **3** Analyse the impact on the Northern Ireland economy of Wrightbus Ltd's global trading in terms of:
 - Employment Levels
 - Economic Growth
 - Exchange Rates

Employment Levels

- Wrightbus employs 1000 workers and 400 further jobs indirectly in the supply chain.
- With increased demand from exporting countries for the buses, especially in the Far East and China, will increase the demand for labour for Wrightbus Ltd.
- The new 3D Computer Technology will require specialised labour to operate
- Monies invested by Invest NI and EU for research and development will
 require further specialised staff which will keep Wrightbus Ltd at the
 forefront of new designs and quality standards giving it a competitive edge in
 the export market.
- The contract to supply Streetlite buses to Hong Kong and Singapore will sustain the current workforce employment levels well beyond 2015.

Economic Growth

- Growth levels within the UK are low and government expectations are that economic recovery will take time. The expectations are that exports must increase to assist growth. In that vein businesses like Wrightbus with orders from USA, Middle East and China will boost exports and help the economy to grow and will generate increased revenues and consequently increased levels of spending power (potential multiplier effect) in the local economy (in the country) and secure greater number of jobs/livelihoods in local economy from increased numbers working directly and indirectly to the Wrightbus transport systems.
- New bus designs for all markets which are specific to the export markets will ensure that they have a competitive edge over their competitors and ensure continued sales and economic growth, e.g. high capacity transport demands of Singapore, local climates of other markets.
- Visiting customers to the local area may increase trade locally and thus increase growth in the local sector by staying in local hotels/B&Bs.

Exchange Rates

- A high exchange rate would give an economy a chance to buy more imports and could raise standards of living. A low exchange rate brings success in increasing exports and creates jobs. Exchange rates have an impact on competitiveness.
- Wrightbus Ltd's activities are likely to encourage a demand for foreign currencies, since they export their products/services globally, e.g. the Middle East, USA, China and Europe and this is likely to require currency exchange transactions in sterling, euro, dollars, Saudi Riyal and Hong Kong Dollar. A low exchange rate will possibly decrease the price and make the buses more competitively priced and increase demand while a high exchange rate will increase the price of the buses and could lose contracts against competitors who have a more favourable exchange rate.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	[5]–[6] Candidate demonstrates a competent understanding of how Wrightbus Ltd trading globally will impact on employment, economic growth and exchange rates of the NI Economy. Candidate makes good use of specialist vocabulary when it is appropriate.	[3] Candidate applies knowledge competently.	Candidate competently analyses how Wrightbus Ltd trading globally will impact on employment, economic growth and exchange rates of the NI Economy.
Level 2	[3]–[4] Candidate demonstrates a satisfactory understanding of how Wrightbus Ltd trading globally will impact on employment, economic growth and exchange rates of the NI Economy. Candidate makes adequate use of specialist vocabulary when appropriate.	[2] Candidate demonstrates a satisfactory attempt to apply knowledge.	Candidate demonstrates a satisfactory attempt to analyse how Wrightbus Ltd trading globally will impact on employment, economic growth and exchange rates of the NI Economy.
Level 1	[1]–[2] Candidate demonstrates a limited understanding of how Wrightbus Ltd trading globally will impact on employment, economic growth and exchange rates of the NI Economy. Candidate makes use of specialist vocabulary when it is appropriate.	[1] Candidate demonstrates a limited attempt to apply knowledge.	Candidate demonstrates a limited attempt to analyse how Wrightbus Ltd trading globally will impact on employment, economic growth and exchange rates of the NI Economy.
Level 0	Candidate demonstrates no understanding of how Wrightbus Ltd trading globally will impact on employment, economic growth and exchange rates of the NI Economy. Candidate makes no use of specialist vocabulary when it is appropriate.	[0] Candidate does not attempt to apply knowledge.	Candidate demonstrates no attempt to analyse how Wrightbus Ltd trading globally will impact on employment, economic growth and exchange rates of the NI Economy.

[12] 12

AVAILABLE MARKS

9817.01 **F**

6

4 Discuss two advantages and two disadvantages of Joint Ventures to Wrightbus Ltd as a method of entering overseas markets.

The advantages of Joint Ventures

Wrightbus Ltd can use joint ventures to strengthen its long-term relationships or to collaborate on short-term projects. A joint venture can help the business grow faster, increase productivity and generate greater profits. A successful joint venture can offer:

- access to new markets and distribution networks, e.g. China, Singapore, India
- increased capacity, e.g. Streetlite bus
- sharing of risks and costs with a partner, i.e. Volvo, VDL, Daimler
- access to greater resources, including specialised staff, technology and finance, e.g. 1000 staff
- Wrightbus partners also benefit from economies of scale with respect to purchasing, research and development activities.

The disadvantages of Joint Ventures

Wrightbus Ltd's partnering with another business can be complex. It takes time and effort to build the right relationship. Problems are likely to arise if:

- the objectives of the venture are not totally clear and communicated to everyone involved
- the partners have different objectives for the joint venture
- there is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners
- different cultures and management styles result in poor integration and co-operation
- the partners don't provide sufficient leadership and support in the early stages
- Success in a joint venture depends on thorough research and analysis of aims and objectives. This should be followed up with effective communication of the business plan to everyone involved.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	[3]-[4] Candidate demonstrates a competent understanding of two advantages and two disadvantages of joint ventures when entering overseas markets. Candidate makes good use of specialist vocabulary when appropriate.	[3]–[4] Candidate applies knowledge competently.	[3]-[4] Candidate competently analyses two advantages and two disadvantages of joint ventures when entering overseas markets.	[3]–[4] Candidate demonstrates a competent evaluation of two advantages and two disadvantages of joint ventures when entering overseas markets. 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	Candidate demonstrates a satisfactory understanding of two advantages and two disadvantages of joint ventures when entering overseas markets. Candidate makes adequate use of specialist vocabulary when appropriate.	[2] Candidate demonstrates a satisfactory attempt to apply knowledge.	[2] Candidate demonstrates a satisfactory attempt to analyse two advantages and two disadvantages of joint ventures when entering overseas markets.	Candidate demonstrates a satisfactory evaluation of two advantages and two disadvantages of joint ventures when entering overseas markets. 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.

8 9817.01 **F**

AVAILABLE MARKS

		F43	F43	
Level 1	6 4	[1]	[1]	[1]
		Candidate	Candidate	Candidate demonstrates
	limited understanding	attempts to	demonstrates a	a limited attempt
	of two advantages and	apply some	limited attempt	to evaluate two
	two disadvantages of	knowledge.	to analyse two	advantages and two
	joint ventures when		advantages	disadvantages of joint
	entering overseas		and two	ventures when entering
	markets. Candidate		disadvantages	overseas markets.
	makes use of specialist		of joint ventures	Candidate makes
	vocabulary when		when entering	little use of spelling,
	appropriate.		overseas	punctuation and
			markets.	grammar. The meaning
				of the text is not always
				clear. The organisation
				of the answer is limited.
L avval O	[A]	[0]	[0]	[A]
Level 0	5 4	[0]	[0]	[0]
	Candidate demonstrates		Candidate	Candidate makes no
	no understanding of	does not	demonstrates	attempt to evaluate
	the advantages and	attempt	no attempt to	the advantages and
	disadvantages of joint	to apply	analyse the	disadvantages of joint
	ventures when entering	knowledge.	advantages and	ventures when entering
	overseas markets.		disadvantages	overseas markets.
	Candidate makes no use		of joint ventures	
	of specialist vocabulary		when entering	
	when it is appropriate.		overseas	
			markets.	
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AVAILABLE MARKS

[16] 16

- **5** Evaluate each of the following factors that Wrightbus Ltd must consider when trading globally.
 - Technical Standards
 - Business Practices
 - Design and Packaging
 - Political Risks

Technical Standards:

- Wrightbus Ltd must manufacture the buses/sell their product range of business to meet various regulations in force within the global transport industry, e.g. with respect to bus height, weight, safety markings, lighting and braking systems and equipment specifications such as tyre size.
- The manufacture of buses must also comply with the technical standards/ transport regulations in order to enable Wrightbus Ltd to succeed in the global transport industry. The finished buses are subject to rigorous testing to ensure highest quality and performance.

Business Practices:

- Social and cultural differences can be very significant especially between businesses in different countries when trading globally. Corporate culture includes an expectation that all businesses' aims and objectives are the same. Unfamiliar national and local cultures can confound their expectations about the markets in which they propose to operate. They may have unfamiliar habits and conventions. Wrightbus Ltd must respect local patterns of behaviour and adapt if they wish to succeed in some export countries.
- Wrightbus Ltd should adapt to the various business practices undertaken in global markets and respond to them, in order to secure business. They must participate in Invest NI trade missions to build up trust with potential customers. Use of direct contact with customers to discuss quality measures incorporated throughout the production processes of the buses and agreement of delivery deadlines with customers. A professional approach must be adopted at all times.
- Asians expect to spend time building trust between business partners. So the early stages of negotiating in Asia require a number of meetings, lengthy meals in restaurants to establish trust.
- The use of the website might be a common approach to securing future orders, since the website provides information about Wrightbus Ltd product range, existing customers, and contact details about the business.

Design and Packaging:

- Wrightbus Ltd must design/produce buses according to customer specifications, providing customers with an excellent experience in terms of acquiring a product for use in the transport industry in their country which may require different modifications to drive comfortably.
- The Streetlite bus must be finished in N. Ireland and shipped as new and packaged as a kit for transport to Singapore for re-assembling and also Hong Kong.
- Wrightbus Ltd must also design the buses to meet customer requirements in terms of climate, colours, health and safety equipment, functionality and other transport regulations in the country of export not origin.

Political Risks:

- Political instability can make some markets very unattractive. Strong prospects
 of sales and profits will tempt businesses to trade even when governments are
 unstable, the risks will be greater. There is a trade-off between risk and
 profitability.
- Volatility of some governments especially within the Middle East/Far East/ South America/Asia which could cancel future orders with Wrightbus and therefore sustain losses and job losses.
- Chinese Government controls could be a problem for Wrightbus, i.e. Hong Kong protests.
- The British/EU authorities could ban the sales of buses to certain countries and regions as a sanction against certain regimes.

	AO1 Knowledge and	AO2	AO3	AO4
	Understanding	Application	Analysis	Evaluation
Level 3	[3]-[4] Candidate demonstrates a competent understanding of the factors that must be considered when trading globally. Candidate makes good use of specialist vocabulary when appropriate.	[3]–[4] Candidate applies knowledge competently.	[3]-[4] Candidate competently analyses the factors that must be considered when trading globally.	[3]–[4] Candidate demonstrates a competent evaluation of the factors that must be considered when trading globally. 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	Candidate demonstrates a satisfactory understanding of the factors that must be considered when trading globally. Candidate makes adequate use of specialist vocabulary when appropriate.	[2] Candidate demonstrates a satisfactory attempt to apply knowledge.	Candidate demonstrates a satisfactory attempt to analyse the factors that must be considered when trading globally.	Candidate demonstrates a satisfactory evaluation of the factors that must be considered 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.
Level 1	[1] Candidate demonstrates limited understanding of the factors that must be considered when trading globally. Candidate makes use of specialist vocabulary when appropriate.	[1] Candidate attempts to apply limited knowledge.	[1] Candidate demonstrates a limited attempt to analyse the factors that must be considered when trading globally.	Candidate demonstrates a limited attempt to evaluate the factors that must be considered when trading globally. Candidate makes little use of spelling, punctuation and grammar. The meaning of the text is not always clear. The organisation of the answer is limited.
Level 0	Candidate demonstrates no understanding of the factors that must be considered when trading globally. Candidate makes no use of specialist vocabulary when it is appropriate.	[0] Candidate does not attempt to apply knowledge.	[0] Candidate demonstrates no attempt to analyse the factors that must be considered when trading globally.	[0] Candidate makes no attempt to evaluate the factors that must be considered when trading globally.
				[16]

16

AVAILABLE MARKS

- **6** Evaluate how each of the following barriers to global trade affect organisations such as Wrightbus Ltd when trading globally.
 - Tariffs
 - Quotas
 - Exchange Controls
 - Administrative Restrictions.

The whole point of trade is to get what you want from a supplier whose products provide the best value for money and this will include imports which have an impact on national business. But when these national jobs are threatened it is very tempting for governments to protect those vulnerable sectors under attack. The most obvious way is to control the imports using tariffs and quotas.

Tariffs

Additional charges/taxes imposed on specific goods entering a country and raising the price at which they can be sold. This means that goods imported to NI will be more expensive and as such businesses may find that they are unable to compete effectively. Foreign countries such as those located outside the EU, the Far/Middle East/USA might impose tariffs as a way of protecting their own companies/industries.

- Tariffs can be used to protect specific industries or sectors from foreign competition.
- Tariffs raise tax revenue for the government.
- Tariffs can be used to deter dumping, which is where the exporter is selling their product at a price lower than that at which they sell in their home markets
- The infant industry states that if small industries are protected for a short term they may survive.

The main problem with the UK government employing tariffs on goods coming into the UK is that the exporting country could retaliate. If the UK imposed an import duty on some of China's exports to the UK then the Chinese could retaliate by putting taxes on Wrightbus Ltd's buses entering Hong Kong making the price of buses much more expensive and Wrightbus Ltd could possible lose further contracts through no fault of their own.

Quotas

Quotas are physical limits on the level of specific imports in any one year. Quotas set a physical limit of individual products. If demand is at a low level they will make very little difference. But if demand is high the price will be pushed up above its free marker equilibrium meaning that consumers will pay a much higher price than they would like to pay.

Exporters who are faced with quotas may in fact make increased profits from the higher prices they can charge where the quantity is restricted and the demand is high.

Quotas almost inhibit competition and can lead to inefficiencies.

The problem with quotas is that while it attempts to reduce imports into the UK it can infuriate the exporter country. This can lead to retaliation by the exporting country and can result in lost jobs in the UK.

AVAILABLE MARKS

Foreign Exchange Controls are various forms of controls imposed by a g overnment on the purchase/sale of foreign currencies by residents or on the purchase/sale of local currency by nonresidents.

Common foreign exchange controls include:

- Banning the use of foreign currency within the country
- Banning locals from possessing foreign currency
- Restricting currency exchange to government-approved exchangers
- Fixed exchange rates
- Restrictions on the amount of currency that may be imported or exported

Such controls used to be common in most countries, particularly poorer ones, until the 1990s when free trade and globalisation started a trend towards economic liberalisation. Today, countries which still impose exchange controls are the exception rather than the rule.

The Chinese government still maintains relatively strict exchange controls, but the general trend over the past decade has been towards a gradual liberalisation of China's forex market.

This involves restricting the amount of foreign currency available or repatriated from N. Ireland to foreign-based suppliers. NI-based businesses will most likely have to pay in a foreign currency, but if the amounts payable are restricted by a national government, this will limit the ability of the company to trade effectively with companies based outside the EU. The Chinese exchange restriction could have negative impact on Wrightbus Ltd's ability to trade with companies in Hong Kong.

Administrative Restrictions

Protectionism in the form of administrative restrictions includes import licences, local content agreements, health and safety legislation.

Administrative restrictions include a variety of requirements that must be met in order for trade to occur, including fees, licenses, permits, domestic content requirements, financial bonds and deposits, and government procurement practices.

Other restrictions relate to technical regulations that apply to issues such as packaging, labelling, safety standards, and multilingual requirements.

Restrictions imposed on a NI-based importer in relation to the technical (or other) specification of the goods exported, making it more difficult to import from a non-EU country.

The aim is to restrict scope for profitability/sales/market share on the part of the NI-based importer.

Positive and negative points are required in each section

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	AO1	AO2	AO3	AO4
	Knowledge and	Application	Analysis	Evaluation
	Understanding		v	
Level 3	[4] Candidate demonstrates a competent understanding of Tariffs, Quotas, Exchange Controls and Administrative Restrictions and their effects on organisations such as Wrightbus Ltd. Candidate makes good use of specialist vocabulary when appropriate.	[4] Candidate competently applies knowledge.	[6]–[8] Candidate competently analyses Tariffs, Quotas, Exchange Controls and Administrative Restrictions and their effects on organisations such as Wrightbus Ltd.	[6]–[8] Candidate gives a competent evaluation of Tariffs, Quotas, Exchange Controls and Administrative Restrictions and their effects on organisations such as Wrightbus Ltd. 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	Candidate demonstrates satisfactory understanding of Tariffs, Quotas, Exchange Controls and Administrative Restrictions and their effects on organisations such as Wrightbus Ltd. Candidate makes adequate use of specialist vocabulary when appropriate.	[3] Candidate attempts to apply a satisfactory level of knowledge.	[3]-[5] Candidate shows a satisfactory attempt at analysing Tariffs, Quotas, Exchange Controls and Administrative Restrictions and their effects on organisations such as Wrightbus Ltd.	[3]–[5] Candidate gives satisfactory evaluation of Tariffs, Quotas, Exchange Controls and Administrative Restrictions and their effects on organisations such as Wrightbus Ltd. 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.

Level 1	[1]	[1]	[1]–[2]	[1]-[2]
	Candidate	Candidate	Candidate	Candidate attempts
	demonstrates	attempts	shows limited	a limited evaluation
	limited	to apply	analysis of	of Tariffs, Quotas,
	understanding of	limited	Tariffs, Quotas,	Exchange Controls
	Tariffs, Quotas,	knowledge.	Exchange	and Administrative
	Exchange Controls		Controls and	Restrictions and their
	and Administrative		Administrative	effects on organisations
	Restrictions and		Restrictions and	such as Wrightbus Ltd.
	their effects on		their effects on	Candidate makes little use
	organisations such		organisations	of spelling, punctuation
	as Wrightbus Ltd.		such as	and grammar. The
	Candidate makes		Wrightbus Ltd.	meaning of the text is
	use of specialist			not always clear. The
	vocabulary when			candidate demonstrates
	appropriate.			a limited form and
				style appropriate to the
				question. The organisation
T 10	101	101	101	of the answer is limited.
Level 0	[0]	[0]	[0]	[0]
	Candidate	Candidate	Candidate shows	
	demonstrates no	does not	no attempt	attempt to evaluate
	understanding of	attempt	to analyse	of Tariffs, Quotas,
	Tariffs, Quotas,	to apply	Tariffs, Quotas,	Exchange Controls
	Exchange Controls	knowledge.	Exchange	and Administrative
	and Administrative		Controls and	Restrictions and their
	Restrictions and their effects on		Administrative Restrictions and	effects on organisations
			their effects on	such as Wrightbus Ltd.
	organisations such as Wrightbus Ltd.			
	And makes no		organisations such as	
	use of specialist		Wrightbus Ltd.	
	vocabulary when it		wrightous Ltd.	
	is appropriate.			
	is appropriate.			

AVAILABLE MARKS

[24]

Total 80

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