



Rewarding Learning

ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2013

Applied Business

Assessment Unit AS 3

assessing

External Influences on the Business Enterprise

[A3B31]

WEDNESDAY 9 JANUARY, AFTERNOON

MARK SCHEME

1 Identify and explain **two** conditions of supply, and how they might affect the services provided by Allstate Northern Ireland.

Conditions of supply:-

- Changes in costs of production – if Allstate is able to increase labour productivity. Similarly, a reduction in productivity rates, for example if the employees of Allstate have some industrial action this will reduce productivity.
- Physical and natural conditions – the weather may play a very important role in the production/supplies of services from Allstate. For example bad weather conditions could cause poor or no telecommunications links via the Internet.
- Technology – changes in the level of technology will also have an impact on the ability of Allstate supplying its services/goods on the market. Technological advances such as the development of the Internet and ecommerce will reduce the costs of supplying a good.
- Taxation and subsidies – changes in government policy impact upon supply. For example, if the government places an indirect tax like value-added tax (VAT) on a product or service. Currently the VAT rate is 20%, it was 17.5% so this will have an impact on Allstate. A subsidy, on the other hand, will reduce the cost of producing the good.

Marking: [1] for identification; [2] for explanation; [1] application.

(2 × [4])

[8]

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2 Analyse **three** implications of Allstate Northern Ireland’s policy of improving quality as a way of making the business more competitive.

- Allstate products will appeal to the higher end market.
- Allstate’s products and services are delivered on-time.
- Allstate will maintain its position as a market leader.
- Allstate’s concentration on quality rather than price will lead to an improvement in competitiveness and will deliver a high end product to its customers.
- Allstate received a platinum award for excellence in environmental management performance and assurance.
- Allstate’s commitment to software improvement by way of CMMI Level 3 demonstrates a willingness to develop better practices, maintain quality and competitiveness.
- Allstate is conscious of brand loyalty and the need to maintain quality. This commitment to quality allows Allstate to produce high quality products and at the same time remain competitive.
- Allstate will reduce costs by investing in high quality technology in order to beat the competition.
- Other valid/alternative points accepted e.g. negative points (losses).

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	<p>3 marks Candidate demonstrates a good understanding of the implications of Allstate Northern Ireland's policy of improving quality as a way of making the business more competitive. Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>3 marks Candidate applies knowledge effectively.</p>	<p>3 marks Candidate thoroughly analyses the implications of Allstate Northern Ireland's policy of improving quality as a way of making the business more competitive.</p>
Level 2	<p>2 marks Candidate demonstrates adequate understanding of the implications of Allstate Northern Ireland's policy of improving quality as a way of making the business more competitive. Candidate makes adequate use of specialist vocabulary when it is appropriate.</p>	<p>2 marks Candidate attempts to apply reasonable knowledge.</p>	<p>2 marks Candidate shows some attempt to analyse the implications of Allstate Northern Ireland's policy of improving quality as a way of making the business more competitive.</p>
Level 1	<p>1 mark Candidate demonstrates some understanding of the implications of Allstate Northern Ireland's policy of improving quality as a way of making the business more competitive. Candidate makes some use of specialist vocabulary when it is appropriate.</p>	<p>1 mark Candidate attempts to apply some knowledge.</p>	<p>1 mark Candidate shows little attempt to analyse the implications of Allstate Northern Ireland's policy of improving quality as a way of making the business more competitive.</p>

Level 0	0 marks Candidate demonstrates no understanding of the implications of Allstate Northern Ireland's policy of improving quality as a way of making the business more competitive. 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 implications of Allstate Northern Ireland's policy of improving quality as a way of making the business more competitive.
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3 Explain **four** reasons how government intervention affects businesses such as Allstate Northern Ireland.

- To ensure fair trade – the government will ensure fair trade in the market. The case study does not indicate that Allstate has attempted to mislead consumers in an effort to secure higher profits. The number of laws that Government has passed to protect consumers from unscrupulous traders are as follows: Sale of Goods Act, Minimum Wage, Trade Description Act and the Weights and Measures Act. Examples: employees at Allstate receive a good salary, their software programs are fit for purpose.
- To control competition – the level of competition must be controlled by the EU and Government to ensure that individual businesses such as Allstate do not gain too much market power. A number of laws aimed at encouraging greater competition have been passed by the government which are as follows: the Fair Trading Act, the Competition Act, the Restrictive Trade Practices Act and the Enterprise Act. These laws are intended to make the local economy more competitive by preventing large firms from abusing their market power.
- To protect stakeholders – Government, employees, suppliers, customers, management, lenders, environmental groups etc.
- To protect support for government economic objectives – the government should create a stable, competitive economy by the following: low levels of inflation, low levels of unemployment, high but sustainable levels of economic growth, an acceptable balance of payments. Examples: Allstate creating jobs and bringing more money into the local economy.
- To protect the environment – government must protect the environment from pollution caused through either the production or the consumption of goods and services. Various pieces of legislation were introduced by the government to protect the environment, for example the Clean Air Act and the Environmental Protection Act. The government introduced a number of environmental taxes in an attempt to reduce pollution, including the Climate Change Levy and the excise duty in fuel. Examples: taxes on car fuel, Allstate could use recycling products, i.e. stationery. In 2010 Allstate received a platinum award for excellence in environmental management, performance and assurance.
- Social and ethical issues – the government must protect the social and ethical issues within the local economy. Examples: Welfare and clarity of the employees of Allstate, addictive substances, suicide, parenthood, animal rights, safety standards, environmentalism, governmental corruption, smoker's rights and privacy rights.
- Other valid points accepted.

	AO1 Knowledge and Understanding	AO2 Application
Level 3	8–9 marks Candidate demonstrates a competent understanding of the reasons how government intervention affects businesses such as Allstate Northern Ireland.	3 marks Candidate applies competent level of knowledge in context of stimulus material.
Level 2	3–7 marks Candidate demonstrates a satisfactory understanding of the reasons how government intervention affects businesses such as Allstate Northern Ireland.	2 marks Candidate applies satisfactory level of knowledge in context of stimulus material.
Level 1	1–2 marks Candidate demonstrates a limited understanding of the reasons how government intervention affects businesses such as Allstate Northern Ireland.	1 mark Candidate applies limited knowledge in context of stimulus material.
Level 0	0 marks Candidate demonstrates no understanding of the reasons how government intervention affects businesses such as Allstate Northern Ireland.	0 marks Candidate does not attempt to apply knowledge to stimulus material.

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4 Analyse how the growth of Allstate Northern Ireland affects **five** stakeholder groups

- Employees – they will benefit from any expansion that Allstate do in the future leading to enhanced job prospects and promotions. The case study states: The expansion created much needed employment in Strabane.
- Suppliers – those who supply Allstate with raw materials or essential services will also have benefited from its growth. They are likely to get more orders from Allstate as a result.
- Customers – they will benefit from a greater choice of products/services provided by Allstate. The case study states: Some of their products such as infrastructure services range from database administration to analysis and intrusion detection.
- Shareholders – owners of Allstate will benefit from the likely increased profits.
- Creditors/Lenders – Allstate’s creditors can also be considered to have a stake in the success of the business. Allstate’s success means it is more likely to be able to pay its creditors in full and on time.
- Local community – could benefit from increased employment. As a result of more jobs at Allstate new employees will contribute to the local economy, which in turn will mean that other local businesses in the area such as shops, cafes will also benefit. House prices could increase in the local area.
- Pressure groups – they can take the form of trade unions, professional bodies and environmental groups such as Greenpeace and Friends of the Earth. For example, disputes of pay rises.
- The government – they will benefit from increased tax revenue from Allstate. In addition to the expansion in Strabane unemployment will be reduced removing the necessity to provide unemployment benefit.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	5 marks Candidate demonstrates a competent understanding of how the growth of Allstate Northern Ireland affects its stakeholder groups.	5 marks Candidate applies a competent level of knowledge in the context of the stimulus material.	5 marks Candidate shows a competent attempt to analyse how the growth of Allstate Northern Ireland affects its stakeholder groups.
Level 2	3–4 marks Candidate demonstrates a satisfactory understanding of how the growth of Allstate Northern Ireland affects its stakeholder groups.	3–4 marks Candidate applies a satisfactory level of knowledge in the context of the stimulus material.	3–4 marks Candidate shows a satisfactory attempt to analyse how the growth of Allstate Northern Ireland affects its stakeholder groups. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time.

Level 1	1–2 marks Candidate demonstrates a limited understanding of how the growth of Allstate Northern Ireland affects its stakeholder groups.	1–2 marks Candidate applies limited knowledge in context of stimulus material.	1–2 marks Candidate shows little attempt to analyse how the growth of Allstate Northern Ireland affects its stakeholder groups. Candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear.
Level 0	0 marks Candidate demonstrates no understanding of how the growth of Allstate Northern Ireland affects its stakeholder groups.	0 marks Candidate does not attempt to apply knowledge to stimulus material.	0 marks Candidate does not attempt to analyse how the growth of Allstate Northern Ireland affects its stakeholder groups.

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5 Allstate Northern Ireland’s call centre located in Strabane operates in a competitive market.

Discuss **four** aspects of a competitive market.

- In a competitive market there are a relatively large number of buyers and sellers. For example: shops, hotels, clubs, estate agents, local builders. The effect of global competition is now that many UK based businesses have their call centres in the Far East, e.g. India and Malaysia where labour is cheaper. Allstate may believe that the quality of the local workforce in Strabane and native English speaking will help as a selling point for their service. The case study states: The effort to persuade people to join a company is made difficult when it is a newcomer with unknown credentials as an employer, competing for skills with more established local rivals.
- Businesses in a competitive market sell differentiated products – the goods are not perfect substitutes for each other and they are differentiated through branding. The more similar the products, the more elastic the demand curve. The case study states: “For Northbrook to visibly move forward under the Allstate brand is a major endorsement of the skills and talents of our people. As Allstate Northern Ireland, we will remain focused on developing the most advanced, market leading software and technical support services, positioning ourselves to fully exploit the opportunities presented by growth in the international financial services market.”
- In competitive markets there is freedom of entry and exit into and out of the market. There are no barriers to entry. The case study states: For strategic reasons, including a large labour pool and growing demand for services, Allstate NI opened a second facility in Derry/Londonderry in August 2001. The decision to locate Allstate’s call centre in Strabane is now enhanced by the introduction of project Kelvin (submarine broadband connection between

North America and Northern Ireland) which will bring newer and faster broadband speeds to Northern Ireland with more reliability than existing links.

- The buyers and sellers have imperfect knowledge of the market. For example, the case study states: it is a measured success of the work of Invest NI, the Department of Employment and Learning and the Strabane District Council in persuading the management of Northbrook Technology, and their US parent Allstate, that Strabane had the best people to do the job, the best incentives, and the best training available.” Suitably qualified workforce with high education standards available in Northern Ireland.
- Allstate in a competitive market produce products/services which are slightly different from those of their competitors. They will have a certain amount of market power and will have some influence over the price at which they sell their products/services. The case study states: Allstate NI plays a strategic role in developing, transforming and maintaining the various technology platforms used within Allstate, to support it in its day to day business, looking after the different systems that you might expect one of the world’s largest insurance giants to run. Government policies such as fiscal policy in relation to attracting large businesses to Northern Ireland may have influenced Allstate to locate their call centre in Strabane.
- Allstate will not be price-takers, since they have some market power. However, because there are a large number of firms producing similar but differentiated products, this market power will be small.
- Other valid alternatives in relation to the location of call centres and competitive markets.
- Difficult to make abnormal profits in long term.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	<p>4 marks Candidate demonstrates a competent understanding of how Allstate Northern Ireland's call centre located in Strabane operates in a competitive market. Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>4 marks Candidate competently applies knowledge.</p>	<p>4 marks Candidate competently analyses how Allstate Northern Ireland's call centre located in Strabane operates in a competitive market.</p>	<p>4 marks Candidate gives a competent evaluation of how Allstate Northern Ireland's call centre located in Strabane operates in a competitive market, 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.</p>

<p>Level 2</p>	<p>2–3 marks Candidate demonstrates a satisfactory understanding of how Allstate Northern Ireland’s call centre located in Strabane operates in a competitive market. Candidate makes adequate use of specialist vocabulary when it is appropriate.</p>	<p>2–3 marks Candidate makes a satisfactory attempt to apply knowledge.</p>	<p>2–3 marks Candidate makes a satisfactory attempt to analyse how Allstate Northern Ireland’s call centre located in Strabane operates in a competitive market.</p>	<p>2–3 marks Candidate gives a satisfactory evaluation of how Allstate Northern Ireland’s call centre located in Strabane operates in a competitive market, 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.</p>
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<p>Level 1</p>	<p>1 mark Candidate demonstrates a limited understanding of how Allstate Northern Ireland's call centre located in Strabane operates in a competitive market. Candidate makes some use of specialist vocabulary when it is appropriate.</p>	<p>1 mark Candidate makes a limited attempt to apply knowledge.</p>	<p>1 mark Candidate makes a limited attempt to analyse how Allstate Northern Ireland's call centre located in Strabane operates in a competitive market.</p>	<p>1 mark Candidate attempts limited evaluation of how Allstate Northern Ireland's call centre located in Strabane operates in a competitive market. 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. Organisation of the answer is limited.</p>
<p>Level 0</p>	<p>0 marks Candidate demonstrates no understanding of how Allstate Northern Ireland's call centre located in Strabane operates in a competitive market. Candidate makes no use of specialist vocabulary when it is appropriate.</p>	<p>0 marks Candidate does not attempt to apply knowledge.</p>	<p>0 marks Candidate shows no attempt to analyse how Allstate Northern Ireland's call centre located in Strabane operates in a competitive market.</p>	<p>0 marks Candidate makes no attempt to evaluate how Allstate Northern Ireland's call centre located in Strabane operates in a competitive market.</p>

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6 Evaluate **five** ways in which international trade is important to businesses such as Allstate Northern Ireland.

- To gain access to larger markets – it allows Allstate to increase the size of their potential market.
- To gain economies of scale – if Allstate produce on a larger scale in order to meet the demands of the increased market, they should be able to avail of economies of scale.
- Diversification – Allstate could diversify and therefore reduce the risk of sudden changes in demand. If Allstate operates only in its domestic market then its performance will be closely linked to the performance of that economy – if the economy experiences a recession then Allstate’s sales will fall as a result. However, if Allstate operates in a number of markets then it will be able to rely on its sales to other countries if it finds that sales to one country are falling.
- Saturated home market – Allstate may expand overseas because their home market has become saturated. Example: competing for skills with more established local rivals.
- Increased profit levels.
- Increased growth through comparative advantage – countries could increase their output and GDP through specialising in the production of those goods/ services where they had a comparative advantage, and trading freely with others who have also specialised according to their comparative advantage. Example: Allstate NI plays a strategic role in developing, transforming and maintaining the various technology platforms used within Allstate, to support it in its day to day business, looking after the different systems that you might expect one of the world’s largest insurance giants to run.
- Increased competition – this increase in competition from foreign producers will lead to a reduction in monopoly power and will therefore lead to lower prices, higher quality goods and services and increased efficiency.
- Import of new ideas and technology – International trade can lead to the sharing of ideas and technology between firms which will have a positive impact on all firms, e.g. Allstate. Example: in the UK many manufacturing firms have benefitted from adopting the lean production ideas of the Japanese. Allstate will remain focused on developing the most advanced, market leading software and technical support services, positioning themselves to fully exploit the opportunities presented by growth in the international financial services market.
- Increased employment – an increase in the economic growth will in turn also lead to an increase in employment, since aggregate demand in the economy will be higher.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	<p>4–5 marks Candidate demonstrates a competent understanding of how international trade is important to businesses such as Allstate Northern Ireland. Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>4–5 marks Candidate competently applies knowledge.</p>	<p>4–5 marks Candidate competently analyses how international trade is important to businesses such as Allstate Northern Ireland.</p>	<p>4–5 marks Candidate gives a competent evaluation of how international trade is important to businesses such as Allstate Northern Ireland, 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.</p>

<p>Level 2</p>	<p>2–3 marks Candidate demonstrates a satisfactory understanding of how international trade is important to businesses such as Allstate Northern Ireland. Candidate makes adequate use of specialist vocabulary when it is appropriate.</p>	<p>2–3 marks Candidate makes a satisfactory attempt to apply knowledge.</p>	<p>2–3 marks Candidate makes a satisfactory attempt to analyse how international trade is important to businesses such as Allstate Northern Ireland.</p>	<p>2–3 marks Candidate gives a satisfactory evaluation of how international trade is important to businesses such as Allstate Northern Ireland, 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.</p>
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Level 1	<p>1 mark Candidate demonstrates a limited understanding of how international trade is important to businesses such as Allstate Northern Ireland. Candidate makes some use of specialist vocabulary when it is appropriate.</p>	<p>1 mark Candidate makes a limited attempt to apply knowledge.</p>	<p>1 mark Candidate makes a limited attempt to analyse how international trade is important to businesses such as Allstate Northern Ireland.</p>	<p>1 mark Candidate attempts limited evaluation of how international trade is important to businesses such as Allstate Northern Ireland. 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. Organisation of the answer is limited.</p>
Level 0	<p>0 marks Candidate demonstrates no understanding of how international trade is important to businesses such as Allstate Northern Ireland. Candidate makes no use of specialist vocabulary when it is appropriate.</p>	<p>0 marks Candidate does not attempt to apply knowledge.</p>	<p>0 marks Candidate shows no attempt to analyse how international trade is important to businesses such as Allstate Northern Ireland.</p>	<p>0 marks Candidate makes no attempt to evaluate how international trade is important to businesses such as Allstate Northern Ireland.</p>

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Total

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