



Rewarding Learning

ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
2016

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## GCE Applied Business

Assessment Unit AS 3

*assessing*

External Influences on  
the Business Enterprise

[A3B31]



A3B31

THURSDAY 19 MAY, AFTERNOON

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### TIME

1 hour 30 minutes.

### INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.  
Answer **all six** questions.

### INFORMATION FOR CANDIDATES

The total mark for this paper is 80.

Quality of written communication will be assessed in questions **5** and **6**.

Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

### ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

## **Schivo Group acquires Maydown Precision Engineering**

The Schivo Group is regarded as one of the leading Engineering Contract manufacturing companies in Ireland. It is a Waterford-based company located in the Republic of Ireland. During July 2015, the Schivo Group expanded its aerospace operations with the acquisition of Maydown Precision Engineering (MPE).

The Schivo Group purchased the business and assets of Maydown Precision Engineering, based at the company's 12 000 m<sup>2</sup> manufacturing facility near Derry/Londonderry, Northern Ireland. Maydown Precision Engineering's 133-strong workforce will continue to be based there and the company's contracts with its customers will continue to be fulfilled from there.

The takeover of Maydown Precision Engineering by the Schivo Group has created a major indigenous supplier to the global aerospace manufacturing industry in Ireland – customers include aircraft manufacturers such as Airbus, Boeing, and Bombardier.

As a result, the Schivo Group will employ more than 360 people and maintain a significant presence in the Aerospace, Medical Technologies, and Oil & Gas industries.

Aerospace manufacturing has been growing on the island of Ireland, with the market valued at an estimated €1.3 billion (measured in terms of sales revenues). Maydown Precision Engineering supplies key components related to aircraft structures, aircraft engines, nacelles (engine housing units) and flight control systems for leading aircraft manufacturers.

A recent survey of aircraft orders (reported by Flightglobal Fleet), predicted that 36 820 commercial jets and turboprop aircraft worth almost \$2.6 trillion will be delivered over the next 20 years.

Schivo Group shareholder (owner) and Chief Executive Officer, Mr Seamus Kilgannon reported that Schivo were willing to invest in the long-term future of Maydown Precision Engineering. He confirmed that it represented a significant expansion into the aerospace industry that will enable Schivo to benefit from the expected global growth of the aerospace market, stating that Maydown Precision Engineering has long-standing experience of successfully meeting the needs of customers in the aerospace market and is an excellent strategic fit for the Schivo Group.

Mr Kilgannon also stressed that the acquisition of Maydown Precision Engineering considerably strengthened and broadened the Schivo Group's key technical engineering expertise in supplying the aerospace market, and would increase sales and revenues.

The Managing Director of Maydown Precision Engineering (Derry/Londonderry), Mr Sean Phelan said: "This takeover of Maydown Precision Engineering by the Schivo Group secures the future of the company and presents tremendous opportunities for us. For nearly 30 years we have supplied the aerospace industry. By becoming part of a larger organisation, MPE will be able to better support its customers. It will enable greater investment and commitment to customers in the future. The scalability and efficiencies that we can now bring to existing and prospective clients has the potential to grow the sector further on both sides of the border."

*© Irish aerospace set for take-off as Schivo acquired Maydown Precision Engineering by Ciara Passion. Published by Schivo Group.*

Answer **all six** questions

- 1 Identify the market sector that Maydown Precision Engineering operates in. Explain **one** characteristic of this market sector using an example from the case study. [4]
- 2 Explain the term ‘international trade’ and explain **two** ways in which it might affect Maydown Precision Engineering. [8]
- 3 Analyse **one** way in which Maydown Precision Engineering might use each of the following methods to improve its competitiveness: [12]
- Competitive pricing
  - Product differentiation
  - Diversification.
- 4 Discuss **four** conditions of demand, showing how each could affect the demand for Maydown Precision Engineering products. [16]
- 5 Evaluate how the acquisition of Maydown Precision Engineering by the Schivo Group might affect each of the following stakeholders: [20]
- Employees
  - Customers
  - Shareholders
  - Local community
  - Government.
- 6 Evaluate **one** way in which each of the following Government Policies may affect businesses such as Maydown Precision Engineering: [20]
- Monetary Policy
  - Fiscal Policy
  - Regional Policy
  - Supply-side policies.

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**THIS IS THE END OF THE QUESTION PAPER**

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