



Rewarding Learning

ADVANCED
General Certificate of Education
2012

GCE Applied Business

Assessment Unit A2 12

assessing

The Global Market

[A6B61]

THURSDAY 21 JUNE, MORNING

**MARK
SCHEME**

- 1 Explain the term ‘diversification’, and using one example, explain how Belfast Harbour has diversified.
- Diversification: the engagement of a business (Belfast Harbour) in two or more different trading activities aimed at spreading risk across the business portfolio.

Examples:–

- Bulk Cargo Port/facilities;
- Marine Energy Park – offshore wind energy industry facilities;
- Titanic Quarter Development; property developments (Bombardier factory).

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

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- 2 Explain **one** way in which the European Union could influence the growth of global trade through Belfast Harbour.
- Funding – selective regional assistance for business/infrastructure/designated areas/jobs/enterprise grants
 - Barriers to trade – removed thus facilitating easier imports/exports; free movement of labour/capital;
 - Border controls – removed;
 - European Structural Funds - infrastructure/workforce skills;
 - Enterprise Zones - vitalise inner cities/tax incentives/subsidized premises.

	AO1 Knowledge and Understanding	AO2 Application
Level 2	2 marks Candidate demonstrates a satisfactory understanding of the influence of the EU on global trade.	2 marks Candidate applies knowledge satisfactorily in the context of the stimulus material.
Level 1	1 mark Candidate demonstrates a limited understanding of the influence of the EU on global trade.	1 mark Candidate applies limited knowledge in context of stimulus material.
Level 0	0 marks Candidate demonstrates no understanding of the influence of the EU on global trade.	0 marks Candidate does not attempt to apply knowledge to stimulus material.

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3 Discuss the impact of the following barriers to global trade on businesses in Northern Ireland:

- Tariffs:
 - Additional charges imposed on 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 – such businesses may find that they are unable to compete effectively;
 - Foreign countries such as those located outside the EU (e.g. the Far/Middle East/USA) might impose tariffs as a way of protecting their own companies/industries, e.g. petroleum products imported fell by 1%.
- Exchange Controls:
 - 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;
 - Data suggests that 35 000 tourists arrived into NI – some may be faced with restrictions on currency they may have brought on holiday with them, hence the amount of money spent locally;
- Administrative Restrictions:
 - 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;
 - For example data suggests that quantities of petroleum products imported declined by 1% – this might be due to specific grades/types of petrol products i.e. unleaded petrol/diesel.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	4 marks Candidate demonstrates a competent understanding of the various trade barriers impacting businesses.	4 marks Candidate applies knowledge competently in the context of the stimulus material.	4 marks Candidate shows an attempt to competently analyse the various trade barriers impacting NI businesses.
Level 2	3 marks Candidate demonstrates a satisfactory understanding of the various trade barriers impacting businesses.	3 marks Candidate applies a satisfactory level of knowledge in the context of the stimulus material.	3 marks Candidate shows a satisfactory attempt to competently analyse the various trade barriers impacting NI businesses.
Level 1	1–2 marks Candidate demonstrates a limited understanding of the various trade barriers impacting businesses.	1–2 marks Candidate applies limited knowledge in context of stimulus material.	1–2 marks Candidate shows a limited attempt to analyse the various trade barriers impacting NI businesses.
Level 0	0 marks Candidate demonstrates no understanding of the various trade barriers impacting businesses.	0 marks Candidate does not attempt to apply knowledge to stimulus material.	0 marks Candidate does not attempt to analyse the various trade barriers impacting NI businesses.

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4 Prepare a SWOT analysis for Belfast Harbour.

- Strengths:
 - Good reputation – Belfast Harbour has established itself as the leading Bulk cargo port in Ireland;
 - Global product availability – Belfast Harbour facilitates exports of agri-foods and imports of products such as coal (270 000 tonnes), stones (891 000 tonnes), grains/feeds (2 m tonnes) and petroleum products (2.18 m tonnes);
 - Strong financial performance – sales revenues increased 5% on the year (£34.7 m); Profits reported at £17.4 m;
- Weaknesses:
 - Operations limited to sea/road transport facilities;
 - Geographical location – on North-western periphery of Europe;
 - Harbour not as large as other commercial ports in UK.
- Opportunities:
 - Tourism – Belfast Harbour plays an active part in the tourism industry with redevelopment of the Titanic Quarter and Destination Belfast; 35 cruise ships visited the port/56 000 tourists passed through Harbour;
 - Redevelopment – Titanic Quarter redevelopment might prove worthwhile investment;
 - Profile: Belfast Harbour has a market share of the Irish Sea Ro-Ro market;
 - Increased passengers – 1.32 million passengers passed through the harbour facilities during the period;
 - Marine Energy Park – develop hub (£53 m investment) for the offshore wind energy industry;
- Threats:
 - Air transport – highly competitive transport sector with the emergence of cheap/no-frills airline services;
 - Emergence of rival ports – the re-emergence of established ports such as Larne/Warrenpoint/Londonderry/Dublin might lead to significant challenges as they compete within the island port sector;
 - European financial crisis – may impact future trading performance of Belfast Harbour.

Alternative answers accepted (if valid).

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	4 marks Candidate demonstrates a competent understanding of a SWOT analysis in relation to Belfast Harbour. Candidate makes good use of specialist vocabulary when it is appropriate.	4 marks Candidate competently applies knowledge.	4–8 marks Candidate competently analyses the issues related to a SWOT analysis in relation to Belfast Harbour.
Level 2	2–3 marks Candidate demonstrates a satisfactory understanding of a SWOT analysis in relation to Belfast Harbour. Candidate makes adequate use of specialist vocabulary when it is appropriate.	2–3 marks Candidate makes an attempt to satisfactorily apply knowledge.	2–3 marks Candidate shows an attempt to satisfactorily analyse the issues related to a SWOT analysis in relation to Belfast Harbour.
Level 1	1 mark Candidate demonstrates limited understanding of a SWOT analysis in relation to Belfast Harbour. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate attempts to apply limited knowledge.	1 mark Candidate shows little attempt to Candidate shows a limited attempt to analyse the issues related to a SWOT analysis in relation to Belfast Harbour.
Level 0	0 marks Candidate demonstrates no understanding of a SWOT analysis in relation to Belfast Harbour. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate shows no attempt to analyse the issues related to a SWOT analysis in relation to Belfast Harbour.

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5 Discuss **three** reasons for and **two** reasons against globalisation.

Arguments For Globalisation:

- Access to scarce resources – enables NI-based consumers/businesses to acquire scarce resources not accessible in domestic market, e.g. oil/coal; alternatively, it allows NI-based businesses to provide locally sourced resources to foreign based customers;
- Data suggests that imports included: petroleum products (2180 tonnes); grain/feeds (1994 tonnes); coal (270 tonnes); stones (891 tonnes);
- 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 tourists increased – 56 000 visitors arrived in Belfast; number of arrivals (boats) were 5 664 – thus increasing revenues/profits for businesses in domestic market;
- 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 goods exported;
- Data suggests that tourists increased – 56 000 visitors arrived in Belfast; number of arrivals (boats) were 5 664 – thus increasing revenues/profits for businesses in domestic market since greater numbers of customers were present reducing cost per unit;
- 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 goods between member countries of economic unions, e.g. reduced prices/increased quantities of goods available to meet customer demand;
- Data suggests that 35 cruise ships arrived at the Harbour, total of 56 000 visitors entered the country – money spent purchasing goods not subject to tariffs/quotas/restrictions as they are kept within the EU;
- Free Movement of Labour/Capital – globalisation has facilitated the easier movement of labour/capital funding between different states, e.g. the Harbour Estate has seen diversification into financial services, production facilities and other activities as a result of globalisation;
- Data suggests that 35 cruise ships arrived at the Harbour, total of 56 000 visitors entered the country – money spent purchasing goods within the local economy – multiplier effect evident.

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 basis of price or unique selling point;
- Data suggests that quantities of stones imported increased 47%, thus providing evidence of competition within the quarrying industry – local firms unable to meet customer demand;
- 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;
- Data suggests the competitive nature of NI's agri-food sector requires increased quantities of grain/feed to be imported (2 m tonnes), thus costs must be kept to a minimum in order for exports to be made successfully.

Final Judgement: conclude that NI economy has benefited from globalisation.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	4–5 marks Candidate demonstrates a competent understanding of the arguments for/against globalisation. Candidate makes good use of specialist vocabulary when it is appropriate.	4–5 marks Candidate competently applies knowledge.	4–5 marks Candidate competently analyses the arguments for/against globalisation.	4–5 marks Candidate gives a full discussion of the arguments for/against globalisation, in the context of the stimulus material. 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	2–3 marks Candidate demonstrates a satisfactory understanding of the arguments for/against globalisation. Candidate makes adequate use of specialist vocabulary when it is appropriate.	2–3 marks Candidate attempts to apply a satisfactory level of knowledge.	2–3 marks Candidate makes a satisfactory attempt to analyse the arguments for/against globalisation.	2–3 marks Candidate gives a satisfactory discussion of the arguments for/against globalisation, in the context of the stimulus material. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	1 mark Candidate demonstrates a limited understanding of the arguments for/against globalisation. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate attempts to apply limited knowledge.	1 mark Candidate shows a limited attempt to analyse the arguments for/against globalisation.	1 mark Candidate attempts some discussion of the arguments for/against globalisation. Candidate makes limited 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 purpose of the question. The organisation of the answer is limited.
Level 0	0 marks Candidate demonstrates no understanding of the arguments for/against globalisation. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate shows no attempt to analyse the arguments for/against globalisation.	0 marks Candidate makes no attempt to evaluate the arguments for/against globalisation in context of the stimulus material.

- 6 Using the case study information, evaluate the use of sea transport compared to air transport giving consideration to:

Speed:

NI businesses should consider the speed at which the product range must reach the customers within the global markets they are attempting to serve.

- **Air:**
 - Since the product range might be of a perishable nature, speed might be an important factor – hence air transport may be more appropriate – 48 000 tonnes handled at a local airport;
 - 1 hour takes passengers/cargo to London and major commercial European centres;
- **Sea:**
 - Sea transport is slower but might suffice if the product has a longer shelf-life;
 - Examples – agri-foods were exported; imports included stones (891 000 tonnes), grains/feeds (2.0 m tonnes); 313 000 freight vehicles were processed through the Harbour during 2010;
 - 2 hours takes passengers/cargo to nearest GB port;

Reliability:

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

- **Air:**
 - 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;
- **Sea:**
 - Sometimes there may be a choice of ships and ports, but depends on availability, and booking in advance is 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 include petroleum products (imports), agri-foods (exports);

Handling Characteristics:

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

- **Sea:**
 - Suitable if the product range is available in bulk (grains), bags (stones/coal), liquefied format (petrol/oil etc); or loose (stones, building materials etc);
 - To facilitate containerised distribution, each medium in which the product is available has to facilitate containerisation/bulk packaging in order to meet the needs of the consumer and ensure profitability of the company;
 - Road and Ferry: road transport is often used with Roll-On-Roll-Off (RoRo) ferries, which carry complete vehicles or trailers of articulated lorries, thus goods handling is reduced to a minimum and ensuring quick turnaround.
 - Most national ports serving the global market have access to ‘RoRo’ facilities.
- **Air:**
 - 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 (up to 48 000 tonnes);

Final judgement: conclude that sea transport is an effective method of distribution, if used appropriately. Belfast Harbour appears to have benefited from use of sea transport to support global trade activity in N. Ireland.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	5–6 marks Candidate demonstrates a competent understanding of the use of air and sea transport as methods of distributing products to/from NI. Candidate makes good use of specialist vocabulary when it is appropriate.	5–6 marks Candidate applies knowledge competently.	5–6 marks Candidate competently analyses the use of air and sea transport as methods of distributing products to/from NI.	5–6 marks Candidate gives a competent evaluation of the use of air and sea transport as methods of distributing products to/from NI, and comes to a final judgement. 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	3–4 marks Candidate demonstrates a satisfactory understanding of the use of air and sea transport as methods of distributing products to/from NI. Candidate makes adequate use of specialist vocabulary when it is appropriate.	3–4 marks Candidate attempts to apply a satisfactory level of knowledge.	3–4 marks Candidate shows a satisfactory attempt to analyse the use of air and sea transport as methods of distributing products to/from NI.	3–4 marks Candidate gives a satisfactory evaluation of the use of air and sea transport as methods of distributing products to/from NI, and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	1–2 marks Candidate demonstrates a limited understanding of the use of air and sea transport as methods of distributing products to/from NI. Candidate makes some use of specialist vocabulary when it is appropriate.	1–2 marks Candidate attempts to apply limited knowledge.	1–2 marks Candidate shows a limited attempt to analyse the use of air and sea transport as methods of distributing products to/from NI.	1–2 marks Candidate attempts limited evaluation of the use of air and sea transport as methods of distributing products to/from NI. Candidate makes limited 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 purpose of the question. The organisation of the answer is limited.
Level 0	0 marks Candidate demonstrates no understanding of the use of air and sea transport as methods of distributing products to/from NI. Candidate makes no use of specialist vocabulary when it is appropriate.	0 marks Candidate does not attempt to apply knowledge.	0 marks Candidate shows no attempt to analyse the use of air and sea transport as methods of distributing products to/from NI.	0 marks Candidate makes no attempt to evaluate the use of air and sea transport as methods of distributing products to/from NI.

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Total

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