

GCE AS **Applied Business**

January 2009

Mark Schemes

Issued: April 2009

MARK SCHEMES (2009)

Foreword

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 16- and 18-year-old 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 a 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.

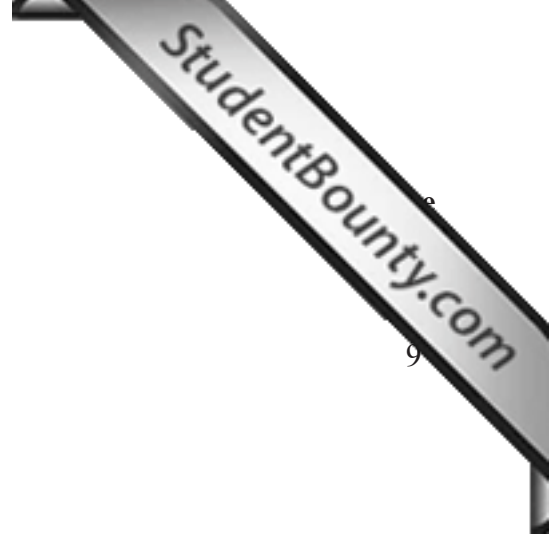
It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

The Council hopes that the mark schemes will be viewed and used in a constructive way as a further support to the teaching and learning processes.

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[A3B31]

THURSDAY 8 JANUARY, MORNING

MARK SCHEME

1 Identify the market sector that Belfast International Airport operates in, explaining the role of that sector, within the Northern Ireland economy.

- BIA operates in the tertiary sector of the NI economy.
- This sector is known as the ‘service sector’, which typically provides services to business and final consumers.
- The role of the service sector within the NI economy is of importance since it creates wealth and secures employment, however the manufacturing sector has been in decline for a significantly long time period.

([2] for identification, [2] for application to the case study); (2 × [2])

4

2 Explain why globalisation is important to Belfast International Airport.

- Globalisation is important to BIA since there are a limited number of service providers (airports) within the island of Ireland, facilitating demand of global air services.
- BIA’s historical development also means that it is of strategic importance to the NI economy.
- BIA is a very capital intensive business, and as such, requires a larger market to enable the business to recover costs, due to increased economies of scale.

([2] for explanation, [2] for application to the case study); (2 × [2])

4

3 Discuss, with **an** example in each case, **one** way in which each of the following government policies can directly influence the commercial operations of Belfast International Airport:

(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/passengers may be willing to spend more (on flights etc), therefore increasing passenger numbers using BIA.
- Increasing government expenditure may also help firms – if funds are spent on transport infrastructure, this may encourage new firms to a region – 80% of NI industry base is located near BIA.
- 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 BIA.

(ii) Regional Policy:

- A government policy aimed at improving a specific economic region.
- Evidenced from case study as the UK government wishes to develop sustainable air travel over the next 25 years, hence the BIA Master Plan including improving cargo facilities aimed at assisting local industry.
- The case study mentions the use of incentives to develop new air travel routes, hence encouraging competition between BIA, City of Derry Airport, Belfast City Airport and Dublin Airport.

(iii) Supply Side Policy:

- Government policy which attempts to encourage competition within the industry, by ensuring efficient operation of markets.
- It is possible that employment numbers may increase (directly or indirectly) as a result of this policy in relation to BIA through job creation due to expansion activities over the next 21 years, and assuming that the labour market operates without too many restrictions.
- Case study mentions use of incentives to develop new travel routes, hence encouraging competition between regional airports and attracting new airlines to BIA creating job opportunities, e.g. Aer Lingus plc.

([2] for explanation, [2] for application to the case study; (3 × [4])

12

4 Analyse **four** different issues which are likely to affect the throughput of passenger numbers at Belfast International Airport over the next 21 years, and hence the demand for air services to/from Northern Ireland.

Income:

- The levels of passenger income within the economy will influence demand for flights/BIA services. If disposable incomes are high, passengers will be encouraged to spend more on air travel, increasing the level of passenger numbers using BIA (currently 4.8 m).

Size of Population:

- BIA management estimate that 1.6 million people live within a one-hour drive of the Airport, whilst it is estimated that over two million people live within a two-hour drive.
- BIA estimate that the loss of passenger numbers to rival airports is 1 m, which will impact the demand for BIA services.

Price:

- The level/price of air fares will impact the demand for flights to/from the airport, hence directly impact the demand for BIA services due to variations in passenger numbers.
- Costs: BIA's efficiency will influence demand if its cost base is low, it can operate more efficiently and charge airlines less, thus resulting in lower air fares.

Competition:

- Availability of new destinations and comparable services provided by regional airports will determine the demand for services provided by BIA (e.g. Dublin, George Best Belfast City Airport, City of Derry Airports and ferry operators).
- Quality: improved quality of services/facilities and accessibility to airport will influence competitiveness.

Tastes:

- The availability of 'cheap'/'no-frills' airline services has increased in recent years, with the establishment of airline services by easyJet and Aer Lingus at BIA.
- The ability of passengers to book flights using the internet will also determine demand for flights and in turn, the number of passengers using BIA.

Legislation:

- Laws imposed by government in terms of air safety and air taxes will determine the demand for services provided by BIA to some extent.

([1] for identification of each point stated, [2] for explanation/analysis of each point; [1] for application to stimulus material); (4 × [4])

16

5 Evaluate **five** factors which are likely to improve the competitiveness of Belfast International Airport over the 21-year period to 2030.

Advertising:

- This will be of importance – there appear to be only three airports in N. Ireland.
- Only a few companies/airports can operate within this sector on the island of Ireland (BIA, GBBCA, COD, Dublin Airport), thus by advertising, BIA can increase its brand name/profile regionally, nationally and internationally;
- BIA notes that 1 m passengers are using ROI airports – by advertising, BIA can attract their custom and improve competitiveness.

Pricing Strategies:

- This will impact the degree of competition within the travel industry – the emergence of ‘no-frills’ airlines means that costs are kept to a minimum for the airline and airport;
- This is likely to be seen in context of sustaining passenger capacity between the regional airports on the island – competitive pricing strategies are likely to be followed by BIA in order to attract new airlines – reduced landing costs etc.
- Government support will be required to support development of new air routes.

Improving Quality:

- The issue of legislation in relation to air safety standards will mean that funds need to be invested in airport safety – the airport is the most technologically advanced on the island of Ireland – thus providing passengers with first class quality air services.
- BIA is aiming to improve air services for the business community and leisure sector and develop efficient air cargo operations for the benefit of local industry.
- Improved infrastructure would improve BIA competitiveness.

Product Differentiation:

- Specialised industry/technical knowledge will be required to operate an airport successfully – technological advances are noted in stimulus material.
- BIA location is unique within the Province, as a result of historical developments. 1.6 m people are within one hour’s drive, and 2 m are within two hours’ drive from BIA.
- BIA has attracted various new airlines (easyJet plc, Continental Airlines (USA) and Aer Lingus plc), hence it must therefore provide a competitive advantage to enable such airlines to operate effectively.
- BIA estimate that 80% of N. Ireland’s industrial base is geographically located within 1 hour’s reach of the Airport.
- Runways are capable of accommodating the largest of commercial airliners currently in service with various airlines, unlike other regional airports.

Adding Value:

- This will improve competitiveness of BIA.
- Passenger numbers are currently 4.8 m, sub-divided between scheduled and charter services, and this is likely to increase – added value for different passengers;
- Estimated numbers of passengers lost to rival regional airports is estimated at 1 m per annum, which BIA must address to improve competitiveness, by improving accessibility.
- Facilities at airport are essential to enhance value added for passengers, e.g. on-site hotel, car parking, efficient check-in, restaurants, transport infrastructure (e.g. bus, rail and roads) and so on.

Takeovers/Acquisition:

- It is assumed that BIA is profitable, since TBI plc committed substantial funds in order to acquire the investment that is represented by BIA.
- Cost efficiencies are noted by BIA as impacting the extent of competitiveness – BIA is prevented from taking over George Best Belfast City Airport due to competition rules.

Organic Growth:

- BIA has grown organically by the introduction of new routes by Aer Lingus plc (London Heathrow, Paris etc.), easyJet (London Luton), and Continental Airlines (New York).
- Passengers have greater choice of destinations.
- BIA aims to increase facilities/operations for benefit of business community.
- Greater number of passengers using BIA indicate organic growth.

Level 1 ([1]–[8])

Some knowledge and understanding of one to two factors which are likely to improve competitiveness are evaluated, and there is some application in the context of BIA. There is little attempt to evaluate the factors. Quality of written communication is limited.

Level 2 ([9]–[16])

Adequate knowledge and understanding of the factors which are likely to improve competitiveness, and there is good application in the context of BIA. Three to four factors are properly evaluated. Quality of written communication is satisfactory.

Level 3 ([17]–[20])

Good standard of knowledge and understanding of the factors which are likely to improve competitiveness are evaluated, and there is very good application in the context of BIA. Five factors are properly evaluated. Quality of written communication is of a high standard.

Final Judgement is required, consistent with the weight of arguments.
Maximum 18 marks if no final judgement is provided.

20

- 6 The management team at Belfast International Airport has outlined its plans covering the expansion of the Airport for the period through to 2030. Evaluate how these plans might affect **six** stakeholder groups relative to the Airport.

Potential stakeholder groups identified can include:

Management/Employees:

- Whilst not directly mentioned in the stimulus material, it is assumed that employee numbers at BIA will be maintained or increased as the management team at BIA anticipate increased growth into the future, in terms of passenger numbers – 6.9 m p.a. by the year 2015.
- BIA expansion is likely to have a positive impact upon this stakeholder group.

Suppliers:

- BIA has recorded an increase in the number of passengers using the Airport, who require assistance/support of suppliers, e.g. catering.
- BIA expansion is likely to have a positive impact upon this stakeholder group.

Customers/Passengers/Airlines:

- Customers/passenger numbers using BIA have increased from 1.5 m (1983) to 4.8 m (2005), and are expected to increase to an estimated 6.9 m (2015) per annum.
- BIA estimates that 1.6 m potential passengers live within one hour's drive and a potential 2 m passengers live within two hours' drive of the Airport – a large market within the regional context.
- BIA estimates that cargo customers will increase their usage of facilities at the Airport, hence it aims to improve services in this area.
- BIA has stated that it aims to improve the services available to local industry, since 80% of N. Ireland industry base is located within one hour's reach of the Airport.
- BIA expansion is likely to have a positive impact upon this stakeholder group.

Shareholders:

- BIA is currently owned by TBI plc.
- TBI plc will be seeking continued profitability from commercial operations and cost efficiencies.
- It is assumed that this is satisfactory since no further mention is noted within the case study.
- The long-term ownership of BIA may be an issue into the future.
- BIA expansion is likely to have a positive impact upon this stakeholder group.

Local Community:

- 1.6 million people live within a one-hour drive of the Airport, whilst it is estimated that over two million people live within a two-hour drive.
- It is estimated that over 80% of Northern Ireland's industrial base (community) is located within one hour's reach of Belfast International Airport.
- BIA has stated that an issue for the future will be to improve services for local industry and cargo facilities.
- BIA expansion is likely to have a positive impact upon this stakeholder group.

Pressure Groups:

- BIA may be impacted by pressure groups, however, the case study does not refer to such issues.
- BIA notes that the environmental impact is minimal.
- BIA expansion is likely to have a negative impact upon this stakeholder group.

Government:

- BIA will impact the UK government's White Paper of 2003, hence the preparation of the Master Plan covering the period to 2030 – defines contribution to aviation sector.
- BIA will impact the UK government's actions in relation to economic development policy for the region – increased revenues in local economy (multiplies effect).
- BIA will impact the UK government's actions in respect of developments in the transport infrastructure – improvements in rail links, road network, bus services, are required due to increased passenger demand at BIA.

- BIA will impact the UK government’s policy in respect of ‘air taxes’ – imposing taxes on fare-paying passengers will impact demand for air travel and passenger numbers, increases tax revenues for government.
- BIA will impact the UK government’s policies in relation to the safety of air travel – high standards are required, promoting confidence in.

Lenders:

- No specific mention is noted in case study by BIA regarding this stakeholder group – it is assumed that this is minimal.

Competitors:

Dublin, Belfast City and City of Derry are all competitors. They will have to develop plans to compete with BIA.

Final Judgement:

Candidates are likely to conclude that BIA’s plans will have a significant impact on all stakeholders in the period through to 2030 (an alternative argument stating the plans will have no impact will be accepted, provided the candidate has used supporting arguments).

Level 1 ([1]–[8])

Some knowledge and understanding of the way in which BIA’s plans might affect one to two stakeholder groups, and there is some application in the context of BIA. There is little attempt to evaluate the issue. Quality of written communication is limited.

Level 2 ([9]–[20])

Adequate knowledge and understanding of the way in which BIA’s plans might affect three to five stakeholder groups, and there is good application in the context of BIA. There is some attempt to evaluate the various issues. Quality of written communication is satisfactory.

Level 3 ([21]–[24])

Good standard of knowledge and understanding of the way in which BIA’s plans might affect six stakeholder groups, and there is very good application in the context of BIA. There is a high standard of evaluation. Quality of written communication is of a high standard.

Final Judgement is required, consistent with the weight of arguments.

Maximum 22 marks if no final judgement is provided.

24

Total

80



ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2009

Applied Business

Assessment Unit AS 4

assessing

E-Commerce

[A3B41]

TUESDAY 13 JANUARY, AFTERNOON

MARK SCHEME

1 Explain **three** reasons for the growth of e-Commerce with regard to the Post Office.

- The Internet has created a new economy for the Post Office – it makes the business more profitable.
- Provides better support for customers on what is available at the Post Office.
- The Post Office makes information more easily available to its customers, e.g. postal services.
- Customers using the Internet already to buy and pay for items, i.e. shopping, travelling
- The Post Office has the ability to conduct business 24/7.
- The Internet is a perfect venue for customers to come and visit the Post Office website as it is only a click away.

Level 1 ([1]–[2])

Some knowledge and understanding of the reasons for the growth of e-Commerce for the Post Office are demonstrated and there is some application in the context of the business. One reason is properly explained. Quality of written communication is limited.

Level 2 ([3]–[4])

Adequate knowledge and understanding of the reasons for the growth of e-Commerce for the Post Office are demonstrated and there is a reasonable attempt to apply these to the business. Two reasons are properly explained. Quality of written communication is satisfactory.

Level 3 ([5]–[6])

Good knowledge and understanding of the reasons for the growth of e-Commerce for the Post Office are demonstrated and there is an appropriate application in the context of the business. Three reasons are properly explained. Quality of written communication is of a high standard. [6]

6

2 Identify three copyright and intellectual property rights that the Post Office needs to consider when trading online. Explain any **two** of these rights.

- The types of Intellectual Property Rights for the Post Office are copyright, patents, trade marks, design rights, passing off, the law of confidential information.
- The Post Office wants to protect their work, the expression of ideas, their original work. Post Office goods and services are copywritten upon their creation. This symbol © appears at the bottom of their website.
- In the Post Office website there is a “Terms and Conditions” where the author states if the materials on the website can be used or if used without permission is prohibited.
- If the “Terms and Conditions” in the Post Office state that usage is prohibited without permission then permission should be requested.

Marking: Identification of rights (3 × [1]); explanation of rights (2 × [2]) [7]

7

3 There are various financial costs to the Post Office of going “online”. Identify and explain **four** of these costs.

- Web Designer – someone with expertise on web packages to create the Post Office site.
- Connection to the Internet – register for a www address and web space.
- Hardware (only accept one) – computer, modem, memory/server, printer, web camera, speaker, cable, telephone line.
- Software (only accept one) – ISP, Internet Explorer/alternative browser, web design package, database, Paypal, virus protection, order processing, customer registration, visitor tracking.
- Other costs – line rental, broadband, ISDN.

Level 1 ([1]–[3])

Some knowledge and understanding of the costs that the Post Office incurs are demonstrated and there is some application in the context of the business. One cost is properly explained. Quality of written communication is limited.

Level 2 ([4]–[9])

Adequate knowledge and understanding of the costs that the Post Office incur are demonstrated and there is a reasonable attempt to apply these to the context of the business. Two or three costs are properly explained. Quality of written communication is satisfactory.

Level 3 ([10]–[12])

Good knowledge and understanding of the costs that the Post Office incur are demonstrated and there is appropriate application in the context of the business. Four costs are properly explained. Quality of written communication is of a high standard.

[12]

12

4 Analyse **five** factors which could contribute to the effectiveness of the Post Office website with reference to **Fig. 1**.

- Help option
 - hyperlinks in boxes to stand out
 - search facility top of page
 - 3 click rule to purchase an item at the Post Office
 - contact us – different departments
 - domain name
 - special offers, e.g. car insurance 1st month free
- The Post Office website advertises their services, e.g. financial services, phone services and gifts, mail and government, travel, lottery.
- Customers can email to receive an electronic version of the newsletter to inform them about the Post Office services.
- Customers can purchase goods and services on the Post Office website, e.g. stamps.
- Customers can register for membership.
- Customers can track and trace mail, e.g. special delivery.
- Customers can find a postcode and an address on the Post Office website.
- The website is in harmony with the Post Office’s image, e.g. colour, images, logo, template, drop down menu etc.

- The Post Office website provides security of transactions when purchasing an item.
- The Post Office website is easy to use and navigate.
- Negative points acceptable.

Level 1 ([1]–[6])

Some knowledge and understanding of the effectiveness of the Post Office website are analysed and there is some application in the context of the business. Up to two points are properly explained. Quality of written communication is limited.

Level 2 ([7]–[12])

Adequate knowledge and understanding of the effectiveness of the Post Office website are analysed and there is a reasonable attempt to apply these to the context of the business. Up to four points are properly explained. Quality of written communication is satisfactory.

Level 3 ([13]–[15])

Good knowledge and understanding of the effectiveness of the Post Office website are demonstrated and there is appropriate application in the context of the business. Five points are properly explained within the context of the business. The points are thoroughly analysed and there is a comprehensive and perceptive evaluation of the effectiveness. Quality of written communication is of a high standard. [15]

15

5 Evaluate five benefits to the Post Office of using e-Commerce.

- Lower transaction costs, e.g. less staff.
- The Post Office will gain increased information about its customers when they register on the website.
- Increase revenue/sales, e.g. customer purchasing stamps, insurance, lottery.
- Travel, e.g. insurance, currency, passports.
- Increased profit for the Post Office.
- The Post Office will have the possibility of trading in a global market with the services that they offer to the general public, facilitating 24/7 trading.
- The Post Office will have the benefit of increased customer interactions with the facilities that they have on offer.
- Newsletter (posted) informing customers of existing and new products/ updated regularly.
- National Lottery, advertising, e.g. travel, credit cards, mobile top-up – increase Post Office profile.
- Customer service – Post Office more efficient.
- Direct payments of benefits/more user-friendly/efficient.

Level 1 ([1]–[8])

Some knowledge and understanding of the benefits to the Post Office using e-Commerce are evaluated and there is some application in the context of the business. Up to two benefits are properly evaluated. There is little attempt to evaluate the benefits. Quality of written communication is limited.

Level 2 ([9]–[16])

Adequate knowledge and understanding of the benefits to the Post Office using e-Commerce are evaluated and there is a reasonable attempt to apply these to the context of the business. Three to four benefits are properly evaluated. Some attempt is made to evaluate the benefits. Quality of written communication is satisfactory.

Level 3 ([17]–[20])

Good knowledge and understanding of the benefits of the Post Office using e-Commerce are evaluated and there is appropriate application in the context of the business. Five benefits are properly evaluated. The benefits are thoroughly analysed and there is a comprehensive and preceptive evaluation of the benefits. A final judgement is made. Quality of written communication is of a high standard. [20]

If no final judgement is made, maximum marks awarded is [18]

20

6 Evaluate the main benefits of e-Commerce for customers of the Post Office.

- The Post Office website offers help and support to their customers via “Help” and “Contact us”
- Wider choice of products available to the customers of the Post Office, e.g. mail services, personal banking, National Lottery, mobile phone E-Top-Up, insurance and foreign currency.
- Worldwide shopping 24/7.
- Shop from anywhere, e.g. home, internet café, work.
- Customers can purchase personalised stamps.
- They can compare prices, e.g. insurance, savings.
- Customers can play the National Lottery online.
- Can view what jobs are available on the website.

Level 1 ([1]–[8])

Some knowledge and understanding of the benefits of e-Commerce for the customers of the Post Office are evaluated and there is some application in the context of the business. Up to two benefits stated. There is little attempt to evaluate the benefits. Quality of written communication is limited.

Level 2 ([9]–[16])

Adequate knowledge and understanding of the benefits of e-Commerce for the customers of the Post office are evaluated and there is a reasonable attempt to apply these to the context of the business. Three to four benefits stated. Some attempt is made to evaluate the benefits. Quality of written communication is satisfactory.

Level 3 ([17]–[20])

Good knowledge and understanding of the benefits of e-Commerce for the customers of the Post Office are evaluated and there is appropriate application in the context of the business. Five benefits are stated. The benefits are thoroughly analysed and there is a comprehensive and perceptive evaluation of the benefits. A final judgement is made consistent with the weight of the arguments stated. Quality of written communication is of a high standard. [20]

If no final judgement is made, maximum marks awarded is [18]

Total

20

80