



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2012

GCE Applied Business

Assessment Unit AS 3

assessing

External Influences on the Business Enterprise

[A3B31]

WEDNESDAY 11 JANUARY, AFTERNOON

MARK SCHEME

1 Identify the market sector that Sperrin Metal Storage Solutions operates in. Explain in detail the importance of that sector to the Northern Ireland economy.

- Sperrin Metals operates in the secondary sector.
- Examples: lockers, shelves, cubicles.
- The secondary sector is important to Northern Ireland because in recent years the manufacturing sector has declined.
- The secondary sector is important in producing final goods for wholesalers and retailers to sell to consumers and other businesses.
- The secondary sector also produces goods to export to other countries, which brings money into the Northern Ireland economy.
- It is also important because of the jobs that it provides and reduces the need of unemployment benefits.

([2] for identification; [2] for application to Northern Ireland)

[4]

4

2 Sperrin Metals trade with customers located in the Middle East and far East. Explain how each of the following trade barriers might affect Sperrin Metal:

- Tariffs
- Quotas
- Exchange Rate Controls

Trade Barriers

- **Tariffs:** These are imposed on goods entering a country and raise the price at which they can be sold. This means that their produces will be more expensive and Sperrin Metals may find itself unable to compete effectively. Less developed countries such as those located in the Middle East/Far East might impose tariffs as a way of protecting their own companies/industries. These may reduce revenues (currently €12 m).
- **Quotas:** This is a limit on quantities of specific goods that may be exported to a country. This means that the products exported by Sperrin Metals may be limited to a specific number of products which are allowed to be sold to customers located in Middle East/Far East. The aim of such restrictions is to restrict an export company's ability to compete effectively. Less developed countries such as those located in the Middle East/Far East might impose quotas as a way of protecting their own companies/industries. These may reduce market share/output (currently 80%).
- **Exchange Rate Controls:** This involves restricting the amount of foreign currency available. Sperrin Metals will most likely want to be paid in sterling, 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 in Middle East/Far East. These may reduce profits/revenues (revenues currently 12m)

Level 3	[7]–[9] Thorough knowledge and understanding of up to three barriers to trade that Sperrin Metals might experience when trading is demonstrated. there is good application of this knowledge to the question context. Quality of written communication is of a high standard.
Level 2	[4]–[6] Adequate knowledge and understanding of up to two barriers to trade that Sperrin Metals might experience when trading is demonstrated. There is some application of this knowledge to the question context. Quality of written communication is satisfactory.
Level 1	[1]–[3] Some knowledge and understanding of one barrier to trade that Sperrin Metals might experience when trading is demonstrated, but this is limited. Application of this knowledge to the question context, if present, is very limited. Quality of written communication is limited.

[9]

9

3 Discuss four conditions that may have led to an increase in demand for Sperrin Metal Storage Solutions' products.

There is a range of factors that may have led to an increase in demand for Sperrin Metal Storage Solutions' products.

- **Change in income** – As standards of living increase and people have more disposable income, then spending is likely to increase, e.g. gym/sports club membership, therefore this could lead to an increase in demand/sales, e.g. shelving.

As businesses' profits increase then they are likely to upgrade their premises, e.g. cubicles, lockers.

- **Change in tastes and fashion** – Customers require shelves, lockers, cubicles, something to store their items. It will depend on what the customer is looking for, e.g. quality of the storage item, colour, and style.
- **Change in price of other products** – Customers will choose to spend as much/little on Sperrin Metals products, e.g. shelving, lockers.
- **Availability of substitutes** – Customers may choose to purchase flat-packed storage equipment from competitors.
- **Legislation** – Sperrin Metals must comply with the health and safety environmental regulations.
- **Change in population**

Level 3	[10]–[12] Thorough knowledge and understanding of the conditions that may have led to the increase in Sperrin Metals' products is demonstrated. There is good application of this knowledge to the question. Four conditions are discussed. Quality of written communication is of a high standard.
Level 2	[4]–[9] Adequate knowledge and understanding of the conditions that may have led to the increase in demand for Sperrin Metals' products is demonstrated. There is some application of this knowledge to the question. Two or three conditions are discussed. Quality of written communication is satisfactory.
Level 1	[1]–[3] Some knowledge and understanding of the conditions that may have led to the increase in demand of Sperrin Metals' products is demonstrated but this is limited. Application of this knowledge to the question is limited. One condition is discussed. Quality of written communication is limited.

[12]

12

4 **Sperrin Metal Storage Solutions takes advantage of market opportunities. Analyse the impact of this on five stakeholder groups.**

- **Employees** – More job opportunities, creating more jobs in the two plants (102 Draperstown and 53 Bury St Edmunds) and the takeover of Helmsman in Suffolk with a workforce of over 100 staff.

Sperrin Metals anticipates an increased growth into the future of their products which will increase their staff.

- **Local community** – It is important that Sperrin Metals liaises with the local community on relevant issues which may affect them. Examples: level of employment, social projects, noise, pollution.

Sperrin Metals places emphasis on the education and training of their employees on environmental issues such as monitoring, reviewing and improving transport and packaging, recycling and efficient use of water and energy.

- **Customers** – Sperrin Metals' products are available to customers by direct sales or through a specially chosen distributor network.

Sperrin Metals' customers will be interested in the price of their products, the range of products, the quality of their product and the standard of service received. Example: Sperrin Metals products comply with British Standards ISO 9001:2008.

- **Shareholders** – Shareholders would be looking for a good return on their money invested.
- **Pressure groups** – Sperrin Metals may impact pressure groups. Example: Greenpeace and Friends of the Earth may monitor the activities of Sperrin Metals so that the company does not pollute the local environment and that they comply with environmental best practice.
- **Suppliers** – Suppliers who supply Sperrin Metals with raw materials will also be interested in its performance. If Sperrin Metals is a success then their suppliers are likely to get more orders as a result.
- **Creditors** – Sperrin Metals' creditors have a stake in the success of the business. Creditors are interested in the financial health of the company in order to ensure they receive payment of the goods supplied.
- **Government** – The government has an interest in the success and profitability of Sperrin Metals since the more profitable the business is the more Sperrin Metals will pay the government in corporation tax. Example: Sperrin Metals anticipates that their growth will continue.

Sperrin Metals also contributes to the public purse through VAT and employers' National Insurance Contributions. Example: 102 employees at Draperstown plant, 53 employees at Bury St Edmunds plant and over 100 employees at Helmsman.

- **Lenders** – Lenders, e.g. bank, financial institutions and Invest NI, are interested in the profitability of the company to ensure repayment of their loans.

Level 3	[13]–[15] Good standard of knowledge and understanding of the way in which Sperrin Metals takes advantage of market opportunities that might affect five stakeholder groups are analysed and there is good application in the context of Sperrin Metals. There is a high standard of analysis. Quality of written communication is of a high standard.
Level 2	[4]–[12] Adequate knowledge and understanding of the way in which Sperrin Metals takes advantage of market opportunities that might affect up to four stakeholder groups are analysed and there is high application in the context of Sperrin Metals. There is some attempt to analyse the various impacts. Quality of written communication is satisfactory.
Level 1	[1]–[3] Some knowledge and understanding of the way in which Sperrin Metals takes advantage of market opportunities that might affect one stakeholder group is analysed and there is some application in the context of Sperrin Metals. There is little attempt to analyse the impact. Quality of written communication is limited.

[15]

15

5 Evaluate four ways in which Sperrin Metal Storage Solutions could seek to improve competitiveness.

- **Pricing strategies** – Sperrin Metal Storage Solutions could seek to improve its competitiveness through its pricing strategies. They could vary strategies such as skimming, penetration, destroyer pricing to suit various products.
- **Improving quality** – Sperrin Metal Storage Solutions can compete on the basis of high quality rather than price, e.g. British Standards ISO 9001:2008, reduce customer lead time.
- **Adding value** – Sperrin Metal Storage Solutions can add value to its products/services then it can sell them at a higher price, e.g. after sales service.
- **Advertising** – Sperrin Metal Storage Solutions could advertise their products/services more in an attempt to raise awareness.
- **Product differentiation** – Sperrin Metal Storage Solutions can design/modify their products/services in an attempt to make it appear different to that of its rivals, e.g. branding (Sperrin Metals - Helmsman), advertising, and packaging.
- **Organic growth** – Sperrin Metal Storage Solutions organically grows naturally through increasing sales and market share, e.g. 80% of their products are exported, annual turnover £12,000,000.
- **Mergers** – Sperrin Metal Storage Solutions could look for opportunities to merge with other businesses.
- **Takeovers/acquisitions** – Sperrin Metal Storage Solutions acquired Helmsman, this was a takeover.
- **Diversification** – Sperrin Metal Storage Solutions could diversify and manufacture other products, e.g. spare parts, accessories.

Level 3	[16]–[20] Thorough knowledge and understanding of how Sperrin Metals seeks to improve competitiveness is demonstrated. Four ways are evaluated. There is good application of this knowledge to the question. Analysis is comprehensive and perceptive. A good attempt is made to evaluate the options. A final judgement is made. Quality of written communication is of a high standard.
Level 2	[6]–[15] Adequate knowledge and understanding of how Sperrin Metals seeks to improve competitiveness is demonstrated. Two to three ways are evaluated. There is application of this knowledge to the question. Analysis is satisfactory. An adequate attempt is made to evaluate the options. Quality of written communication is satisfactory.
Level 1	[1]–[5] Some knowledge and understanding of how Sperrin Metals seeks to improve competitiveness is demonstrated but is limited. One way is evaluated. Application of this knowledge to the question is limited. Analysis is limited. A limited attempt is made to evaluate the options. Quality of written communication is limited.

[20]

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6 Evaluate one way in which each of the following Government Policies may affect Sperrin Metal Storage Solutions.

- **Regional policy** – These policies seek to improve a particular region.
e.g. Invest NI support for Sperrin Metals.
e.g. New Deal provide employment in certain areas.
e.g. EMA students stay at school.
- **Monetary policy** – The government trying to control the money supply in the economy.
e.g. savings and borrowings – if interest rates are high there will be a tendency to save rather than spend money on shelving and racking products, lockers and cubicles.
- **Fiscal policy** – The government’s use of expenditure and/or taxation as a way of controlling unemployment and economic growth.
e.g. if taxes are reduced this will give Sperrin Metals more disposable income. It could also mean individuals could spend more at Sperrin Metals.
e.g. if government expenditure is increased.
e.g. money spent on infrastructure this may encourage new businesses to a region.
e.g. changes in VAT may lead to a reduction in spending.
- **Supply side policies** – These policies seek to encourage the workings of a free market and try to encourage competition.

Full employment will be achieved if the labour market operates freely.

e.g. Invest NI could offer financial assistance to Sperrin Metals.
e.g. Enterprise

Level 3	[16]–[20] Thorough knowledge and understanding of how the use of Government Policy can affect businesses such as Sperrin Metals is demonstrated. Four policies are evaluated. There is good application of this knowledge to the question. Analysis is comprehensive and perceptive. A good attempt is made to evaluate the options. A final judgement is made. Quality of written communication is of a high standard.
Level 2	[6]–[15] Adequate knowledge and understanding of how the use of Government Policy can affect businesses such as Sperrin Metals is demonstrated. Two to three policies are evaluated. There is application of this knowledge to the question. Analysis is satisfactory. An adequate attempt is made to evaluate the options. Quality of written communication is satisfactory.
Level 1	[1]–[5] Some knowledge and understanding of how the use of Government Policy can affect businesses such as Sperrin Metals is demonstrated but is limited. One policy is evaluated. Application of this knowledge to the question is limited. Analysis is limited. A limited attempt is made to evaluate the options. Quality of written communication is limited.

[20]

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Total

80