



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2016**

GCE Applied Business

Assessment Unit AS 3

assessing

External Influences on the Business Enterprise

[A3B31]

THURSDAY 19 MAY, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

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 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 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.

1 Identify the market sector that Maydown Precision Engineering operates in. Explain **one** characteristic of this market sector using an example from the case study.

- MPE operates in the secondary sector.
- The secondary sector involves taking the raw materials produced by the primary sector and converting them into finished or semi-finished goods to be sold to the final consumer.
- MPE manufactures and supplies parts to major aircraft manufacturers such as Bombardier, Airbus and Boeing.

Marking:

[2] for knowledge and understanding (AO1)

[2] for application (AO2)

Total [4]

AVAILABLE
MARKS

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2 Explain the term ‘international trade’ and explain **two** ways in which it might affect Maydown Precision Engineering.

- International trade is trade which takes place between a minimum of two parties, located in two different countries.
- To gain access to larger markets – it allows Maydown Precision Engineering to increase the size of its potential market. For example, allows the business to grow using Schivo Ltd’s networks in the industry.
- To gain economies of scale – if Maydown Precision Engineering produces on a larger scale to meet the demands of the increased market they should be able to avail of economies of scale which have emerged due to the takeover. If Maydown Precision Engineering can gain these economies of scale it will become more competitive and, as a result, more profitable.
- Diversification – 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 – Maydown Precision Engineering may expand overseas because their home market has become saturated, as a result of the takeover.
- Pressure from shareholders/investors – Maydown Precision Engineering are very keen to trade globally because they may be under pressure from their shareholders to increase dividends.
- Access to scarce resources and/or innovations.
- Greater levels of competition.
- Greater risk (financial: volatile exchange rates; changes in profits) to financial position.

	AO1 Knowledge and Understanding	AO2 Application
Level 2	4–6 marks Candidate demonstrates a satisfactory understanding of international trade and how international trade might affect Maydown Precision Engineering.	2 marks Candidate applies a satisfactory level of knowledge in context of case study.
Level 1	3 marks Candidate demonstrates a limited understanding of international trade and how international trade might affect Maydown Precision Engineering.	1 mark Candidate applies a limited knowledge in context of case study.
Level 0	0 marks Candidate demonstrates no understanding of international trade and how international trade might affect Maydown Precision Engineering.	0 marks Candidate does not attempt to apply knowledge to case study.

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3 Analyse **one** way in which Maydown Precision Engineering might use each of the following methods to improve its competitiveness:

- **Competitive pricing**
MPE could match/improve on competitors' prices for similar products in order to increase revenues and improve competitiveness. The precision engineering industry is very competitive;
- **Product differentiation**
Maydown Precision Engineering supply bespoke aircraft parts (e.g. nacelles, flight control systems) to leading aircraft manufacturers (e.g. Airbus, Boeing); these require excellent standards of production/engineering and are unique to each manufacturer. MPE can utilise this differentiation to increase competitiveness; adaptations to products to meet customer needs;
- **Diversification**
Although it is primarily engaged in aircraft engineering, Maydown Precision Engineering may be able to diversify and use its knowledge/skills base and facilities to engineer component parts (e.g. pistons, valves) for use in other industries such as oil/gas, aerospace and medical technologies since they are now part of the larger Schivo Limited group of companies. This would increase competitiveness.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis
Level 3	3 marks Candidate demonstrates a competent understanding of ways in which Maydown Precision Engineering could use different methods to improve its competitiveness.	3 marks Candidate competently applies knowledge effectively in the context of the case study.	5–6 marks Candidate competently attempts to analyse the ways in which Maydown Precision Engineering could use different methods to improve its competitiveness.
Level 2	2 marks Candidate demonstrates a satisfactory understanding of ways in which Maydown Precision Engineering could use different methods to improve its competitiveness.	2 marks Candidate applies a satisfactory level of knowledge effectively in the context of the case study.	3–4 marks Candidate shows a satisfactory attempt to analyse the ways in which Maydown Precision Engineering could use different methods to improve its competitiveness.
Level 1	1 mark Candidate demonstrates a limited understanding of the ways in which Maydown Precision Engineering could use different methods to improve its competitiveness.	1 mark Candidate applies limited knowledge in the context of the case study.	1–2 marks Candidate shows a limited attempt to analyse the ways in which Maydown Precision Engineering could use different methods to improve its competitiveness.
Level 0	0 marks Candidate demonstrates no understanding of the ways in which Maydown Precision Engineering could use different methods to improve its competitiveness.	0 marks Candidate does not attempt to apply knowledge to the case study.	0 marks Candidate does not attempt to analyse the ways in which Maydown Precision Engineering could use different methods to improve its competitiveness.

AVAILABLE MARKS

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4 Discuss **four** conditions of demand, showing how each could affect the demand for Maydown Precision Engineering products.

- Change in population – as the population increases the demand for most goods and services will increase. E.g. people wanting to visit other countries.
- Change in income – as standards of living increase and people have more disposable income, then spending is likely to increase, e.g. booking flights to visit other countries; therefore this could lead to an increase in demand/sales for aircraft and parts.
- Change in tastes and fashion – changes in tastes and fashions will have a huge impact on the demand for certain goods and services. Customers will be required to use an aircraft to travel from one country to another and it will depend on their needs which airline to use.
- Change in price of other products – customers will choose to spend as much or little on Maydown Precision Engineering products, e.g. aircraft parts.
- Availability of substitutes – the level of demand for a good or service is the price of other closely related goods and services. Customers will look at the offers available from other aircraft manufacturers and which company is giving them the best deal for their products.
- Legislation – Maydown Precision Engineering must comply with the health and safety environmental regulations. If Maydown Precision Engineering breaks any laws or is sued by customers, the demand for their products may fall.
- Advertising.

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	4 marks Candidate demonstrates a competent understanding of the conditions of demand that could affect the demand for Maydown Precision Engineering products.	4 marks Candidate demonstrates a competent application of knowledge in the context of the case study.	4 marks Candidate demonstrates a competent analysis of the conditions of demand that could affect the demand for Maydown Precision Engineering products.	4 marks Candidate demonstrates a competent evaluation of the conditions of demand that could affect the demand for Maydown Precision Engineering products. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate 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 marks Candidate demonstrates a satisfactory understanding of the conditions of demand that could affect the demand for Maydown Precision Engineering products.	3 marks Candidate demonstrates a satisfactory level of application in the context of the case study.	3 marks Candidate demonstrates a satisfactory analysis of the conditions of demand that could affect the demand for Maydown Precision Engineering products.	3 marks Candidate demonstrates a satisfactory evaluation of the conditions of demand that could affect the demand for Maydown Precision Engineering products. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate has demonstrated 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 conditions of demand that could affect the demand for Maydown Precision Engineering products.	1–2 marks Candidate demonstrates limited application in the context of the case study.	1–2 marks Candidate demonstrates limited analysis of the conditions of demand that could affect the demand for Maydown Precision Engineering products.	1–2 marks Candidate demonstrates a limited evaluation of the conditions of demand that could cause Maydown Precision Engineering products/ services to change.
Level 0	0 marks Candidate demonstrates no understanding of the conditions of demand that could affect the demand for Maydown Precision Engineering products.	0 marks Candidate demonstrates no application of knowledge to the case study.	0 marks Candidate demonstrates no analysis of the conditions of demand that could affect the demand for Maydown Precision Engineering products.	0 marks Candidate demonstrates no evaluation of the conditions of demand that could cause Maydown Precision Engineering products/ services to change.

AVAILABLE MARKS

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5 Evaluate how the acquisition of Maydown Precision Engineering by the Schivo Group might affect each of the following stakeholders:

- Employees – 133 employees are currently employed by MPE (or 360 in Schivo). The takeover secures the future of the business as per Sean Phelans’s statement. The Schivo Group has indicated that the existing jobs will stay in Derry/Londonderry to fulfil contracts. This takeover is of benefit for the employees of MPE as it provides job security;
- Customers – Maydown Precision Engineering products are available to customers by direct sales. Maydown Precision Engineering customers will be interested in the price of their products, the range of aircraft products, the quality of their products and the standard of service received. Among the achievements of Maydown Precision Engineering is that it has met customer needs for over 30 years. The takeover will benefit customers by ensuring security of supply;
- Shareholders – the takeover of MPE by Schivo Group will possibly lead to enhanced levels of profitability and dividends. This can be achieved by securing increased sales revenues, reducing costs and entry into new markets served by MPE, which Schivo Group did not previously have. This will be of benefit to the shareholders;
- Local community – it is important that Maydown Precision Engineering liaises with the local community on relevant issues which may affect them. E.g. level of employment, social projects, pollution, noise, work experience and job security as the potential multiplier effect will continue to affect shops/businesses in the local community. The takeover should benefit the local community;
- Government – the government has an interest in the success and profitability of Maydown Precision Engineering as increased profitability leads to increased government revenues (e.g. rates, corporation tax, VAT). Maydown Precision Engineering also contributes to the government through employers’ National Insurance contributions. E.g. 133 staff are currently employed in Derry. This will also benefit government as it will reduce potential unemployment benefit claimants (and money).

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	<p>4–5 marks Candidate demonstrates a competent understanding of how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders. 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 the acquisition of Maydown Precision Engineering is likely to affect its stakeholders.</p>	<p>4–5 marks Candidate demonstrates a competent evaluation of how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders. The 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>
Level 2	<p>2–3 marks Candidate demonstrates a satisfactory understanding of how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders. Candidate makes adequate use of specialist vocabulary when it is appropriate.</p>	<p>2–3 marks Candidate demonstrates a satisfactory attempt to apply knowledge.</p>	<p>2–3 marks Candidate demonstrates a satisfactory attempt to analyse how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders.</p>	<p>2–3 marks Candidate demonstrates a satisfactory evaluation of how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders. The candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate has demonstrated a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.</p>

Level 1	<p>1 mark Candidate demonstrates a limited understanding of how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders. Candidate makes some use of specialist vocabulary when it is appropriate.</p>	<p>1 mark Candidate demonstrates a limited attempt to apply knowledge.</p>	<p>1 mark Candidate demonstrates a limited attempt to analyse how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders.</p>	<p>1 mark Candidate demonstrates a limited evaluation of how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders. 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 the acquisition of Maydown Precision Engineering is likely to affect its stakeholders. Candidate makes no use of specialist vocabulary when it is appropriate.</p>	<p>0 marks Candidate demonstrates no attempt to apply knowledge.</p>	<p>0 marks Candidate demonstrates no attempt to analyse how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders.</p>	<p>0 marks Candidate demonstrates no attempt to evaluate how the acquisition of Maydown Precision Engineering is likely to affect its stakeholders.</p>

[20]

AVAILABLE MARKS
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6 Evaluate **one** way in which each of the following Government Policies may affect businesses such as Maydown Precision Engineering:

- Monetary Policy
 - Monetary policy is concerned with controlling the supply of money in the economy and controlling the cost and availability of credit, e.g. money being spent and saved at Maydown Precision Engineering.
 - If interest rates are high there will be a tendency to save rather than spend money on aircraft products;
- Fiscal Policy
 - Fiscal policy is the use of government spending, taxation and borrowing to influence the level of aggregate demand in the economy. The government can try to influence this level through directly altering tax rates and the amount it spends on services, e.g. government policy benefits;
 - Government use of expenditure/taxation as a way of, for example, controlling unemployment/economic growth. Maydown Precision Engineering has secured the jobs of 133 staff through the takeover by Schivo Group;
 - If taxes are reduced or businesses expenditure increased this will lead to an increase in disposable income, therefore increasing customer numbers, e.g. major aircraft manufacturers using Maydown Precision Engineering.;
 - Increasing government expenditure may also help business – if funds are spent on transport infrastructure, this may encourage new firms to a region;
- Regional Policy
 - Regional policy is to distribute funds from the high performance parts of the UK to the poorly-performing regions. Regional policy is administrated through regional agencies such as Invest Northern Ireland, and generally entails the provision of investment grants for firms in Assisted Areas;
 - New Deal provides employment in certain areas;
 - Trade mission fairs, etc.;
 - Marketing and export support;
- Supply-side policies
 - Supply-side policy is to shift the aggregate supply curve to the right, allowing the economy to enjoy higher levels of employment and economic growth without any increase in the inflation rate, e.g. loss of jobs;
 - Invest NI could offer financial assistance to Maydown Precision Engineering;
 - Income tax cuts – cutting tax rates for lower paid workers would help to reduce the extent of the unemployment trap. This is where people calculate that they may be better off from working than if they stay outside the labour force;
 - Education and training reforms – the government is constantly adapting the education and training system in an attempt to improve the quality of human capital. It secures the jobs of 133 staff in Derry;
 - Support to businesses like Maydown Precision Engineering – certain areas are given grants and assistance to help develop and grow. Maydown Precision Engineering could also receive tax relief on research and development and reductions in the rate of corporation tax;

- Labour market policies – the introduction of the Welfare to Work programmes such as the New Deal and the Working families Tax Credits aims to encourage the unemployed for example at Maydown Precision Engineering. [20]

	AO1 Knowledge and Understanding	AO2 Application	AO3 Analysis	AO4 Evaluation
Level 3	4 marks Candidate demonstrates a competent understanding of how the government policies may affect Maydown Precision Engineering. Candidate makes good use of specialist vocabulary when it is appropriate.	4 marks Candidate competently applies knowledge.	4 marks Candidate competently analyses how the government policies may affect Maydown Precision Engineering.	7–8 marks Candidate gives a competent evaluation of how the government policies may affect Maydown Precision Engineering. 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 how the government policies may affect Maydown Precision Engineering. Candidate makes adequate use of specialist vocabulary when it is appropriate.	2–3 marks Candidate makes a satisfactory attempt to apply knowledge.	2–3 marks Candidate makes a satisfactory attempt to analyse how the government policies may affect Maydown Precision Engineering.	3–6 marks Candidate gives a satisfactory evaluation of how the government policies may affect Maydown Precision Engineering. 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 how the government policies may affect Maydown Precision Engineering. Candidate makes some use of specialist vocabulary when it is appropriate.	1 mark Candidate makes a limited attempt to apply knowledge.	1 mark Candidate makes a limited attempt to analyse how the government policies may affect Maydown Precision Engineering.	1–2 marks Candidate attempts limited evaluation of how the government policies may affect Maydown Precision Engineering. 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.
Level 0	0 marks Candidate demonstrates no understanding of how the government policies may affect Maydown Precision Engineering. 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 how the government policies may affect Maydown Precision Engineering.	0 marks Candidate makes no attempt to evaluate how the government policies may affect Maydown Precision Engineering.

[20]

Total

**AVAILABLE
MARKS**

20

80