



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2012

GCE Applied Business

Assessment Unit AS 3

assessing

External Influences on
the Business Enterprise

[A3B31]



MONDAY 14 MAY, AFTERNOON

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.

This paper is accompanied by a Case Study. You must **not** use your own annotated copy of this Case Study.

ADVICE TO CANDIDATES

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

BLANK PAGE

Answer **all six** questions.

- 1 Explain the term “Adding Value” and analyse **two** ways in which Irish Salt Mining and Exploration Limited might succeed in “Adding Value” to the product. [6]
- 2 (a) Analyse **two** ways in which UK membership of the European Union might benefit Irish Salt Mining and Exploration Limited. [6]
- (b) Using **three** examples from the case study, analyse ways in which exchange rate fluctuations between sterling (£) and other currencies such as the dollar (US \$) and/or euro (€), could affect the financial position of Irish Salt Mining and Exploration Limited. [9]
- 3 Analyse **four** reasons why UK government intervention might be necessary within the salt mining industry. [12]
- 4 Irish Salt Mining and Exploration Limited has a monopoly over the mining of de-icing salt on the island of Ireland. Analyse **four** implications of this position on Irish Salt Mining and Exploration Limited. [12]
- 5 Evaluate the extent to which **each** of the following conditions of supply is likely to affect the profitability of Irish Salt Mining and Exploration Limited:
(i) change in costs of production
(ii) physical/natural conditions
(iii) technology
(iv) taxation and subsidies [16]
- 6 Evaluate the extent to which the £20m expansion programme undertaken by Irish Salt Mining and Exploration Limited is likely to affect **five** stakeholder groups. [20]

THIS IS THE END OF THE QUESTION PAPER



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2012

GCE Applied Business

Case Study

Assessment Unit AS 3

assessing

External Influences on the Business Enterprise

[A3B31]

MONDAY 14 MAY, AFTERNOON



A3B31CSI

You must use **this** clean copy of the Case Study in the examination and not your own annotated copy.

Irish Salt Mining and Exploration Limited (ISME)

Irish Salt Mining and Exploration Limited (ISME) specialises in the mining and supply of de-icing salt, for use in gritting the road network throughout the UK and Ireland.

The company was established in 1965 as a private limited company (under American ownership) and operates a salt mining business on the outskirts of Carrickfergus, along part of the northern shoreline of Belfast Lough. It is the only salt mine located on the island of Ireland. During 2010, the company announced that it had gained planning permission to expand mining facilities.

Average quantities of salt extracted from the mine are in excess of 400 000 tonnes per year. The management team at ISME had estimated that the current salt reserves within the mine would be exhausted by 2012, and on that basis, applied for planning permission in order to extend the working life of the mine.

The granting of planning permission by the Planning Service (an agency within the Department of the Environment), has secured the future of the mine for a further 30 years, enabling the company to continue salt mining operations in an area of almost 279 hectares (underground) – the equivalent size of over 300 international football pitches.

At the time, the Environment Minister of the Northern Ireland Assembly, said “... with this (planning) approval, we have secured the positions of 54 full-time employees and up to 10 new jobs, together with a large number of companies and people involved in the supply and maintenance of this industry.”

The management team within ISME point out that the expansion of mining operations will cost a minimum of £20m. The investment will be made in updating and maintaining the mine and the equipment used to mine salt (plant and machinery, crushers/screening equipment, trucks and loaders). It is expected that such supplies will be sourced from suppliers located in Northern Ireland and overseas (America), due to the specialised nature of the equipment. The company also stress that the investment will benefit a range of stakeholders.

The nature of the company’s product would imply that the business is dependent upon prevailing weather conditions. The more acute the severity of wintry conditions, the greater the demand for de-icing salt. However, the company has substantial storage facilities located in the mine, which are used to store the salt throughout the year to meet customer requirements on an ongoing basis.

The UK and Ireland represent the key markets for the company. Approximately 15% of salt extracted from the mine is destined for customers located in Northern Ireland, whilst a further 10% is purchased by customers in the Republic of Ireland. The remaining volume of salt extracted from the mine is shipped to UK-based customers.

The company strives to improve competitiveness in two ways:

- use of superior transport facilities enabling it to distribute the product in an efficient and reliable manner to customers (UK, Irish and Northern Ireland markets);
- ownership of a private jetty enabling ships to berth in Belfast Lough, facilitating the loading of salt using a series of conveyor belts straight from the mine itself (UK-based market).

The management team undertakes a range of risk management tasks aimed at operating the mine safely and profitably, which include:

- installation of safety equipment;
- safety training for all employees;
- safety awareness for visitors to the site; and
- compliance with government regulations in relation to The Mines Act, Health and Safety laws, planning regulations and environmental regulations.

It is likely that the expansion of the mine will lead to the payment of increased revenues to the government, in terms of royalties (per tonne of salt mined), national insurance/income taxes (by employees), council rates and corporation tax.

*(i) Adapted from © BBC News at bbc.co.uk/news (ii) © courtesy of the Management Team at Irish Salt Mining and Exploration
(ii) courtesy of the Management Team at Irish Salt Mining and Exploration Limited.*

Permission to reproduce all copyright material has been applied for.
In some cases, efforts to contact copyright holders may have been unsuccessful and CCEA
will be happy to rectify any omissions of acknowledgement in future if notified.