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Pre-Leaving Certificate Examination, 2019

Business

Marking Scheme

Ordinary Pg. 4

Higher Pg. 36

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Business

Ordinary and Higher Level

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Pre-Leaving Certificate Examination, 2019

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Ordinary and Higher Level

Explanation

Conventions Used

1. A **dash** – before an answer indicates that the answer is a separate answer, which may be considered as independent of any other suggested answers to the question.
2. A **single forward slash** / before an answer indicates that the answer is synonymous with that which preceded it. Answers separated by a forward slash cannot therefore be taken as different answers.
3. A **double forward slash** // is used to indicate where multiple answers are given but not all are required.
4. **Round brackets** () indicate material which is not considered to be essential in order to gain full marks.
5. ‘*etc.*’ is used in this marking scheme to indicate that other answers may be acceptable. In all other cases, only the answer given or ‘words to that effect’ may be awarded marks.
6. Answers which are given in this marking scheme should not be considered as the only possible answers that may be accepted. Answers which are synonymous with or equivalent to those in this marking scheme are also acceptable.

Current Marking Scheme

Assumptions about these marking schemes on the basis of past SEC marking schemes should be avoided. While the underlying assessment principles remain the same, the exact details of the marking of a particular type of question may vary from a similar question asked by the SEC in previous years in accordance with the contribution of that question to the overall examination in the current year. In setting these marking schemes, we have strived to determine how best to ensure the fair and accurate assessment of students’ work and to ensure consistency in the standard of assessment from year to year. Therefore, aspects of the structure, detail and application of the marking schemes for these examinations are subject to change from past SEC marking schemes and from one year to the next without notice.

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Business

**Ordinary Level
Marking Scheme (400 marks)**

Section 1 Short Questions

100 marks

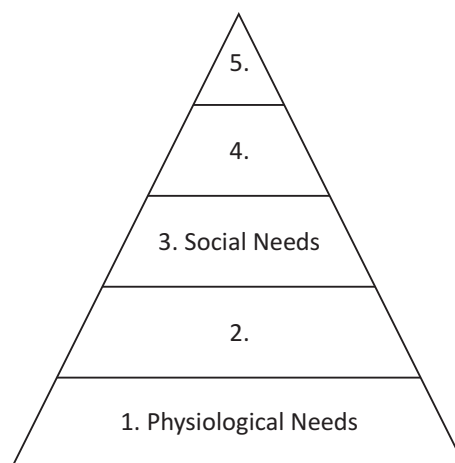
Answer 10 questions. Each question carries 10 marks.

1. What do the following letters stand for? Write each answer in the space provided. (10)

ATM	– automated teller machine (3 × 1m)
SWOT	– strengths, weaknesses, opportunities, threats (4 × 1m)
HRM	– Human Resource Management (3 × 1m)

2. Name levels 2, 4 and 5 in Maslow’s Hierarchy of Needs. (4m + 3m + 3m) (10)

- ❶ Level 2:
– Safety / Security (Needs)
- ❷ Level 4:
– Esteem (Needs)
- ❸ Level 5:
– Self-Actualisation (Needs)

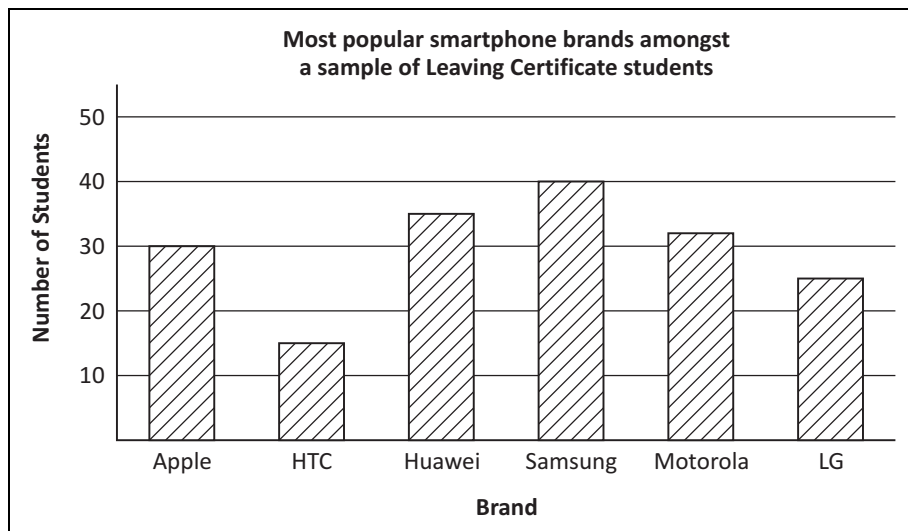


Section 1 (cont'd.)

3. Write **TRUE** or **FALSE** after each of the following statements. (3m + 3m + 2m + 2m) (10)

Trade credit is an example of medium term finance.	<u>False</u>
With hire purchase, you do not own the good until the last payment is made.	<u>True</u>
Availing of a bank overdraft facility incurs an interest charge.	<u>True</u>
Leasing is an example of short term finance.	<u>False</u>

4. The chart below illustrates the most popular smartphone brands amongst a sample of Leaving Certificate students. (10)



- (i) Name the method of **visual communication** presented above. (3m)
– bar chart
- (ii) Identify the most popular smartphone brand. (2m)
– Samsung
- (iii) Identify the number of students who chose the most popular smartphone brand. (2m)
– 40
- (iv) Name **one** other method of visual communication.
Any 1: (3m)
– pie chart //
– pictogram //
– line graph //
– breakeven chart //
– map // *etc.*
** Accept other appropriate answers.

Section 1 (cont'd.)

5. Outline **two** ways in which economic growth can affect business. (10)

Any 2: (2 × 5m)

** Stated (3m), Expanded (2m).

- increase in production and sales //
- profits increase as sales increase //
- might lead to expansion of the business //
- might trigger a rise in inflation, which could increase costs and decrease sales //
- might lead to demands for higher wages from employees / trade unions //
- possibility of tax cuts due to increased government revenue / reduced social welfare spending // *etc.*

** Accept other appropriate answers.

6. Outline **two** ways in which a business could become more **environmentally friendly**. (10)

Any 2: (2 × 5m)

** Stated (3m), Expanded (2m).

- minimise waste / safe disposal of waste //
- cleaner production methods / energy efficiency, which can include switching to renewable energy sources //
- the business could adopt the 4Rs: reduce, reuse, recycle and recover //
- pollution prevention - minimise emissions //
- code of ethics - the business could establish a code of ethics setting out the modes of behaviour expected from the employees and the business in their dealings with the environment //
- encourage a culture of openness, consultation, honesty and awareness of environmental issues //
- regular environmental audits / advice from the EPA (Environmental Protection Agency) //
- promote environmental issues (reward 'green' initiatives) // *etc.*

** Accept other appropriate answers.

Section 1 (cont'd.)

7. Column 1 is a list of stakeholders in a business. Column 2 is a list of explanations for these stakeholders. Match the two lists by placing the letter of the correct explanation under the relevant number below. **One explanation has no match. (5 × 2m)** (10)

1.	2.	3.	4.	5.
<u>C</u>	<u>B</u>	<u>F</u>	<u>E</u>	<u>D</u>

Business Terms		Explanations
1. Consumer	A.	Has the idea and initiative to take the risk of setting up the business.
2. Supplier	B.	Provides the raw materials that are used in production.
3. Investor	C.	Buys goods and services for his/her own use.
4. Employee	D.	Engages in the activities of planning, organising and controlling the business on a daily basis in return for a salary.
5. Manager	E.	Provides labour in return for a salary/wage.
	F.	Provides capital in the hope of a financial return.

8. Outline **two** features of an **autocratic leadership style**. (10)

Any 2: (2 × 5m)

** Stated (3m), Expanded (2m).

- is dominant and controlling - also known as an authoritarian leader //
- does not consult or involve employees in any decision making //
- one-way communication in the business from the boss down //
- orders are to be followed and not questioned in any way //
- no delegation of authority takes place at all //
- employees have a negative view of the business, and morale is low //
- objectives are achieved by threats, fear and position of authority // *etc.*

** Accept other appropriate answers.

9. Choose the appropriate words to complete the sentence below. (Two words do not apply.) (2 × 5m) (10)

CHAIRPERSON; SECRETARY; MINUTES; AGENDA.

At an AGM, the secretary reads out a written record of what was discussed and decided at the previous meeting, which is called the minutes.

Section 1 (cont'd.)

10. Describe, **using an example**, what is meant by a global business. (10)

① Description (6m)

- a business which sells a standardised product throughout the world using a standardised marketing mix. Global businesses view the world as one market, *etc.*

** Accept other appropriate material.

② Example

Any 1: (4m)

- Nike //
- Coca-Cola //
- Toyota //
- Apple // *etc.*

** Accept other appropriate answers.

11. The following information is available from the final accounts of Keegan Ltd on 31/12/2018: (10)

Current Liabilities	€120,000
Current Assets	€240,000
(includes Closing Stock	€60,000)

Calculate:

(i) Current Ratio (4m)

$$\begin{aligned}
 \text{Current Ratio} &= \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (1\text{m}) \\
 &= \frac{240,000}{120,000} \quad (2\text{m}) \\
 &= 2 : 1 \quad (1\text{m})
 \end{aligned}$$

** Full marks awarded for correct answer even if no workings or wrong workings are shown.

** Figures in brackets show breakdown of marks if answer incorrect.

(ii) Acid Test Ratio (6m)

$$\begin{aligned}
 \text{Asset Test Ratio} &= \frac{\text{Current Assets} - \text{Closing Stock}}{\text{Current Liabilities}} \quad (2\text{m}) \\
 &= \frac{240,000 - 60,000}{120,000} \quad (3\text{m}) \\
 &= 1.5 : 1 \quad (1\text{m})
 \end{aligned}$$

** Full marks awarded for correct answer even if no workings or wrong workings are shown.

** Figures in brackets show breakdown of marks if answer incorrect.

Section 1 (cont'd.)

12. List the **three** other stages in the product life cycle: **(4m + 3m + 3m)** (10)

– introduction // launch	GROWTH (given)	– maturity	– saturation	DECLINE (given)
--------------------------	--------------------------	------------	--------------	---------------------------

13. Indicate which government body below is responsible for further education and training. Tick (✓) the correct box. **(10m)** (10)

- Workplace Relations Commission
- Solas (formerly known as FÁS)





14. Name **two** European Union institutions. (10)

Any 2: **(2 × 5m)**

- European Commission //
- European Parliament //
- Council of the European Union //
- European Central Bank //
- European Court of Justice //
- European Court of Auditors // *etc.*

** Accept other appropriate answers.

15. Indicate, by placing a tick (✓) in the correct box, the method of expansion to which each statement below relates. **(3m + 3m + 2m + 2m)** (10)

Statement	Franchise	Strategic Alliance	Merger	Takeover
Freshly Chopped has expanded by allowing other parties to use the business model and trademark in exchange for a fee and a percentage of profits. 	✓			
An Post has announced a new partnership with grocery retailer Lidl, to give Smart Account holders cash back on Lidl purchases. 		✓		
International Airlines Group (IAG) has bought Aer Lingus for €1.5bn. 				✓
Avonmore Foods plc and Waterford Foods plc joined forces to form Glanbia plc. 			✓	

Section 2 (4 × 75m)**(300)**

Answer **four** questions from SECTION 2 as follows:

One question from **Part 1** and

Two questions from **Part 2 AND**

One other question from either **Part 1** or **Part 2**.

Part 1**Q.1 People in Business****(75)**

Read the information supplied and answer the questions which follow.

VivaPlus Electronics

Jenny bought a new fitness tracker online from Irish retailer VivaPlus Electronics. She charged it and set it up as per the instructions. After two days of use, she noticed that it was not holding the charge properly. Jenny was unsure of her consumer rights as she had bought the product online. She checked the Competition and Consumer Protection Commission website and found the information she needed.

(A) Name the law that protects Jenny in this case. **(5m)** **(5)**

- the Sale (1m) of Goods (1m) and Supply (1m) of Services (1m) Act 1980 (1m)

** Figures in brackets show breakdown of marks if answer incorrect or incomplete.

(B) Explain **two** legal rights of the consumer under this law. **(15)**

Any 2: **(8m + 7m)**

** Stated (4m + 4m), Expanded (4m + 3m).

- goods should be of merchantable quality - they should be of reasonable standard taking into account what they are supposed to do, their durability and price //
- goods should be fit for the purpose intended - they must do what they are sold as being capable of doing //
- goods should be as described - the description on the package must not be misleading. The goods must match the description provided by the salesperson, brochure, *etc.* //
- goods should match the sample - all the goods received must be the same as the sample that was shown to the consumer //
- services should be provided by a person with the necessary skill / qualification //
- due care and diligence should be used - the service provider must carry out an attentive job of high quality //
- any materials used in the delivery of the service should be sound and fit for the purpose //
- it is illegal for a supplier to demand payment for unsolicited goods (goods that the consumer has not ordered) //
- consumers' rights under the Act cannot be taken away or limited by signs in shops, *e.g.* 'No Cash Refunds', 'No Exchange', *etc.* //
- guarantees are extra protection given to the consumer and they cannot limit the consumer's rights under consumer law //
- the guarantee should clearly show what goods are covered, the timeframe involved and the procedure for making claims //
- if the complaint is valid, the consumer is entitled to redress or compensation - full refund, replacement or repair // *etc.*

** Accept other appropriate answers.

Q.1 (cont'd.)

(C) A contract is enforceable by law provided that all key elements are adhered to.

(i) List **three** elements of a valid contract. (15)

Any 3: (3 × 5m)

- agreement / offer / acceptance //
- consideration //
- intention to contract //
- consent to contract //
- capacity to contract //
- legality of form //
- legality of purpose

(ii) Explain the term **breach of contract**. (10)

Any 2: (2 × 5m)

- breach of contract means that one party to a contract did not fulfil his/her part of the contract //
- one party has broken a condition of the contract - the contract is incomplete //
- the other party to the contract may sue for damages // *etc.*

** Accept other appropriate material.

Read the information supplied and answer the questions which follow.

Holidaymakers could face more disruptions this summer as Ryanair cabin crew have threatened industrial action if the airline does not agree to a list of demands.

Source – www.irishexaminer.com

(D) Outline **three** causes of industrial relations disputes. (15)

Any 3: (3 × 5m)

** Stated (3m), Expanded (2m).

- pay / disputes over pay - workers may launch a variety of different pay claims, *e.g.* cost-of-living claim, comparability claim, relativity claim. If the employer resists or rejects these pay claims, it could lead to industrial disputes //
- disputes over working conditions / duties - safety is a fundamental need for employees. Failure by management to provide safe working conditions, safe equipment, proper hygiene and adequate heating can lead to industrial disputes. Changes to working conditions may also cause a dispute //
- new work practices / new technology - workers may resist the introduction of new technology if they believe that the employer has not provided adequate training or financial reward for their increased productivity //
- redundancies - selection for redundancy, redundancy package. Workers may feel that unfair procedures for selection are being used or that redundancy payments are not adequate, *e.g.* employers may wish to ‘cherry-pick’ employees for redundancy while a trade union representing the employees may prefer a LIFO (last in, first out) system //

Q.1 (cont'd.)

(D) (cont'd.)

- demarcation issues - differences in pay and conditions of work between similar groups of workers //
- pensions - employers may seek to make changes to pension schemes / reduce pension entitlements, *e.g.* changing from a 'defined benefit' scheme to a 'defined contribution' scheme //
- holiday entitlements - workers may want greater / more flexible holiday entitlements //
- trade union recognition - where an employer refuses to acknowledge a trade union's right to represent / negotiate on behalf of its members //
- unfair dismissal - where workers believe that a colleague has been let go unfairly or the employer has not followed proper procedures //
- discrimination - where the employer treats some workers worse than others due to race, gender, sexual orientation, disability, *etc.* // *etc.*

** Accept other appropriate answers.

(E) Outline **two** functions of a shop steward.

(15)

Any 2: **(8m + 7m)**

** Stated (4m + 4m), Expanded (4m + 3m).

- keeps members up to date with information from head office, *e.g.* progress on pay consultations, directives in terms of strike action //
- recruits new members - encourages new members of the workforce / staff to join the trade union //
- highlights the benefits of union membership //
- takes up employees' grievances with management, *e.g.* working conditions, promotions, working hours //
- takes matters that cannot be settled internally to a higher level of the trade union //
- informs the trade union head office of members' concerns; this helps to shape the agenda of the trade union // *etc.*

** Accept other appropriate answers.

Q.2 Domestic Environment

(75)

Read the information supplied and answer the questions which follow.

Verdion Medical Ltd

Verdion Medical Ltd manufactures high-tech medical devices and has facilities in the US, Mexico and Singapore. It operates as a Private Limited Company. The company is considering setting up a new manufacturing facility near Tuam, Co. Galway, which would initially employ 140 people.

- (A) Verdion Medical Ltd operates in the secondary sector of the economy. Explain the **two** other sectors of the economy and give **one** example of an occupation in **each** sector. (15)

First sector (8m)

** Stated (2m), Expanded (3m), Example (3m).

Second sector (7m)

** Stated (2m), Expanded (3m), Example (2m).

① Primary sector

– this is also known as the extractive industries, it involves extracting raw materials from natural resources, *etc.*

** Accept other appropriate material.

Example

Any 1:

- farmer / farming / agriculture //
- fisherman/woman / fishing //
- forester / forestry //
- miner / mining // *etc.*

** Accept other appropriate answers.

② Tertiary sector

– this is the services sector, which provides all other industries with a wide range of services. This is the largest sector of the Irish economy, *etc.*

** Accept other appropriate material.

Example

Any 1:

- hairdresser //
- taxi driver //
- teacher //
- financial services //
- retailing //
- telecommunications //
- tourism //
- transport // *etc.*

** Accept other appropriate answers.

Q.2 (cont'd.)

- (B) Continuity of existence is one of the benefits of operating as a Private Limited Company. Explain the term **continuity of existence**. (10m) (10)
- this means that if a shareholder dies or leaves, the company does not cease to operate. It continues as normal, unlike a sole trader, *etc.*
- ** Accept other appropriate material.
- (C) Outline **two** benefits that increased employment brings to a local community. (15)
- Any 2: (8m + 7m)
- ** Stated (4m + 4m), Expanded (4m + 3m).
- increase in spending in local businesses - wages spent locally //
 - improvement in standard of living in the community //
 - encourages more business - shops, services, spin-off businesses //
 - improvement in infrastructure, *e.g.* housing, cycle paths, *etc.* //
 - expansion of local facilities, *e.g.* schools, *etc.* // *etc.*
- ** Accept other appropriate answers.
- (D) Outline **two** ways in which Verdion Medical Ltd can behave ethically towards its customers. (15)
- Any 2: (8m + 7m)
- ** Stated (4m + 4m), Expanded (4m + 3m).
- provide high-quality products //
 - charge reasonable prices //
 - ensure that products are safe and reliable //
 - deal with customers' complaints fairly //
 - provide honest and accurate information about products //
 - provide an after-sales service //
 - meet all obligations under consumer protection legislation // *etc.*
- ** Accept other appropriate answers.

Q.2 (cont'd.)

(E) (i) Name the state agency that helps multinational companies (MNCs) to set up in Ireland. **(5m)** (5)

– Industrial Development Authority of Ireland / IDA Ireland

** Accept 'IDA' for 3m.

(ii) Outline **two** services provided by this agency to MNCs. (15)

Any 2: **(8m + 7m)**

** Stated (4m + 4m), Expanded (4m + 3m).

– provides funding (grants, *etc.*) to MNCs locating in Ireland - research, innovation, expansion, *etc.* //

– constructs purpose-built properties suitable for MNCs //

– consultation service - information on tax, skills, education, support services for MNCs //

– provides connections with third-level institutions // *etc.*

** Accept other appropriate answers.

Q.3 International Environment

(75)

Read the information supplied and answer the questions which follow.

Visible Imports €4,900m
Visible Exports €6,200m

- (A) (i) Using the above information, calculate the **Balance of Trade**. **Show your workings. (12m)** (12)

– ① Formula
Balance of Trade (1m) = Visible Exports (1m) – Visible Imports (1m)

② Calculation
Balance of Trade = 6,200 (3m) – 4,900 (3m)
= €1,300 million (3m)

** Full marks awarded for correct answer even if no workings or wrong workings are shown.
** Figures in brackets show breakdown of marks if answer incorrect.

- (ii) State whether it is a surplus or a deficit. **(3m)** (3)

– surplus

- (B) (i) Outline **two** reasons why goods are imported into Ireland. (10)

Any 2: **(2 × 5m)**

- ** Stated (3m), Expanded (2m).
- production - we do not produce certain products //
 - climate - we do not have the climate to grow certain products //
 - natural resources - we do not have natural resources such as oil so we have to import them //
 - consumer choice - consumers want a variety of products //
 - growth in e-commerce - the ability of consumers to buy goods from other countries has been increased due to the internet and smart technology //
 - cheaper goods - goods produced in lower-wage economies such as China are often cheaper for Irish consumers // etc.
- ** Accept any other appropriate answers.

- (ii) List **two** examples of goods that are imported into Ireland. (5)

Any 2: **(3m + 2m)**

- cars //
 - oranges //
 - oil //
 - wine //
 - smartphones // etc.
- ** Accept any other appropriate answers.

Q.3 (cont'd.)

Read the information supplied and answer the questions which follow.

There may be negative effects for Irish business from the UK leaving the European Union (EU) in March 2019 and the increasing restriction of global free trade due to tariffs.

A key element of the government's strategy in response to these developments is expanding Ireland's global footprint and increasing exports to regions such as Asia.

(C) Outline **two** benefits for Irish business of membership of the EU. (15)

Any 2: (8m + 7m)

** Stated (4m + 4m), Expanded (4m + 3m).

- free trade of goods and services with the huge Single European Market of approximately 500 million people //
- free movement of capital and labour //
- Irish business has received various grants from the EU to promote development //
- common policies developed benefit Irish business, e.g. the Competition Policy //
- common rules and regulations are enforced, which encourages businesses to trade //
- economies of scale can be achieved through expansion //
- public procurement - public contracts in the EU, which Irish businesses can apply / tender for //
- common currency - membership of the Eurozone means that Irish businesses can trade more easily with other members; no currency fluctuation / uncertainty //
- Ireland brought closer to other countries through trade, free movement of people, etc. //
- EU funding has at times focused on under-developed regions, bringing them benefits, which in turn may have helped local businesses //
- Ireland is part of a larger player on the world stage (trade, political, social, etc.) //
- infrastructure in Ireland has benefited from EU grants, making transport easier // etc.

** Accept other appropriate answers.

(D) (i) Explain the term **tariff**. (7m) (7)

** Stated (4m), Expanded (3m).

- a tariff is a tax placed on imports. It is a trade barrier that is added to the value / price of imported goods to make them more expensive. Tariffs encourage consumers to purchase goods from domestic producers, etc.

** Accept other appropriate material.

(ii) Name **two** other trade barriers. (8)

Any 2: (2 × 4m)

- quotas //
- embargoes //
- subsidies //
- regulations //
- import / export licences // etc.

** Accept other appropriate answers.

Q.3 (cont'd.)

(E) Outline **two** challenges for Irish businesses exporting to Asia. (15)

Any 2: (8m + 7m)

** Stated (4m + 4m), Expanded (4m + 3m).

- transport costs - Asia is a long way from Ireland, and it is expensive to send goods there, particularly if fresh produce has to be sent by air freight; a channel of distribution may need to be adapted; use of agents, *etc.* //
- competition from other countries - competition from domestic producers that have lower transport and/or wage costs //
- different customs / cultures in other countries - *e.g.* cheese consumption in Asia, although rising fast, is lower than in the EU //
- communication problems / different languages - translating slogans, advertisements, *etc.* //
- cost of adapting products / packaging / advertising //
- currency exchange rates - *e.g.* yuan / yen rates may fluctuate against the euro, affecting competitiveness //
- payment difficulties - it may be difficult to collect debts from foreign customers //
- taxes and duties charged by other countries - some countries may charge high taxes / tariffs / customs duties on imports, making them less competitive //
- different regulations - Asian countries may have different regulations for certain products; an 18-year Chinese embargo on Irish beef due to 'mad cow' disease was lifted only in 2018 //
- lack of knowledge of Ireland - buyers / consumers in Asia may have limited knowledge of Ireland; increasing diplomatic representation / trade missions to these countries could raise the profile of Ireland and its products // *etc.*


** Accept other appropriate answers.

Part 2

Q.4 Enterprise/Managing

(75)

Read the information supplied and answer the questions which follow.

Cadine Ltd	
<p>Laura Walsh, an animal lover with a keen interest in nutrition, identified an opportunity in the market for healthier pet food. She resigned from her job and set up Cadine Ltd, making high-quality organic pet food products. She put in long hours to build the company, and it now has six employees. With Cadine Ltd's growth, Laura feels the time is right to delegate more responsibilities, and she is very aware of the importance of communicating effectively with her staff. Laura is making plans for the next stage of the company's expansion and she has contacted a national distributor about supplying her products. Laura is now reviewing her quality control systems, which are vital for the company's continued success.</p>	

- (A) Outline **three** entrepreneurial characteristics/skills displayed by Laura.
(Refer to the text in your answer.)

(15)

Any 3: (3 × 5m)

** Stated (3m), Expanded (2m).

- innovative / creative - e.g. she identified an opportunity in the market for healthier pet food //
- decisive - e.g. she decided to set up a new business //
- risk taker - e.g. she resigned from her job to start the company //
- hardworking / energetic - e.g. she put in long hours to build the company //
- human relations skills - e.g. she is very aware of the importance of communicating effectively with her staff //
- future-focused / ambitious - e.g. she is planning for the next stage of the company's expansion //
- confident - e.g. she has contacted a national distributor about supplying her products //
- proactive - e.g. she is now reviewing her quality control systems, which are vital for the company's continued success // etc.

** Answers must refer to Laura and information given in above text.

** Accept other appropriate answers.

- (B) Outline **two** benefits of delegation in a business.

(15)

Any 2: (8m + 7m)

** Stated (4m + 4m), Expanded (4m + 3m).

- the workload is shared and there is less pressure on the manager to do everything //
- stress levels are reduced and the manager can concentrate on important tasks //
- employees gain hands-on experience and improve their decision-making skills in the process //
- work should be completed faster with a team approach / objectives are achieved more quickly //
- greater involvement of workers in the running of the business //
- encourages intrapreneurship, where employees become more entrepreneurial / innovative //
- employees' morale / motivation improves //
- communication is improved, leading to better industrial relations //
- trains future managers for the business // etc.

** Accept other appropriate answers.

Q.4 (cont'd.)

(C) Outline **two** barriers to effective communication. (10)

Any 2: (2 × 5m)

** Stated (3m), Expanded (2m).

- medium - the medium chosen must be appropriate to the message being given //
- language - use of technical jargon may result in the message not being understood //
- lack of clarity - the message should be clear, concise and accurate //
- timing - enough time must be given to allow for feedback //
- lack of feedback that the message was received or understood //
- background noise / activity - this prevents the message from being received clearly //
- interference / technology breakdown //
- duration - communication that is too long (not brief and to the point) is harder to focus on and understand //
- lack of empathy - a message can be made clearer, tailored to the recipient, if the other person's point of view is understood //
- lack of attention / concentration //
- use of irrelevant material - too much information given - main message is lost //
- lack of trust / openness - poor relationships can mean that the recipient is not listening // *etc.*

** Accept other appropriate answers.

(D) Name and explain **two** types of plan developed by management in a business. (15)

Any 2: (8m + 7m)

** Stated (4m + 4m), Expanded (4m + 3m).

- mission statement - overall vision document //
- strategic plan - long-term plan outlining the goals or objectives to be achieved over a longer period of time, *e.g.* five-year plan //
- tactical plan - breakdown of the strategic plan into goals or objectives to be achieved within the next one to two years //
- contingency plan - plan for emergencies or unforeseen events, often referred to as a back-up plan //
- operational plan - plan outlining the goals or objectives to be achieved on a day-to-day basis, *e.g.* daily sales plan //
- manpower plan - plan to ensure that the right people with the right skills are in the right place throughout the business //
- business plan – plan outlining the goals and objectives of a business and how they are to be achieved // *etc.*

** Accept other appropriate answers.

Q.4 (cont'd.)

- (E) (i) Explain the term **quality control**. (7m) (7)
- quality control is checking that the methods of production are the most efficient to ensure that the finished product consistently meets the standards set by law and required by customers, *etc.*
- ** Accept other appropriate material.
- (ii) Outline **two** benefits of quality control for a business. (13)
- Any 2: (7m + 6m)
- ** Stated (4m + 3m), Expanded (3m + 3m).
- consistent standard of products - the business develops a reputation for producing high-quality products / offering services of a high standard //
 - increased sales - sales increase due to the good reputation for high-quality products //
 - reduced costs - fewer faulty products, less waste. The business's costs are lower because it does not have to waste money on refunds and/or repairs //
 - quality awards can be used as a marketing tool - awards such as the Q mark and ISO9000 can be used as a marketing tool to promote the business // *etc.*
- ** Accept other appropriate answers.

Q.5 Managing

(75)

Read the information supplied and answer the questions which follow.

Brendan's Barber Shop

Brendan Dunne owns and runs Brendan's Barber Shop in Dublin city centre. The business is successful, and Brendan has just completed a cashflow forecast for the coming months. He plans to hire a new barber to specialise in beard trimming and styling and is currently drafting the job advertisement. Brendan rewards all of his staff with commission, as well as offering benefits-in-kind.

Cashflow forecast of Brendan's Barber Shop for the first 3 months of 2019				
2019	January €	February €	March €	Total €
Total Receipts (A)	12,000	16,000	14,000	42,000
Total Payments (B)	14,000	12,000	11,000	37,000
Net Cash (A-B)	-2,000	4,000	3,000	5,000
Opening Cash	4,000	2,000	6,000	4,000
Closing Cash	2,000	6,000	9,000	9,000

(A) Name **one** item which Brendan's Barber Shop might include under **each** of the following: (10)

- (i) Receipts section
 (ii) Payments section.

- (i) Receipts section

Any 1: (5m)

- cash sales //
- receipts from debtors //
- interest received from savings //
- dividends received from investments //
- deposit interest //
- grants // etc.

** Accept other appropriate answers.

- (ii) Payments section.

Any 1: (5m)

- rent / mortgage payments //
- wages //
- payments to creditors //
- electricity //
- insurance //
- equipment //
- supplies / stock //
- fuel // etc.

** Accept other appropriate answers.

Q.5 (cont'd.)

(B) Outline **two** benefits of preparing a cashflow forecast. (15)

Any 2: (8m + 7m)

- ** Stated (4m + 4m), Expanded (4m + 3m).
- to predict the movement of cash into and out of the business //
 - lenders may require it to award a loan //
 - to identify future cash needs //
 - to help the business to use future cash surpluses to best advantage //
 - to act as an early warning system for cash shortages / times of high expenditure //
 - to help identify times when cutbacks will be required //
 - to help a business plan its borrowing requirements //
 - financial control is facilitated by comparing the forecast with actual cashflows // *etc.*
- ** Accept other appropriate answers.

(C) Name **three** taxes that Brendan's Barber Shop might pay. (15)

Any 3: (3 × 5m)

- Value Added Tax (VAT) //
 - Corporation Tax //
 - Local Property Tax //
 - Self-Assessed Income Tax //
 - Pay As You Earn (PAYE) //
 - Pay Related Social Insurance (PRSI) //
 - Motor Tax //
 - Deposit Interest Retention Tax (DIRT) //
 - Capital Gains Tax (CGT) //
 - commercial property rates //
 - water charges // *etc.*
- ** Accept other appropriate answers.
** Do not accept 'direct', 'indirect' or 'stealth' as answers. Tax must be named.

(D) (i) List **two** methods of advertising job vacancies. (10)

Any 2: (2 × 5m)

- company website //
 - newspapers //
 - trade magazines //
 - local radio //
 - recruitment agency / recruitment websites, *e.g.* www.jobs.ie, *etc.* //
 - LinkedIn //
 - social media, *e.g.* Facebook, *etc.* //
 - word of mouth //
 - head hunting //
 - shop window //
 - local job centre / FÁS / Solas //
 - college / school job centres // *etc.*
- ** Accept other appropriate answers.

Q.5 (cont'd.)

(D) (cont'd.)

(ii) In relation to recruitment, explain the terms **job description** and **person specification**. (10)

① Job description (5m)

- this document shows details of the position / vacancy to be filled, including the job title, work details, duties and responsibilities of the job, conditions of employment and place of work, *etc.*

** Accept other appropriate material.

② Person specification (5m)

- this describes the qualities that the successful candidate for the job should have. These would include academic qualifications, previous work experience and relevant personal characteristics and skills, *etc.*

** Accept other appropriate material.

(E) Explain the terms **commission** and **benefit-in-kind** and give **one** example in **each** case. (15)

First term (8m)

** Stated (3m), Expanded (3m), Example (2m).

Second term (7m)

** Stated (3m), Expanded (2m), Example (2m).

① ① Commission

- payment to employees based on the level of sales of each employee - employee is paid a percentage of the amount sold, *etc.*

** Accept other appropriate material.

② Example

- employee sells €600 worth of goods and receives 10% commission = €60, *etc.*

** Accept other appropriate answers.

② ① Benefit in kind

- non-financial payment (also known as perks) given to employees, usually in addition to their wages / salaries or as part of an overall package, *etc.*

** Accept other appropriate material.

② Example

Any 1:

- subsidised meals //
- lunch vouchers //
- company car //
- free telephone //
- free laptop / tablet //
- free health insurance //
- free gym membership // *etc.*

** Accept other appropriate answers.

Q.6 Managing/Business in Action

(75)

Read the information supplied and answer the questions which follow.

Mowers and All Ltd

Mowers and All Ltd sells and repairs lawnmowers, strimmers and other garden machinery. Its owners recently reviewed all of the company's insurance policies and 'shopped around' for better deals. After completing the 2018 final accounts, they are planning to extend the warehouse and showroom and are considering finance options.

(A) Outline **three** types of insurance you would expect Mowers and All Ltd to have. (20)

Any 3: (7m + 7m + 6m)

** Stated (4m + 4m + 3m), Expanded (3m + 3m + 3m).

- property / buildings and contents insurance - protects against cost of damage caused by fire / theft / flood on premises //
- public liability insurance - to cover against claims made by any member of the public who gets injured on the business premises //
- employer's liability insurance - provides protection against claims made by employees because of accidents in the workplace //
- plate-glass window insurance - to cover the cost of window glass that may get broken //
- motor insurance - statutory insurance for all motor vehicles that the business may own //
- consequential loss insurance - covers against loss of profits due to temporary closure caused by fire / flood //
- product liability insurance - to cover damages if a person gets injured due to a faulty machine that Mowers and All Ltd has sold //
- fidelity guarantee insurance - protects against theft by employees //
- employer's PRSI - required by law for employers to pay some / all of employees' PRSI //
- key person insurance - protection in case key personnel are incapacitated or are unable to work //
- cash-in-transit insurance - protection in case of robbery when bringing cash to the bank // *etc.*

** Accept other appropriate answers.

(B) Explain any **three** of the following insurance terms: (15)

Any 3: (3 × 5m)

(i) claim form

- if an insured loss is suffered, the insured completes this document when seeking compensation, giving a description of what happened and stating the amount of loss suffered. A claim form must be completed and sent to the insurer in order for the insured to be compensated, *etc.*

** Accept other appropriate material.

(ii) insurable interest

- the person taking out insurance must have a financial interest in the item being insured - must gain from its existence and suffer from its loss, *etc.*

** Accept other appropriate material.

Q.6 (cont'd.)

(B) (cont'd.)

(iii) utmost good faith

- when completing a proposal form for insurance, the insured must answer all questions truthfully and disclose all material facts. A material fact is anything which affects the level of risk that the insurer is being asked to cover and therefore the premium charged, *etc.*

** Accept other appropriate material.

(iv) indemnity.

- a person cannot make a profit from insurance - the purpose of insurance is to leave the person in the same financial position as before the claim. A person cannot make a profit from the loss incurred, *etc.*

** Accept other appropriate material.

(C) Calculate the Gross Profit percentage **and** the Net Profit percentage of Mowers and All Ltd from the data below.

Show your workings in your answer book.

(10)

2018	
Sales	€156,000
Gross Profit	€39,000
Net Profit	€23,400

① Gross Profit percentage (5m)

$$\begin{aligned}
 \text{Gross Profit \%} &= \frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1} \text{ (1m)} \\
 &= \frac{39,000}{156,000} \times \frac{100}{1} \text{ (3m)} \\
 &= 25\% \text{ (1m)}
 \end{aligned}$$

** Full marks awarded for correct answer even if no workings or wrong workings are shown.

** Figures in brackets show breakdown of marks if answer incorrect.

② Net Profit percentage (5m)

$$\begin{aligned}
 \text{Net Profit \%} &= \frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1} \text{ (1m)} \\
 &= \frac{23,400}{156,000} \times \frac{100}{1} \text{ (3m)} \\
 &= 15\% \text{ (1m)}
 \end{aligned}$$

** Full marks awarded for correct answer even if no workings or wrong workings are shown.

** Figures in brackets show breakdown of marks if answer incorrect.

Q.6 (cont'd.)

- (D) Outline **two** sources of long-term finance that the owners of Mowers and All Ltd could use to extend the warehouse and showroom. (15)

Any 2: (8m + 7m)

** Expect two points on each source of long-term finance (4m + 4m + 4m + 3m).

① Long-term loan / debenture //

Any 2:

- these are borrowings for 5 years or longer //
- security / collateral is required (property or other fixed assets) //
- there is a specified rate of interest and repayment date //
- used for large capital expenditure // *etc.*

② Share capital / owners' capital / equity //

Any 2:

- money provided by shareholders //
- no security is required //
- it remains in the company as long as it exists and is repaid only on winding up // *etc.*

③ Retained earnings (reserves) //

Any 2:

- profit that is not paid out in dividends but is reinvested in the company as extra capital for expansion / purchase of assets //
- it is a free source of finance (no interest charges or other costs) //
- usually the ideal source of long-term finance for any business // *etc.*

④ Government grants // *etc.*

Any 2:

- money from the government on which no interest payments or capital repayments have to be made //
- there are usually specific conditions attached //
- the grants are expected to create employment and are given only for potentially viable projects // *etc.*

** Accept other appropriate answers.

Q.6 (cont'd.)

- (E) Outline **two** factors, other than profits, that a bank would consider before giving a loan to a business. (15)

Any 2: (8m + 7m)

** Stated (4m + 4m), Expanded (4m + 3m).


- credit history - has the business paid back previous loans? Has it a good record of repaying its borrowings? //
- purpose of the loan - a bank will want to know what the finance is going to be used for //
- security - has the business any collateral to provide against the loan? //
- duration / length of the loan - how long is the loan required for? //
- cashflow forecast - what the business expects its future earnings and expenditure to be //
- business plan / future direction - a bank may want to see the information contained in a business plan regarding the plans / future direction of the business, projected market demand, *etc.* //
- other outstanding loans / overdraft - the amount and duration of any existing loans //
- details of owners / management - *e.g.* financial details of owners, responsibilities of management team, *etc.* //

** Accept other appropriate answers.

Q.7 Business in Action

(75)

Read the information supplied and answer the questions which follow.

<p>Enerjix Ltd</p> <p>Cian Malin, a former professional athlete, believed that there was a gap in the market for Irish-made protein-rich snacks. He set up Enerjix Ltd in partnership with qualified chef Jim O'Shea. They developed a range of five baked protein bars, which are made using batch production, and worked on developing a Unique Selling Point (USP) for the brand. The products have been successful, and Enerjix's range is stocked in local gyms and a chain of healthfood stores. To maintain the company's growth, Cian and Jim are considering adding new products to the range.</p>	
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(A) Outline **two** advantages of a Partnership as a form of business ownership. (15)

Any 2: (8m + 7m)

** Stated (4m + 4m), Expanded (4m + 3m).

- easier availability of extra / more adequate capital //
- people in the partnership may have varied and specialised expertise, which they make available for the efficient running of the enterprise //
- group decision-making should result in better decisions //
- easy to set up - partnerships can start in business immediately and can be formed by verbal agreement (although it is advisable to draw up a deed of partnership) //
- confidential type of business, *i.e.* accounts do not need to be published //
- partnerships can be expanded without difficulty by simply adding new partners up to the maximum of 20 set by law (except for law and accountancy firms, which can have more) //
- risk and responsibility are shared between the partners // *etc.*

** Accept any other appropriate answers.

(B) Explain any **three** of the following stages in the product development process: (15)

- (i) Product Screening
- (ii) Prototype Development
- (iii) Feasibility Study
- (iv) Test Marketing.

Any 3: (3 × 5m)

** Stated (3m), Expanded (2m).

- (i) Product Screening

- this involves assessing all ideas for a new product. All ideas are vetted, and the impractical and unworkable ideas are dropped, leaving the most viable ones for further examination and development, *etc.*

** Accept other appropriate material.

Q.7 (cont'd.)

(B) (cont'd.)

(ii) Prototype Development

- this involves developing a sample or model of a product. A working model, or 'mock-up', is produced to see what materials are required to make the product. It can be used to test the product to see if it conforms to certain standards and to determine what adjustments / improvements can be made before deciding to go into full-scale production, *etc.*

** Accept other appropriate material.

(iii) Feasibility Study

- this is carried out to assess whether a product has potential. It looks at whether it can be produced technically (production feasibility) and whether it will be profitable (financial and commercial feasibility). It seeks answers to questions such as 'what it will cost to produce the product?' and 'what demand will there be for the product?', *etc.*

** Accept other appropriate material.

(iv) Test Marketing.

- this involves assessing customer reaction. The product is tested on a sample of potential consumers before going into full production. Feedback from the test marketing can lead to improvements and will decide whether the product should be marketed as a full-scale commercial venture, *etc.*

** Accept other appropriate material.

(C) (i) Explain **two** features of batch production. (10)

Any 2: (2 × 5m)

** Stated (3m), Expanded (2m).

- a limited amount of identical goods is manufactured at the same time //
- work is completed on each stage of the production before a new batch is started. After one group of products is manufactured, production switches to a different batch or group //
- batch production reduces costs and has better economies of scale than job production //
- batch-produced products tend to be less expensive for consumers than those that are job-produced //
- examples of batch-produced goods include baked goods, clothing and newspapers // *etc.*

** Accept other appropriate answers.

(ii) List the **two** other types of production used in business. (2 × 5m) (10)

- job production
- mass production

Q.7 (cont'd.)

(D) Explain the term **Unique Selling Point (USP)**. (10m) (10)

** Stated (6m), Expanded (4m).

– the feature or characteristic that differentiates the product / service from its competitors, *etc.*

** Accept other appropriate material.

(E) Outline **three** sources of new product/service ideas for a business. (15)

Any 3: (3 × 5m)

** Stated (3m), Expanded (2m).

– brainstorming //

- involves listing as many ideas as possible, without limits or judgements. After an agreed time, the ideas are evaluated and a shortlist of the best ideas may be drawn up for further development

– research and development (R&D) //

- putting money into trying to develop a new / improved product / service, *e.g.* Samsung develops improved mobile phones. R&D sometimes leads to a different and more successful product

– customer feedback //

- market research / surveys / complaints help to find out what products / services consumers like or dislike

– intrapreneurship / staff suggestions //

- employees act like entrepreneurs and come up with new ideas or new ways of doing things

– family / friends / social networking / community //

- may mention products / services that they would like to be able to buy / use or that are not available in the area where they live

– competitors //

- monitoring competing firms may lead to product / service ideas

– foreign trips //

- a product / service that is available and successful in another country may be able to be introduced successfully to the home market

– import substitution //

- where a product / service that is currently being imported is substituted by a home-produced product / service of a similar quality or price

– media //

- ideas can come from newspapers, TV, radio, the internet, *etc.*

– advice from State agencies //

- agencies such as Enterprise Ireland have knowledge of different business sectors and may be able to advise a company on ideas for new products / services

– supply substitution // *etc.*

- if a company's supplies of raw materials / services are of poor quality, unreliable or too expensive, this may prompt it to produce the goods / services itself

** Accept other appropriate answers.

Q.8 Business in Action

(75)

Read the information supplied and answer the questions which follow.

Clonadreen Ltd

Clonadreen Ltd designs and manufactures home textiles, such as cushion covers, tea towels and bed linens, under its own brand name. It has two retail units in Co. Kilkenny and also sells products through its website. After experiencing declining sales for the past six months, the company is considering a range of sales promotions. It has also started working on a new collection of retro-inspired products after undertaking market research.



(A) (i) Explain the term **branding**. (5m) (5)

- branding involves creating an identity for a business / product that clearly distinguishes it from its competitors. It consists of a brand name and logo, *etc.*

** Accept other appropriate material.

(ii) Outline **two** benefits of branding for a business. (10)

Any 2: (2 × 5m)

** Stated (3m), Expanded (2m).

- helps to identify the product / makes it more recognisable / differentiates it from competitors' products //
- improves customer recognition and creates customer loyalty - consumers tend to remain with satisfactory products //
- aids marketing and advertising / keeps brand name in consumers' minds //
- allows new products associated with a well-known brand to be launched //
- a well-known brand name can command a higher price, leading to increased sales / profits, as branded products create higher demand // *etc.*

** Accept other appropriate answers.

Q.8 (cont'd.)

- (B) Outline **one** advantage of online selling for **each** of the following: (15)
- (i) the business
(ii) the consumer.

First answer (8m)

** Stated (4m), Expanded (4m).

Second answer (7m)

** Stated (4m), Expanded (3m).

- (i) the business

Any 1:

- global market - much wider potential market than for a 'bricks and mortar' store; goods can be sold all over the world //
- 24/7 sales - customers in different time zones can buy the goods at any time of day //
- reduced costs - rent, insurance, staff, operational costs //
- online marketing - customers give businesses their email addresses and other data when they buy goods online; the business can then use this information to market other products //
- immediate communication with and feedback from customers - the tracking of purchases and customer reviews of / feedback on products can be used by the business for future product development //
- helps smaller businesses to compete - online selling makes it easier for smaller businesses or those in remote locations to compete with larger ones //
- increased brand awareness - many shoppers search for products online before deciding where to buy. If they find a business in their search results, they may be more likely to buy from it //
- social media - can be a cheap and effective way to advertise products and attract customers to an online store // *etc.*

** Accept other appropriate answers.

- (ii) the consumer.

Any 1:

- convenience - the consumer does not have to leave home to make a purchase or enquire about a product //
- better prices - global competition keeps prices down //
- wider choice of goods / services - many firms sell online //
- price comparisons - the prices of a particular products on different websites can be easily compared so the consumer can get the best value for money //
- change of mind - EU rules on 'distance selling' mean that consumers have a 'cooling-off' period of 14 days within which to return goods if they change their mind //
- exchange rates - movements in exchange rates can mean that goods priced in *e.g.* UK pounds or US dollars work out cheaper for consumers in Eurozone countries //
- cashback - some websites are part of schemes where consumers can get a percentage of their spend back in cash or vouchers // *etc.*

** Accept other appropriate answers.

Q.8 (cont'd.)

(C) Discuss **two** methods of sales promotion that Clonadreen Ltd could use to increase sales. (15)

Any 2: **(8m + 7m)**

** Stated (4m + 4m), Expanded (4m + 3m).

- price reductions / discounts - Clonadreen Ltd could have a sale with *e.g.* 20% off, or give €10 off every €50 of purchases //
- free gifts - Clonadreen Ltd could give customers a free small gift with every purchase //
- multibuy offers - Clonadreen Ltd could offer customers three products for the price of two //
- free samples - Clonadreen Ltd could offer free samples to wholesalers, retailers or potential customers such as hotels //
- money-off coupon for next purchase - Clonadreen Ltd could offer vouchers that give people money off their next purchase //
- loyalty cards - Clonadreen Ltd could offer a loyalty card whereby customers build up 'points' that they can use for future purchases //
- competitions - Clonadreen Ltd could run competitions to win prizes via social media //
- free delivery - Clonadreen Ltd could offer free delivery to customers for a limited period of time // *etc.*

** Accept other appropriate answers.

(D) Explain the term **field research** and give **two** examples. (15)

① Explanation

Any 2: **(5m + 4m)**

- field research involves going into the marketplace to gather first-hand or new business information //
- it is primary research which is carried out by making direct contact with customers or potential customers //
- field research tends to be expensive and time consuming but it provides specific information on the behaviour of the target market // *etc.*

** Accept other appropriate material.

② Examples

Any 2: **(2 × 3m)**

- door-to-door surveys //
- observations //
- questionnaires //
- interviews //
- focus groups //
- customer surveys //
- consultative committees // *etc.*

** Accept other appropriate answers.

Q.8 (cont'd.)

(E) Outline **two** factors that Clonadreen Ltd must consider when setting the price of its products. (15)

Any 2: **(8m + 7m)**

** Stated (4m + 4m), Expanded (4m + 3m).

- cost of production / research and development / cost of raw materials - these costs must be calculated and recouped over the life of the products //
- distribution costs - the cost of delivering the products //
- competition - price must be similar to those of competitors to gain market share //
- break-even point - the minimum price to cover costs //
- profit margin - the return the company hopes to make from its products //
- government taxes / VAT, or there may be price controls on certain products //
- target market - different prices may be charged in different markets //
- maintenance costs - equipment repairs, light and heat - must be covered in the price to be charged //
- the level of demand - the higher the demand, the higher the price //
- discounting may be considered, as bulk buyers will expect to be charged a lower price // *etc.*

** Accept other appropriate answers.

Pre-Leaving Certificate Examination, 2019

Business

**Higher Level
Marking Scheme (400 marks)**

Section 1 Short Questions

80 marks

Answer 8 questions. Each question carries 10 marks.

1. **Column 1** is a list of insurance terms. **Column 2** is a list of possible explanations for these terms. (One explanation does not refer to any of these insurance terms.) (5 × 2m) (10)

Column 1: terms		Column 2: explanations	
1.	Subrogation	A.	The insured person cannot make a profit from an insurance claim.
2.	Utmost Good Faith	B.	The insured person must gain from the item's existence and suffer financially from its loss.
3.	Indemnity	C.	The insurer has the legal right to any item recovered once compensation has been paid.
4.	Average Clause	D.	Applies if an item is insured against the same risk with more than one insurance company.
5.	Contribution	E.	Applies if an item is under-insured and a partial loss occurs.
		F.	The insured person must declare all material facts about the item being insured.

Match the lists by placing the letter of the correct explanation under the relevant number below.

1	2	3	4	5
<u>C</u>	<u>F</u>	<u>A</u>	<u>E</u>	<u>D</u>

Section 1 (cont'd.)

2. In break-even analysis, a distinction is made between **fixed costs** and **variable costs**. Explain these terms and give **one** example in **each** case. (10)

① Fixed costs

① Explanation (4m)

- fixed costs remain the same irrespective of the level of output

② Example

Any 1: (1m)

- rent //
- loan repayments //
- insurance // *etc.*

** Accept other appropriate answers.

② Variable costs

① Explanation (4m)

- variable costs fluctuate / change directly with the level of output

② Example

Any 1: (1m)

- direct wages //
- raw materials //
- energy costs // *etc.*

** Accept other appropriate answers.

3. In the context of business, what do the following letters stand for? Write your answers in the spaces provided. (5 × 2m) (10)

IBEC	–	Irish Business and Employers Confederation
WRC	–	Workplace Relations Commission
FDI	–	foreign direct investment
CPI	–	Consumer Price Index
WTO	–	World Trade Organization / Organisation

Section 1 (cont'd.)

4. Circle the **correct option** in the case of **each** of the following statements. (5 × 2m) (10)
- (i) Ireland's rate of Corporation Tax on trading income is 12.5% / 10%.
- (ii) The tax on profits made on the sale of assets is called *Capital Acquisitions Tax* / Capital Gains Tax.
- (iii) VAT is a(n) *direct* / indirect tax.
- (iv) A tax in which the tax rate increases as the taxable amount increases is called progressive / *regressive*.
- (v) Tax Credits reduce the amount of *Universal Social Charge* / Income Tax to be paid.

5. Outline **two** benefits of external recruitment for a business. (10)

Any 2: (2 × 5m)

** Stated (3m), Expanded (2m).

- best candidate for the job can be recruited / wider range of candidates //
- new employee brings fresh ideas / more open to change //
- wide-ranging experience from previous employment / better skill set / higher calibre //
- no existing relationships in the business - may reduce chance of conflict / less tension among existing staff // *etc.*

** Accept other appropriate answers.

6. Outline **two** methods of extending a product's life cycle and provide **one** example to illustrate your answer. (10)

① Methods

Any 2: (2 × 4m)

** Stated (2m), Expanded (2m).

① Product //

- improve / update the product - introduce new features //
- re-branding / change the name and total appearance of the product / create a new image of the product in the mind of the consumer //
- change the use of the product //
- change the name of the product - new name may appear different in the eyes of the consumer //
- create a portfolio of products to increase popularity of the brand //
- introduce line extensions to the product - different flavours, sizes, *etc.* // *etc.*

Section 1 (cont'd.)

6. (cont'd.)

① Methods (cont'd.)② Price //

- change the pricing strategy - discounting to reach out to new target market, *e.g.* the teenage market // *etc.*

③ Place //

- change the place where product is sold / expand abroad / sell online // *etc.*

④ Promotion

- use a different or new advertising campaign / advertising media - Facebook, Twitter, *etc.* //
- use sales promotional techniques to stimulate demand - vouchers, points, *etc.* // *etc.*

** Accept other appropriate answers.

② Example

Any 1: (2m)

- additional features on the iPhone XS //
- Lucozade changed from a medicinal drink to a sports drink //
- Tayto introduced 'spice bag' flavoured crisps // *etc.*

** Accept other appropriate answers.

7. (a) Study the table below and fill in the figures and text represented by the letters **A**, **B** and **C**. (10)

Visible Exports (€bn)	Visible Imports (€bn)	Balance of Trade (€bn)
€200	B = €125 (2m)	€75 surplus
A = €150 (2m)	€170	€20 deficit
€180	€150	C = €30 (2m)

(b) Explain the term **balance of payments**.

Any 1: (4m)

- the difference between total exports (visible and invisible) and total imports (visible and invisible) //
- the total amount of money entering and leaving a country during the course of a year //
- it includes the balance of visible trade plus the balance of invisible trade. Invisible exports include American tourists holidaying in Ireland; invisible imports include Irish people holidaying in Spain // *etc.*

** Accept other appropriate material.

Section 1 (cont'd.)

8. Write **True** or **False** after **each** of the following statements. (5 × 2m) (10)

	Statement	True or False
1.	Inflation refers to the decrease in the cost of living from one year to the next.	<u>False</u>
2.	The role of IDA Ireland is to attract foreign direct investment into Ireland.	<u>True</u>
3.	High interest rates stimulate business expansion.	<u>False</u>
4.	Indigenous firms are foreign-owned firms located in Ireland.	<u>False</u>
5.	Factors of production refer to the resources required for the generation of goods and services.	<u>True</u>

9. Outline **two** methods of promoting **intrapreneurship**. (10)

Any 2: (2 × 5m)

** Stated (3m), Expanded (2m).

- empowerment / employee participation encourages creativity as it allows employees greater freedom in how to do their jobs by placing real power, responsibility and authority in the hands of employees //
- create a culture within the organisation where it's okay to make mistakes / think independently //
- resource provider - make resources available to help employees to pursue their ideas, *e.g.* finance, time //
- financial rewards for effort and creativity - these rewards could involve a mixture of pay, incentives and benefits //
- teamwork encourages creativity among employees as it facilitates brainstorming sessions as part of the product development process //
- training programme for employees and management, training them on the implementation of an intrapreneurial culture within a business // *etc.*

** Accept other appropriate answers.

Section 1 (cont'd.)

10. (a) Explain the term **primary sector**. (4m) (10)

- the primary sector (extractive) is a category of industry based on the natural resources of a country such as agriculture, forestry, fishing, mining, energy, *etc.*

** Accept other appropriate material.

(b) Outline **two** current trends affecting the primary sector in Ireland.

Any 2: (2 × 3m)

** Stated (1m), Expanded (3m).

- some commodities such as beef are commanding higher prices on world markets as demand increases due to global population growth / increasing middle class in developing countries //
- milk and dairy products are currently commanding lower prices due to increased production, which is a consequence of EU milk quotas being abolished in 2015 //
- continued growth in organic food production, capitalising on Ireland's 'green' image worldwide, as consumers' demand for these products is increasing //
- currency fluctuations - the drop in the value of UK sterling against the euro means that Irish agrifood exports to the UK are more expensive / less competitive and may be resulting in a loss of market share for Irish producers //
- Coillte, the state agency operating in forestry, land-based businesses, renewable energy and panel products, may be privatised //
- as a result of overfishing, the EU has introduced fish quotas in an attempt to conserve fish stocks //
- the prices of oil and natural gas have increased since 2016, although they fluctuated greatly in 2018 //
- onshore 'fracking', a controversial technique for extracting oil and gas, was banned by the government in 2017 //
- expansion of wind energy and solar power throughout the country; many people are installing solar panels in their homes //
- EU and global carbon emissions targets mean that fossil fuel use is being discouraged by the government through carbon tax, greater excise duty on petrol / diesel and a ban on the sale of new petrol / diesel vehicles in 2030; these measures have a negative effect on the Irish fossil fuel industry //
- restriction on turf cutting due to EU environmental directive //
- in October 2018, Bord na Móna announced that it was closing 17 of its 62 active bogs immediately, with the remainder to be closed over the next seven years; this will lead to the loss of almost 500 jobs // *etc.*

** Accept other appropriate answers.

Section 2 Applied Business Question

(80)

This is a compulsory question based on Units 1, 2 and 3.

- ** Students must make use of relevant knowledge / theory (and understanding) gained in the subject while studying the course in addition to the relevant links from the ABQ.
- ** Relevant Links: In relation to the links given, they must be a direct relevant quote / phrase / statement from the ABQ indicating that students clearly understand the point(s) of theory presented.
- ** Separate links are required in each section. No link marks awarded without relevant theory.

SwiftSums



Niall Lynch founded SwiftSums in 2013. He had been working as a developer for a multinational accounting software company in Dublin for six years when he realised that there was a gap in the market for a simple accounting solution tailored to Irish small businesses. Niall decided to leave his job, and he used savings and the gains from his stock options to set up SwiftSums. He developed the prototype of his software in five months and then contacted a number of local businesses, asking them to try it for free and give feedback on it. The initial feedback on the software was good, but some users found the interface a bit confusing. After listening to their concerns, Niall was confident that he had a viable product but knew he would need some help to improve it. He approached his Local Enterprise Office and was awarded a grant, which he used to hire two other part-time developers. Niall explained his vision to them clearly, and a new version of the software was trialled by users. This time it was a great success, and SwiftSums went on to build a solid customer base in a broad range of business sectors.

In 2015 Niall was approached by Roz Buckley, owner of the coffee shop chain Coffeecratic. She wanted SwiftSums to design customised software that would handle the consolidated accounts of the whole company, as well as the accounts of each of the three outlets. They discussed her requirements in detail and entered into negotiations with the aim of concluding a legal contract. Roz said she would be prepared to pay €30,000 for the product but, after talking to his development team, Niall costed the project and phoned Roz afterwards to say that it would be €36,000. Roz was happy with the price, and they agreed that SwiftSums would take on the project. On his 35th birthday Niall met Roz at the solicitor's office, where they signed the necessary documentation. The project was completed four months later. Roz was delighted with the software and paid SwiftSums in full.

SwiftSums' overall aim has always been to provide quick, user-friendly accounting solutions for Irish small businesses. Niall knew that he had a strong customer base and great products. However, he didn't foresee his customers' need for cross-platform software that would work on smartphones and use cloud storage. He lost some customers to competitors before he realised that there was an opportunity for SwiftSums to redevelop its software and gain market share. Needing to act quickly, he hired three cloud migration specialists on temporary contracts. The new, cloud-based version of SwiftSums, using a monthly subscription model, was released and proved very successful. With the move to an online-only product, Niall was concerned about the possibility of server failure and data corruption, so he invested in a secure remote system to make daily backups of customers' data. His plan is to continue to grow SwiftSums, with the aim of increasing the company's customer base to 1,000 subscribers and its annual turnover to €4m in five years' time.

Section 2 (cont'd.)

(A) Illustrate what it means to be an entrepreneur with reference to *SwiftSums*. (20)

Any 4: (4 × 5m)

** Stated (2m), Expanded (2m), Relevant link (1m).

** Links can overlap but if a specific link is used to explain one point within a section, it cannot be repeated for another point within the same section.

① Innovative / Creative //

- entrepreneurs are good at coming up with new ideas and better ways of doing things //
- they are constantly looking for new ideas and ways of improving what they do //
- they think outside the box to develop new products or new versions of existing products // etc.

Links:

- *[Niall] realised that there was a gap in the market for a simple accounting solution tailored to Irish small businesses //*
- *he realised that there was an opportunity for SwiftSums to redevelop its software and gain market share // etc.*

② Risk taker //

- being an entrepreneur involves taking both personal and financial risk in pursuit of a business idea //
- successful entrepreneurs are not afraid of taking risks. They are realistic risk takers // etc.

Links:

- *Niall decided to leave his job //*
- *he used savings and the gains from his stock options to set up SwiftSums // etc.*

③ Flexible //

- having the willingness to make changes as needed and the ability to respond to change //
- being able to alter plans for the good of the business //
- a flexible attitude means that entrepreneurs can be very resilient when things go wrong // etc.

Links:

- *after listening to their concerns, Niall was confident that he had a viable product but knew he would need some help to improve it //*
- *needing to act quickly, he hired three cloud migration specialists on temporary contracts // etc.*

④ Confident / Positive //

- entrepreneurs have a strong sense of self-belief and conviction about their own business ideas //
- having ambition and a strong desire for success or achievement is central to being an entrepreneur // etc.

Links:

- *Niall was confident that he had a viable product //*
- *Niall knew that he had a strong customer base and great products //*
- *His plan is to continue to grow SwiftSums, with the aim of increasing the company's customer base to 1,000 subscribers and its annual turnover to €4m in five years' time // etc.*

⑤ Customer-focused //

- this refers to realising / knowing that the business is about the customers //
- the ability to provide a high-quality service to customers // etc.

Links:

- *after listening to their concerns, Niall was confident that he had a viable product but knew he would need some help to improve it //*
- *they discussed [Roz's] requirements in detail //*
- *he invested in a secure remote system to make daily backups of customers' data // etc.*

Section 2 (cont'd.)

(A) (cont'd.)

⑥ Future-focused //

- this refers to realising the potential for growing the business // *etc.*

Links:

- *his plan is to continue to grow SwiftSums, with the aim of increasing the company's customer base to 1,000 subscribers and its annual turnover to €4m in five years' time // etc.*

⑦ Networking / persuasive abilities //

- entrepreneurs recognise the importance of a wide range of contacts to provide guidance and support //
- entrepreneurs need to be able to persuade others // *etc.*

Links:

- *he approached his Local Enterprise Office and was awarded a grant // etc.*

⑧ Leadership // *etc.*

- the ability to communicate the vision of what they want to achieve helps to make entrepreneurs impressive leaders //
- they can inspire confidence and convince others to believe in their vision // *etc.*

Links:

- *Niall explained his vision to [his employees] clearly // etc.*

** Accept other appropriate answers and material.

(B) (i) Explain the management activity of **planning**. (6m) (6)

- planning is the setting down of specific goals and objectives and the putting in place of strategies that allow you to achieve the stated goals and objectives of the business, *etc.*

** Accept other appropriate material.

(ii) Evaluate the different types of planning carried out by Niall Lynch, using appropriate examples from the text. (24)

Any 4: (4 × 6m)

** Stated (2m), Expanded (2m), Relevant link (1m), Evaluation (1m).

** Links can overlap but if a specific link is used to explain one point within a section, it cannot be repeated for another point within the same section.

① Mission statement //

- this is a visionary statement outlining who the business is, what the business does and where the business is going //
- it gives stakeholders an insight into the core values and culture of the business // *etc.*

Links:

- *SwiftSums' overall aim has always been to provide quick, user-friendly accounting solutions for Irish small businesses // etc.*

Section 2 (cont'd.)

(B) (ii) (cont'd.)

② SWOT analysis //

- this is an initial step in the planning process //
- the aim is to play to a business's strengths and opportunities while seeking to minimise the impact of weaknesses and threats // *etc.*

Links:

- *Niall was confident that he had a viable product //*
- *SwiftSums went on to build a solid customer base in a broad range of business sectors //*
- *Niall knew that he had a strong customer base and great products //*
- *some users found the interface a bit confusing //*
- *he would need some help to improve [the product] //*
- *he didn't foresee his customers' need for cross-platform software that would work on smartphones and use cloud storage //*
- *He lost some customers to competitors //*
- *he realised that there was an opportunity for SwiftSums to redevelop its software and gain market share // etc.*

③ Strategic planning //

- this is long-term planning usually for a period of five years or more //
- it provides a guide or framework as to where the business will be in the long run //
- strategic plans are usually devised by senior management to ensure the long-term profitability and ultimate existence of the business // *etc.*

Links:

- *plan to continue to grow SwiftSums, with the aim of increasing the company's customer base to 1,000 subscribers and its annual turnover to €4m in five years' time // etc.*

④ Tactical planning //

- this is short-term planning which breaks the strategic plan into shorter, more manageable periods //
- tactical plans are usually drawn up by middle management, and they deal with the 'now' part of the strategic plan // *etc.*

Links:

- *needing to act quickly, he hired three cloud migration specialists on temporary contracts // etc.*

⑤ Manpower planning //

- this involves having the right people with the right skills in the right place throughout the business //
- involves doing a human resource audit and estimating future human resource needs // *etc.*

Links:

- *[he] knew he would need some help to improve [the product] //*
- *he hired three cloud migration specialists on temporary contracts // etc.*

Section 2 (cont'd.)

(B) (ii) (cont'd.)

⑥ Contingency planning // etc.

- this is back-up planning to cope with emergencies / unforeseen events and unexpected circumstances //
- contingency plans benefit a business by preventing disruptions to business and thereby preventing loss of profits and possible business collapse // etc.

Links:

- *Niall was concerned about the possibility of server failure and data corruption, so he invested in a secure remote system to make daily backups of customers' data // etc.*

** Accept other appropriate answers and material.

** Marks for evaluation (4 × 1m) may be incorporated in each part or else included as a standalone point at the end of the question.

(C) 'For a legally binding contract to exist, there are a number of **essential elements**.'

Discuss this statement with reference to **SwiftSums** project for Coffeecratic.

(30)

Any 4: (8m + 8m + 7m + 7m)

** First and second: Stated (3m), Expanded (3m), Relevant link (2m).

** Third and fourth: Stated (2m), Expanded (3m), Relevant link (2m).

** Links can overlap but if a specific link is used to explain one point within a section, it cannot be repeated for another point within the same section.

① Offer //

- a promise by the person making the offer to be bound by the offer provided that the terms of the offer are accepted //
- the offer can be made orally, in writing or by conduct and is a clear indication of the offeror's willingness to enter into an agreement under specified terms // etc.

Links:

- *Roz said she would be prepared to pay €30,000 for the product //*
- *Niall costed the project and phoned Roz afterwards to say that it would be €36,000 // etc.*

② Acceptance //

- it must be identical to the offer without any changes or conditions and communicated to the offeree in the time specified // etc.

Links:

- *Roz was happy with the price // etc.*

③ Agreement //

- for agreement to exist, there must be a clear, complete and unconditional offer and an acceptance of that offer // etc.

Links:

- *they agreed that SwiftSums would take on the project // etc.*

Section 2 (cont'd.)

(C) (cont'd.)

④ Capacity to contract //

- all natural persons (human beings) and legal / corporate persons, such as companies, have the legal right to enter freely into a contract //
- the following generally do not have the capacity to contract:
 - infants (those under 18 years of age) except in certain cases, *e.g.* necessities //
 - persons under the influence of drink or drugs //
 - insane persons //
 - bankrupt persons //
 - diplomats //
 - companies operating outside their powers / *ultra vires* // *etc.*

Links:

- *on his 35th birthday Niall met Roz at the solicitor's office, where they signed the necessary documentation // etc.*

⑤ Intention to contract //

- both parties to the contract must be aware that they are entering into a legally binding agreement that could see them in court if they fail to keep their side of the agreement //
- with domestic and social arrangements there is no intention to create a legally binding contract // *etc.*

Links:

- *they discussed her requirements in detail and entered into negotiations with the aim of concluding a legal contract // etc.*

⑥ Legality of purpose //

- contracts must be compliant with the laws of the land //
- contracts may not be for an illegal activity such as smuggling or defrauding the state of taxes // *etc.*

Links:

- *she wanted SwiftSums to design customised software that would handle the consolidated accounts of the whole company, as well as the accounts of each of the three outlets // etc.*

⑦ Legality of form //

- certain contracts, to be considered legal, must be drawn up in a particular manner - some contracts must be in writing if they are to be legally valid //
- these include insurance policies, hire purchase agreements, the sale of property or land, share transactions, consumer credit and bank loans // *etc.*

Links:

- *they signed the necessary documentation [at the solicitor's office] // etc.*

⑧ Consideration // *etc.*

- each party to a contract must give something of value to the other party. Something of value must be exchanged //
- so long as consideration exists, a court of law will not question its adequacy, provided it is of some value //
- consideration is usually some monetary payment but it could also be something valuable exchanged as part of the contract // *etc.*

Links:

- *Roz was delighted with the software //*
- *[she] paid SwiftSums in full // etc.*

** Accept other appropriate answers and material.

Section 3

(240)

Answer **Four** questions from **Section 3** as follows:

One question from **Part 1**, **Two** questions from **Part 2** and **One** other question from either **Part 1** or **Part 2**. All questions carry equal marks.

Part 1 – People in Business / Business Environment

Q.1 People in Business

(60)

(A) Read the information supplied and answer the questions which follow.

In the second quarter of 2018, there were three industrial disputes in progress, involving 888 workers and three firms which resulted in an estimated 1,923 days lost.

Source: Adapted from www.cso.ie

(i) Distinguish between **primary picketing** and **secondary picketing** as types of industrial action available to employees. (8)

① **Primary picketing (4m)**

** Stated (2m), Expanded (2m).

- according to the Industrial Relations Act 1990, it is lawful for workers to walk up and down with placards at a place where their employer works or carries on business provided the picketing is for the purpose of peacefully communicating information, *etc.*

** Accept other appropriate material.

② **Secondary picketing (4m)**

** Stated (2m), Expanded (2m).

- the Industrial Relations Act 1990 provides that secondary picketing - *i.e.* picketing of an employer other than the primary employer involved in the dispute - is lawful only in situations where it is reasonable for those workers picketing to believe that the second employer was acting to frustrate the industrial action by directly assisting their employer, *etc.*

** Accept other appropriate material.

Q.1 (cont'd.)

(A) (cont'd.)

- (ii) Evaluate **negotiation**, **conciliation** and **arbitration** as methods to resolve industrial conflict in the workplace. (17)

** Methods of resolution (3 × 5m)

** Evaluation (2m)

① Negotiation

** Stated (2m), Expanded (3m).

- both parties bargain with each other / a process of bargaining //
- both parties seek to discover common ground and reach agreement to settle a matter of mutual concern //
- a compromise is reached that both parties find acceptable // *etc.*

** Accept other appropriate material.

② Conciliation

** Stated (2m), Expanded (3m).

- a third party attempts to get both sides of the dispute to talk, separately and jointly //
- the third party may offer a solution to the problem //
- the parties involved decide on the solution themselves / not legally binding // *etc.*

** Accept other appropriate material.

③ Arbitration

** Stated (2m), Expanded (3m).

- a third party listens to both sides and makes a decision / judgement on the solution //
- both parties agree in advance to accept the solution / to abide by the decision made // *etc.*

** Accept other appropriate material.

Q.1 (cont'd.)

(B) Explain, using **two** examples, the role of interest groups in business. (15)

① Role of interest groups

Any 2: (3m + 2m)

- an interest group is an organisation which represents the common viewpoint, objectives and goals of particular group / stakeholders, *e.g.* IBEC, ICTU, IFA, SIMI, ISME, *etc.* //
- an interest group seeks to influence decisions and policy affecting its members, through various actions, including negotiation, lobbying, information campaigns, public protests, boycotting and possibly legal action //
- lobbying is the deliberate effort to influence the decision-making process by promoting a particular point of view with the government, MEPs or other organisations. Interest groups may or may not succeed in achieving their objectives // *etc.*

** Accept other appropriate material.

② Examples of interest groups

Any 2: (2 × 5m)

** For each interest group: Name (1m), Role (2 × 2m).

① Irish Congress of Trade Unions (ICTU) //

- represents almost all trade unions in Ireland //
- represents and advances the economic and social interests of working people //
- negotiates national agreements with the government and employers, when mandated to do so by constituent and member unions //
- promotes the principles of trade unionism through campaigns and policy development //
- provides information, advice and training to unions and their members //
- assists with the resolution of disputes between unions and employers //
- regulates relations between unions and rules on inter-union disputes // *etc.*

② The Irish Farmers' Association (IFA) //

- actively represents and serves over 965 branches and 90,000 members. The IFA engaged in intense lobbying in Brussels to obtain greater flexibility on milk quotas in advance of their 2015 abolition //
- the IFA lobbies the government to initiate pro-farming policies that would improve and consolidate farm incomes (*e.g.* loss-leader sale of vegetables in the large multiples at Christmas time) // *etc.*

③ Irish Business and Employers Confederation (IBEC) // *etc.*

- represents employers on industrial relations matters //
- negotiates with the government and ICTU on wage agreements //
- advises members on the effects of new EU legislation // *etc.*

** Accept other appropriate answers and material.

Q.1 (cont'd.)

(C) Outline a **consumer's legal rights** under the terms of the Sale of Goods and Supply of Services Act 1980, with reference to any **three** of the following:

- Merchantable quality
- Guarantees
- Unsolicited goods
- Signs limiting consumer rights. (20)

Any 3: (7m + 7m + 6m)

** First and second: Stated (3m), Expanded (4m).

** Third: Stated (3m), Expanded (3m).

- Merchantable quality //
 - the consumer is entitled to goods which are of merchantable quality - they should be of reasonable standard / quality taking into account what they are supposed to do, their durability and the price paid, *e.g.* a €50 pen versus a €1 pen //
 - if the good is not of merchantable quality, the consumer could seek a refund, replacement or repair depending on the type of fault and the timeframe // *etc.*
- Guarantees //
 - guarantees are seen as additional protection given to the consumer, and they cannot limit the consumer's rights under consumer law //
 - the guarantee must clearly show what goods are covered, the timeframe involved and the procedure for making claims //
 - the consumer can choose to have the goods fixed by the manufacturer or can insist that the retailer deals with the complaint. The contract is between the seller and the buyer // *etc.*
- Unsolicited goods //
 - these are goods that are sent to someone without the sender's having received an order //
 - the consumer has the right to keep the goods without payment after 30 days if the consumer has sent written notice to the sender and informed the firm where they can be collected //
 - the consumer has the right to keep the goods after six months if the sender has not collected them and the consumer has not prevented the firm from collecting them // *etc.*
- Signs limiting consumer rights.
 - consumers' rights under the act cannot be taken away or limited by signs such as 'Credit Notes Only', 'No Cash Refunds', 'No exchange', *etc.* //
 - these signs are illegal and do not affect consumers' statutory rights. A credit note is not a refund as it restricts the consumer to shopping in that shop //
 - it is an offence for the retailer to display signs that give consumers the impression that they have no legal rights // *etc.*

** Accept other appropriate answers and material.

Q.2 Domestic Environment

(60)

(A) Read the information supplied and answer the questions which follow.

When you are led by values, it doesn't cost your business, it helps your business – Jerry Greenfield, Ben & Jerry's.
Source: The Guardian, April 2005

(i) Explain the term **business ethics**. (5m) (5)

** Stated (2m), Expanded (3m).

- a set of moral rules and standards that provide guidelines for right and truthful behaviour in situations with a business's various stakeholders such as employees, customers, suppliers and the community in which it operates. Business ethics is concerned with right and wrong, fairness, honesty and respect in a business context, *etc.*

** Accept other appropriate material.

(ii) Outline how ethical behaviour in business can be encouraged. (15)

Any 3: (3 × 5m)

** Stated (2m), Expanded (3m).

- establishing a code of ethics - a code of ethics is a formal written statement setting out the modes of behaviour expected from a business in its dealings with employees, customers and the community in which it operates / encourages a culture of openness //
- encouraging 'whistleblowing' - this involves encouraging staff to report unethical behaviour by creating a climate where whistleblowing is rewarded. Legislation to protect whistleblowers was introduced in Ireland in 2014 (the Protected Disclosures Act 2014) //
- modelling ethical behaviour - when senior staff are highly ethical and model ethical behaviour, it will encourage subordinates to behave in a similar manner //
- staff training - a code of ethics should be presented to staff at induction training, and reminder training should include modules on ethical behaviour //
- discipline procedures / rewards should be in place for staff guilty of behaving unethically - this could include fines, demotion or dismissal. At the same time, ethical behaviour should be encouraged through rewards such as bonuses or promotion // *etc.*

** Accept other appropriate answers and material.

Q.2 (cont'd.)

- (B) Outline the reasons why a business may change its organisational structure from a sole trader to a private limited company. (20)

Any 4: (4 × 5m)

** Stated (2m), Expanded (3m).

- changing circumstances //
 - a sole trader might change its ownership structure to a private limited company over time to adapt to changing circumstances and market demands //
 - choosing a private limited company as its ownership structure can facilitate the plans that the owner may have for the organisation far into the future and the vision of where the organisation wants to be // *etc.*
- size / expansion / economies of scale //
 - the business enterprise might wish to grow; with size come the burden of extra specialisation, where one individual cannot do all things and more people and expertise are needed, *e.g.* specialists in finance, marketing, production, *etc.* // *etc.*
- limited liability //
 - the desire for the protection of limited liability is another reason for changing structure //
 - a business person wishes to protect family members from business risks and to ensure a secure future for them: personal assets must be protected to do this //
 - private limited companies can now be set up with only one shareholder // *etc.*
- capital //
 - if more capital is needed for the development of the business, then a move from being a sole trader to a private limited company might be necessary //
 - it is possible to raise the necessary capital through the issue of shares to other shareholders up to the amount of authorised capital stated in the constitution, in the case of a private company limited by shares (LTD company), or in the Memorandum of Association, in the case of a designated activity company (DAC) // *etc.*
- finance / borrowing //
 - may be easier to raise finance from financial institutions //
 - companies may be given higher credit ratings by suppliers of finance // *etc.*
- growth //
 - the expansion of the business may be better served by forming a private limited company //
 - mergers and acquisitions / takeovers are possible for companies // *etc.*
- continuity of existence //
 - it is easier to pass a company on from one generation to another or from one set of owners / shareholders to another // *etc.*
- taxation //
 - the best time to change status is when the net profit of the sole trader exceeds his / her standard-rate cut-off point for income tax, as income over this amount will be taxed at 40%, as opposed to the main 12.5% corporation tax rate, which would apply to the net profit of a company // *etc.*
- separate legal entity // *etc.*
 - a company can sue and be sued in law, rather than the individuals that make up the organisation, unlike the sole trader // *etc.*

** Accept other appropriate answers and material.

Q.2 (cont'd.)

- (C) Evaluate the opportunities **and** challenges for the Irish economy of the privatisation of state-owned enterprises. (20)

Any 3: (3 × 6m)

** Stated (3m), Expanded (3m).

** Expect reference to at least one opportunity and one challenge for full marks.

Evaluation: (2m)

① Opportunities

- government revenue - selling a state enterprise provides the government with a large sum of money, *e.g.* Aer Lingus, AIB, *etc.* The revenue can be used to build infrastructure / repay the national debt //
- efficiency - state-owned enterprises are often perceived as being inefficient because they can rely on government funding and have little competition. Private firms are driven by a profit motive and should therefore be more efficiently run //
- access to finance - privatised companies are able to take out loans and issue shares and generally have greater access to sources of finance than state enterprises. This makes it easier to fund expansion, creating wealth and employment in the economy //
- industrial relations - with greater job security, employees in state enterprises are more likely to take part in industrial action in pursuit of pay claims, better working conditions, *etc.*, than those in the private sector //
- competition - the elimination of a state monopoly can lead to open-market competition and can result in greater choice and lower prices for consumers, *e.g.* Eircom, Aer Lingus, *etc.* // *etc.*

** Accept other appropriate answers and material.

② Challenges

- loss of state assets - the state protects industries of strategic interest to the country, *e.g.* transport network, the country's energy supplies for industrial and domestic purposes, the water supply, communications systems, the economic infrastructure of the country, *etc.* //
- increased unemployment - there may be a loss of jobs through rationalisation of services, leading to higher social welfare spending //
- lack of social commitments - non-profit-making essential services may be discontinued by the private business in an effort to reduce costs, *e.g.* postal and telecommunications services, electricity, gas and water services in remote areas, *etc.* //
- loss of control / costs to state - the shares of privatised companies may end up with foreign investors. There may also be high costs involved in preparing a company for privatisation //
- profit motive / increased prices - privatised companies must maximise returns to the shareholders, and this could result in increased prices for consumers //
- short-termism - in order to please shareholders, a private firm may seek to increase short-term profits and avoid investing in long-term projects. This can be seen in the returning of large dividends to shareholders or the drawing down of large salaries // *etc.*

** Accept other appropriate answers and material.

Q.3 International Environment

(60)

(A) Read the information supplied and answer the question which follows.

Examples of an EU Directive and a Regulation affecting Ireland

Directive 2008/50/EC lays down measures to improve air quality and reduce harmful effects on human health and the environment.

The General Data Protection Regulation, Regulation (EU) 2016/679, which came into effect on 25 May 2018, aims to standardise and strengthen the right of EU citizens to data privacy and to harmonise data protection laws across the European Union.

Explain how EU **directives** and **regulations** are formulated **and** implemented. (20)

① How EU directives and regulations are formulated

Any 3: (3 × 4m)

** Stated (2m), Expanded (2m).

- the European Commission is the executive body of the EU. It is the body responsible for proposing / drafting legislation //
- these proposals are then discussed in the European Parliament, and amendments to legislation can be put forward //
- decisions are usually made by the Council of the European Union. It is the main decision-making body of the EU //
- once legislation is passed by the Council of the European Union and the Parliament (co-decision), it is the Commission's responsibility to ensure that it is implemented through a series of directives and regulations // etc.

** Accept other appropriate answers and material.

② How EU directives and regulations are implemented

① EU directives

Any 2: (2 × 2m)

- they oblige member states to change their national laws to allow for EU rules, within a certain time limit //
- they are binding only as regards the results to be achieved, leaving member states to choose, within prescribed limits, the means by which the rules and targets are to be implemented / attained //
- they are used to bring different national laws into line with each other and are common in matters affecting the operation of the Single Market, e.g. product safety standards, WEEE (Waste, Electrical and Electronic Equipment Directive), Health and Safety at Work Directive, etc. // etc.

** Accept other appropriate answers and material.

② EU regulations

Any 2: (2 × 2m)

- these are legislative acts of the EU which become enforceable immediately as laws in their entirety in all member states simultaneously //
- they take precedence over national law. They are self-executing and do not require any implementing measures //
- EU institutions can enforce a regulation throughout the EU, e.g. Regulation (EU) No. 261/2004 established common rules on compensation and assistance to airline passengers, etc. // etc.

** Accept other appropriate answers and material.

Q.3 (cont'd.)

(B) Read the information supplied and answer the question which follows.

G7 leaders have issued a joint pledge to combat protectionism and cut trade barriers.

Source: www.rte.ie, June 2018

Describe, using examples, barriers to free trade between countries.

(20)

Any 3: (7m + 7m + 6m)

** First and second barriers: Stated (2m), Expanded (3m), Example (2m).

** Third barrier: Stated (2m), Expanded (3m), Example (1m).

① Tariffs //

- taxes on the value / price of goods imported. As a result, imports will be more expensive and they will be less competitive on the domestic market //
- e.g. in 2018 the US imposed tariffs on steel and aluminium imports from the EU, China, etc. // etc.

② Embargoes //

- total bans on the import of specific goods from a particular country / trading bloc. They are normally motivated by political, economic, moral or environmental reasons //
- e.g. from 2000 to 2018 China had an embargo on EU beef due to 'mad cow' disease / BSE; the US has had a number of embargoes on imports from Cuba since 1962 // etc.

③ Quotas //

- physical restrictions / limits on the number of units of a good that may be imported / exported. Quotas discourage imports and/or encourage sales of domestically produced goods //
- e.g. the EU has placed a quota on the amount of clothes from China that can be imported into the EU // etc.

④ Subsidies //

- financial supports given by governments to a domestic industry to reduce the cost of production so it can sell its products at lower prices than the equivalent imports //
- e.g. the EU subsidises agriculture, protecting it from rival, non-EU competition // etc.

⑤ Administrative barriers //

- governments can restrict free trade by imposing rules and regulations on the import / export of goods. There may be good health and safety or environmental reasons for these rules, but they are sometimes used by governments as a concealed method to frustrate the import of foreign goods //
- examples include customs delays, excessive paperwork designed to exclude or discourage imports, etc. // etc.

⑥ Foreign currency controls // etc.

- these are government restrictions on the amount of a particular foreign currency that can be brought into or sold in a country. They prevent citizens from buying the foreign currency they need to pay for imports //
- examples of countries that still operate these controls are Russia, India, Venezuela, Iran, Morocco, etc. // etc.

** Accept other appropriate answers and material.

Q.3 (cont'd.)

- (C) Discuss the **marketing** challenges an Irish business may face when trading globally, providing examples to support your answer. (20)

Four challenges (4 × 5m)

** Stated (2m), Expanded (2m), Example (1m).

① Product

- the product may have to be adapted to meet local requirements //
- e.g. Irish electronic / electrical products would have to be adapted to suit electrical sockets in all other countries that the firm sells to outside Ireland and the UK // etc.

② Price

- price must take into account standard of living, transport costs, local competition, taxes, exchange rates, etc. //
- e.g. an Irish firm may charge a higher price in Ireland due to the standard of living and high cost base in Ireland but may charge a lower price in low-cost countries such as those in South America // etc.

③ Place

- longer channels of distribution may result in firms setting up manufacturing plants in other countries or operating under a licence agreement with other companies //
- e.g. Glanbia has set up plants in various countries including Germany, Belgium and the USA // etc.

④ Promotion

- language, culture and media are major factors for business to take into account before engaging in a promotion campaign //
- e.g. tobacco products cannot be advertised in Ireland but can in other countries // etc.

** Accept other appropriate answers and material.

Part 2 – Enterprise

Q.4 Managing

(60)

Read the information supplied and answer the questions which follow.

Munster Appliances Ltd is a retailer of electrical appliances with 15 stores employing 170 people in the south-west of Ireland. The company has a functional organisation structure and places great importance on managers communicating effectively with both branch staff and the company's head office.

(A) Outline the benefits **and** challenges of a functional organisation structure in a business. (20)

① Benefits

Any 2: (2 × 5m)

** Stated (2m), Expanded (3m).

- due to specialisation, where each department concentrates exclusively on one function, e.g. marketing, production, sales or finance, employees and management build up high levels of skill and expertise through repetition and practice. This leads to efficiencies as tasks get done quickly and to a high standard //
- the chain of command and line of authority are clear - clear lines of authority exist, and employees know whom to report to. There is a person in charge of each department, which improves coordination and motivation, as employees know what is expected of them and when. There is accountability, as someone is responsible for each section //
- there are clear communication channels - the structure helps create a clear communication line between the top and bottom of the business. Instructions flow downward from top management along the chain of command, and information is communicated upward. It may result in important information being communicated quickly, leading to quicker decision making //
- allows for a wide span of control - there are economies of scale as resources are used efficiently, with no duplication. The wide span of control releases top management from micromanaging operations, so that they can focus on the overall strategy of the business //
- promotional paths - visible hierarchical ladder, providing career paths for employees / provides scope for promotion to the next level so the businesses can promote from within // etc.

** Accept other appropriate answers and material.

② Challenges

Any 2: (2 × 5m)

** Stated (2m), Expanded (3m).

- lack of teamwork - while specialised units within the functional structure often perform with a high level of efficiency, they may have difficulty working well with other units //
- if a project calls for several units to work together, units may become territorial and unwilling to cooperate with each other. In essence, each unit may act in what it perceives to be its own best interests instead of those of the organisation as a whole //
- people in each department may know and care little about what goes on in other departments within the company //
- infighting may cause projects to fall behind schedule //
- can pose a challenge for top management to maintain control as the organisation expands //

Q.4 (cont'd.)

(A) (cont'd.)

② Challenges (cont'd.)

- as organisations get larger and top management needs to delegate more decision-making responsibilities to each functional area, the degree of autonomy may also increase, making coordination of activities more difficult //
- if the company expands into new geographic areas, maintaining control of and managing the separate functions can be even more of a challenge //
- communications between departments can be slow and subject to misunderstandings - this can affect the speed at which an organisation can respond to events // *etc.*

** Accept other appropriate answers and material.

(B) Analyse the benefits to a business of having a manager who is an effective communicator. (20)

Any 4: (4 × 5m)

** Stated (2m), Expanded (3m).

- less conflict / fewer industrial relations problems //
 - effective communication means that the receiver gets the message that was sent by the sender. There is no confusion or ambiguity //
 - a manager who is an effective communicator will provide opportunities for feedback to ensure that the message is conveyed clearly. This results in less conflict and disagreement among employees // *etc.*
- better decision making //
 - better decisions are made based on actual facts presented and accurate information given in clear language; confusion can be overcome through opportunities for feedback (questions), *etc.*
- better staff morale / less stress //
 - in a business where managers are effective communicators, employees are empowered by receiving clear instructions, being listened to and having decisions made in an effective manner. This results in higher morale, *etc.*
- lower staff turnover //
 - if a manager communicates effectively with his or her employees, it will result in employees wanting to stay in the business. This will lead to lower staff turnover, *etc.*
- fewer errors //
 - clear communications are often in written form. This allows receivers to read them several times to ensure that they understand the content of the message. This will result in fewer errors being made, *etc.*
- less wastage / improved quality //
 - effective communication from a manager to employees in a timely manner means that tasks can start quicker, ensuring that there is less wastage and no / shorter lag times for production, *etc.*
- quick decision making / more sales and profits // *etc.*
 - a manager who is an effective communicator is also an effective listener. He or she can analyse information quickly, which means that decisions can be made without delay. This is important in a fast-changing business environment, *etc.*

** Accept other appropriate answers and material.

Q.4 (cont'd.)

- (C) Explain the different types of meetings held by limited companies and the functions of these meetings. (20)

- ** Annual General Meeting (AGM) (10m)
 ** Other meetings (2 × 5m)

① Annual General Meeting (AGM)

① Explanation (4m)

- this is a meeting held once a year and attended by the directors and shareholders of the company, *etc.*

** Accept other appropriate material.

② Functions

Any 3: (3 × 2m)

- the shareholders elect a board of directors //
- the shareholders appoint auditors //
- the chairperson gives a report on company performance //
- the auditor's report presents the accounts //
- shareholders have an opportunity to question directors in public on company policy //
- a dividend may be declared // *etc.*

** Accept other appropriate answers.

② Other meetings

Any 2:

- ** Named (1m), Expect two points on each meeting (2 × 2m).

① Extraordinary General Meeting (EGM) //

- a meeting of the shareholders and company directors held to discuss a matter of urgency that cannot wait until the next AGM //
- there is no other matter discussed at this meeting // *etc.*

② Board meeting //

- meetings of the board of directors and are usually held on a monthly basis //
- progress and performance are discussed, and tactical and strategic plans are formulated //
- problem solving is a key function of board meetings // *etc.*

③ Statutory meeting //

- this is the first meeting of company shareholders //
- a statutory meeting is held only once in the whole life of the company //
- a statutory meeting is held by every limited company //
- the meeting should be held within the prescribed period mentioned in the company ordinance //
- its objective is to inform the shareholders about the affairs of the company // *etc.*

④ Ad hoc meeting // *etc.*

- a meeting that takes place at short notice //
- to discuss a matter that requires attention and that has arisen unexpectedly // *etc.*

** Accept other appropriate answers and material.

Q.5 Managing/Business in Action

(60)

Read the information supplied and answer the questions which follow.



After opening its first outlet in Ballyfermot in 1992, **Applegreen** expanded rapidly, and it now has more than 177 service stations in Ireland, the UK and the US. The company offers “low fuel prices, always” and also sells high-quality convenience foods, including own-brand products. In August 2018 Applegreen continued its UK expansion by buying a majority stake in the Welcome Break chain of motorway service stations.

Source: Adapted from www.applegreenstores.com and Irish Independent, August 2018

- (A) Discuss the benefits of branding as a marketing tool for business. Provide examples, other than Applegreen, to support your answer. (20)

Any 3: (7m + 7m + 6m)

- ** First and second benefits: Stated (2m), Expanded (3m), Example (2m).
 - ** Third benefit: Stated (2m), Expanded (2m), Example (2m).
 - ** Examples may be of the same brand or different brands as long as there is a clear link to a separate benefit.
- marketing tool //
 - having a brand name makes it easier to distinguish the product / service from those of competitors; it is instantly recognisable //
 - branding can be used as a marketing tool for advertising purposes //
 - e.g. Kellogg’s is a well-known brand and it has different promotions to keep the brand name to the fore of consumers’ minds // etc.
 - new products //
 - easier to introduce new products / services if the brand name is already well-known //
 - e.g. different products are released under the Kellogg’s brand, such as All-Bran Breakfast Biscuits, Coco Pops, Frosted Flakes, etc. // etc.
 - premium price //
 - a well-known brand name can command a premium price as it may be perceived to be of higher quality //
 - e.g. Kellogg’s brands command higher prices than, for instance, own-brand labels // etc.
 - market segmentation //
 - individual market segments can be identified and targeted with different products / services under the brand name //
 - e.g. Kellogg’s Rice Krispies is aimed at children, Special K is targeted at women, McDonald’s Happy Meals, etc. // etc.
 - customer loyalty //
 - branding allows a company to differentiate itself from the competition and, in the process, to bond with its customers to create loyalty //
 - over time, consumers become loyal to a particular brand and will not change //
 - repeat purchases as a result of branding will increase sales //
 - consumers tend to eat the same brand every day, e.g. Brennan’s Bread, which uses the slogan ‘Today’s Bread Today’ // etc.
 - customer confidence //
 - a position is created in the marketplace that is much more difficult for the competition to ‘steal’ //
 - a satisfied customer may leave, but a loyal one is much less likely to //
 - e.g. consumers who have grown up with Kellogg’s breakfast cereals will associate them with childhood and home; they will have developed confidence in the brand // etc.

Q.5 (cont'd.)

(A) (cont'd.)

- legal protection //
 - brand names can be registered (in Ireland, with the Irish Patents Office) to protect the owner so that no other firm can use that name //
 - e.g. Kerrygold, Lyons Tea, Tayto // *etc.*
 - product becomes the brand // *etc.*
 - some brands become so popular over time that they become household names, and the product becomes the brand //
 - e.g. Google, Hoover, Biro, Tippex, *etc.*
- ** Accept other appropriate answers and material.

(B) Describe how quality control **and** stock control achieve efficiencies in business. (20)① Quality control① Explanation (4m)

** Stated (2m), Expanded (2m).

- quality control is concerned with checking / reviewing / inspecting work done to ensure it meets the required standards //
- as part of a quality control system a business may achieve a quality control symbol such as an ISO 9000 award. This symbol may be recognised worldwide and would be of huge benefit to the business in marketing its products internationally // *etc.*

** Accept other appropriate material.

② How it achieves efficiencies in business

Any 2: (2 × 3m)

- effective quality control leads to efficiencies in business because it minimises the costs associated with selling faulty goods to consumers //
- effective quality control leads to efficiencies in business because consistently high-quality products are being sold, resulting in repeat purchasing, consumer loyalty and the ability to charge higher prices, as the business may become the market leader //
- effective quality control reduces or avoids:
 - administrative costs associated with the return of goods //
 - loss of reputation and the ensuing lost sales //
 - lost productivity due to time spent dealing with complaints // *etc.*

** Accept other appropriate answers and material.

Q.5 (cont'd.)

(B) (cont'd.)

② Stock control① Explanation (4m)

** Stated (2m), Expanded (2m).

- stock control is concerned with keeping optimum stock levels so that the business does not have too much stock or too little stock //
- effective stock control means that the business has the optimum level of stock in the business //
- optimum stock levels lead to efficiencies because you have the right stock, in the right place, at the right time to meet production requirements and satisfy consumer demand // *etc.*

** Accept other appropriate material.

② How it achieves efficiencies in business

Any 2: (2 × 3m)

- stock control can achieve efficiencies by eliminating the costs associated with carrying too little stock, *e.g.* production stoppages due to a lack of raw materials and components for production, and lost sales orders because of a lack of finished goods for sale //
- an ISDN (Integrated Services Digital Network) can help you achieve efficiencies by eliminating the costs associated with having too much stock //
- effective stock control reduces or avoids:
 - obsolescence //
 - storage costs (light and heat, security, warehouse space, insurance, *etc.*) //
 - deterioration //
 - pilferage //
 - tied-up capital // *etc.*

** Accept other appropriate answers and material.

Q.5 (cont'd.)

(C) Outline the possible reasons for business expansion, other than to increase profits. (20)

Any 3: (7m + 7m + 6m)

** First and second reasons: Stated (3m), Expanded (4m).

** Third reason: Stated (3m), Expanded (3m).

- personal ambition - ambition and the desire to build an empire on behalf of the owner(s) or manager(s) of a business may be a motivating force for business expansion //
 - diversification - spreading the risk by moving away from a company's core area of business is facilitated by business expansion. For example, risk exposure for a company in the Irish retail market may be reduced by expanding into the UK market of 65 million people //
 - protecting essential supplies of stock - reverse / backward integration into the chain of supply, where *e.g.* a bakery buys a wheat farm, may safeguard a company's supply chain, guaranteeing a supply of stock for resale //
 - economies of scale - as a firm expands, the costs fall because of bulk buying, savings in transport, lower storage costs, *etc.* //
 - synergy - where business enterprises merge together, synergy is the theory that the sum of the potential of the two amalgamated businesses is higher than the sum of the two enterprises if they remained separate from each other. It allows for the closure of an inefficient plant and the sale of assets that may not be required by the large new efficient business //
 - eliminating competition - by merging with or taking over a competitor, a business may eliminate a threat to its market share. Eliminating competition is often a reason behind business expansion //
 - security - expansion increases the security of the enterprise. Being a big player with a large market share will obviously strengthen the enterprise in the market place. A larger business is also able to weather the storms of recession if the need arises //
 - financial strength - expansion increases the financial strength of the enterprise through sheer size. A large business enterprise commands prestige, influence and power with *e.g.* banks, other, smaller businesses and government departments //
 - new technology / products - business expansion may allow a company to acquire new technology and new products developed by competitors // *etc.*
- ** Accept other appropriate answers and material.

Q.6 Managing/Business in Action

(60)

(A) The following figures are taken from the final accounts of Halpin's Hardware Ltd for 2018.

Halpin's Hardware Ltd	2018
Sales	€400,000
Net Profit	€76,000
Closing Stock	€4,800
Current Assets (including closing stock)	€40,000
Current Liabilities	€32,000
Issued Ordinary Share Capital	€600,000
Long-Term Loan	€800,000
Retained Earnings	€120,000

Calculate **each** of the following for Halpin's Hardware Ltd (**show your workings**):

- (i) Current Ratio (iii) Return on Investment
 (ii) Acid Test Ratio (iv) Debt/Equity Ratio. (20)

(i) Current Ratio (5m)

$$\begin{aligned}
 \text{Current Ratio} &= \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (1\text{m}) \\
 &= \frac{40,000}{32,000} \quad (3\text{m}) \\
 &= 1.25 : 1 \quad (1\text{m})
 \end{aligned}$$

- ** Full marks awarded for correct answer even if no workings or wrong workings are shown.
 ** Figures in brackets show breakdown of marks if answer incorrect.
 ** Answer must be in the correct format to be awarded mark.

(ii) Acid Test Ratio (5m)

$$\begin{aligned}
 \text{Acid Test Ratio} &= \frac{\text{Current Assets} - \text{Closing Stock}}{\text{Current Liabilities}} \quad (1\text{m}) \\
 &= \frac{40,000 - 4,800}{32,000} \quad (3\text{m}) \\
 &= 1.1 : 1 \quad (1\text{m})
 \end{aligned}$$

- ** Full marks awarded for correct answer even if no workings or wrong workings are shown.
 ** Figures in brackets show breakdown of marks if answer incorrect.
 ** Answer must be in the correct format to be awarded mark.

(iii) Return on Investment (5m)

$$\begin{aligned}
 \text{Return on Investment} &= \frac{\text{Net Profit}}{\text{Capital Employed}} \times \frac{100}{1} \quad (1\text{m}) \\
 &= \frac{76,000}{600,000 + 800,000 + 120,000} \times \frac{100}{1} \quad (3\text{m}) \\
 &= 5\% \quad (1\text{m})
 \end{aligned}$$

- ** Full marks awarded for correct answer even if no workings or wrong workings are shown.
 ** Figures in brackets show breakdown of marks if answer incorrect.
 ** Answer must be in the correct format to be awarded mark.

Q.6 (cont'd.)

(A) (cont'd.)

(iv) Debt/Equity Ratio. (5m)

$$\begin{aligned}
 - \quad \text{Debt/Equity Ratio} &= \frac{\text{Long-Term Debt}}{\text{Ordinary Share Capital} + \text{Retained Earnings}} \quad (1\text{m}) \\
 &= \frac{800,000}{600,000 + 120,000} \quad (3\text{m}) \\
 &= 1.111111\dots : 1 \\
 &= 1.1 : 1 \quad (1\text{m})
 \end{aligned}$$

- ** Full marks awarded for correct answer even if no workings or wrong workings are shown.
- ** Figures in brackets show breakdown of marks if answer incorrect.
- ** Answer must be in the correct format to be awarded mark.
- ** Answer must be correct to one decimal place.

(B) Evaluate debt capital **and** equity capital as sources of finance for business expansion. (20)① Debt capital① Explanation

Any 2: (2 × 4m)

** Stated (2m), Expanded (2m).

- money is borrowed from financial institutions //
- does not impact on control of company //
- interest loan repayments - fixed repayments must be made regardless of profitability //
- tax implications - interest payments on loans are tax-deductible //
- company may have to supply security / collateral //
- company is highly geared //
- risk of default //
- creditors / bankruptcy - higher risk of bankruptcy / liquidation because there may be more creditors //
- repayment of capital - debt capital has a fixed maturity date // *etc.*

** Accept other appropriate answers and material.

② Evaluation (2m)

- *e.g.* debt capital is high risk - interest must be repaid irrespective of profitability. The economic climate may pose challenges to accessing credit and maintaining profit margins, *etc.*

** Accept other appropriate material.

Q.6 (cont'd.)

(B) (cont'd.)

② Equity capital① Explanation

Any 2: (2 × 4m)

** Stated (2m), Expanded (2m).

- source of capital - money is invested by owners or shareholders //
- control of company may be diluted with the issue of shares //
- there is no obligation to pay dividends to ordinary shareholders //
- tax implications - dividends paid to ordinary shareholders are not tax-deductible //
- no security / collateral is required //
- company is lowly geared //
- there is no risk of default, whereas with debt capital there is risk of default //
- there is lower risk of bankruptcy / liquidation because there may be fewer creditors //
- repayment of capital - equity capital stays in the business // *etc.*

** Accept other appropriate answers and material.

② Evaluation (2m)

- *e.g.* equity capital is low risk and does not require security. However, if there is a loss of confidence in the stock market, it may be a challenge to raise equity capital, *etc.*

** Accept other appropriate material.

Q.6 (cont'd.)

(C) Illustrate the impact of changing technologies on **each** of the following areas of a business:

- (i) Personnel
(ii) Business opportunities. (20)

(i) Personnel

Any 2: (2 × 5m)

** Stated (2m), Expanded (3m).

- ongoing staff training is required to ensure that employees and management obtain up-to-date skills and knowledge when new technology is introduced - this involves ongoing costs for the business //
- in many occupations, the training of personnel can be done by or with the help of computers and the different software packages available / online //
- the business will have to employ workers who are fully qualified and competent to deal with technological developments, such as maintenance, security issues, *etc.* //
- new job opportunities are created in service industries such as hotels, catering, tourism, health and education //
- many areas of work in business have changed completely due to technological advancement, which has led to redundancies in some cases //
- teleworking - with the use of broadband, it is not necessary for employees to work together in the same building, which can lead to savings on office costs and allow a business to hold on to staff who may prefer to work from home // *etc.*

** Accept other appropriate answers and material.

(ii) Business opportunities

Any 2: (2 × 5m)

** Stated (2m), Expanded (3m).

- the increased use of technology in production allows for the standardisation of production, resulting in increased output / productivity and reduced costs //
- new products - some new products owe their existence and success to technology, *e.g.* reserving seats on airlines and making hotel reservations from any part of the world at any time //
- changing technologies can bring people at different sites together for a meeting, *e.g.* video-conferencing, Skype, *etc.* //
- can access data from anywhere //
- spans of control can be widened - ability to monitor larger groups or groups that are geographically apart //
- businesses can advertise globally using the internet //
- organisation size can be reduced - fewer employees needed / lower costs and increases in efficiency //
- communications - staff can be equipped with laptops, mobile phones and tablets, which enable instant communication, leading to increased business efficiency / easier global communications //
- marketing - many businesses now use the internet to market their goods and services; by creating a website, a large number of potential customers can be reached at minimal cost / e-marketing / e-selling //
- e-business - many business functions can be carried out using the internet, *e.g.* EDI (Electronic Data Interchange), where goods can be ordered automatically from a supplier when stocks go below a certain level //
- new business methods evolve, *e.g.* home banking, home insurance quotes, video-conferencing, home offices, *etc.* // *etc.*

** Accept other appropriate answers and material.

Q.7 Business in Action

(60)

Read the information supplied and answer the questions which follow.

Sugru, a mouldable glue that turns into rubber, was invented by Jane Ní Dhulchaointigh. She studied product design at the Royal College of Art in London before developing **Sugru** and launching it in 2009. The product proved very popular and soon had a loyal community of committed customers. Users shared thousands of 'hacks' they had used **Sugru** for – fixing, adapting and creating a huge range of items. In 2018 the company was taken over by German firm **tesa**, and Jane became the first Irish person to win a European Inventor Award.



Source: Adapted from www.sugru.com and The Irish Times, June 2018

(A) **Test marketing, idea generation, feasibility study, product screening and concept development** are stages in the new product development process.

(i) List the five stages above in the **correct** order. (5 × 1m)

(5)

- 1. idea generation
- 2. product screening
- 3. concept development
- 4. feasibility study
- 5. test marketing

(ii) Outline your understanding of any **four** of these stages.

(20)

Any 4: (4 × 5m)

** Stated (2m), Expanded (3m).

① Idea generation //

- initial ideas for the new product are thought up systematically. They can be internal or external //
- ideas may be generated by brainstorming sessions, market research, staff suggestions, customer suggestions / feedback on existing products or services, competitors, R&D, etc. // etc.

② Product screening //

- all ideas are vetted, and the impractical and unworkable ideas are dropped, leaving the most viable ones for further examination and development //
- careful screening helps businesses avoid huge expenses in developing ideas that are subsequently not marketable and ensures that good opportunities are not lost // etc.

③ Concept development //

- this involves turning the idea into an actual product or service that will appeal to / meet the needs of customers //
- a unique selling point (USP) is identified which will differentiate it from other products on the market // etc.

Q.7 (cont'd.)

(A) (ii) (cont'd.)

④ Feasibility study //

- this is carried out to assess whether a product has potential. It looks at whether it can be produced technically (production feasibility) and whether it will be profitable (financial feasibility). Will it meet government regulations regarding safety standards and will it be marketable, *etc.*? //
- it seeks answers to questions such as: 'what demand will there be for the product?', 'what will it cost to produce?' and 'can the business afford it?' // *etc.*

⑤ Test marketing

- this involves doing a small-scale trial to identify possible faults and to assess customer reaction //
- the product is tested on a sample of potential consumers before going into full production to determine customer satisfaction with the product // *etc.*

** Accept other appropriate answers and material.

(B) Discuss the implications for a business of operating in a niche market.

(15)

Any 2: (8m + 7m)

** First implication: Stated (4m), Expanded (4m).

** Second implication: Stated (3m), Expanded (4m).

- little or no competition / small market //
 - unlike in generalised marketing, where market competition is stiff, niche marketers face less competition in the market as they deal with a specific product for a small market segment, *etc.*
- less investment required //
 - as the business produces limited goods for the niche market, it may require less investment, *etc.*
- high cost base //
 - the specialisation of products may involve more expensive raw materials, highly skilled staff and job / batch production methods / personal service //
 - the costs can be very high for the business, therefore it must charge a higher price to customers // *etc.*
- less risk for the business / cost-effective use of resources / more focused marketing //
 - there may be fewer risks / costs for the business as the marketing is focused on a very small segment of the market, *etc.*
- brand loyalty / loyal relationships with customers //
 - niche marketing makes it possible for businesses to build brand loyalty //
 - customers may continue to repeat their purchases of the same brand, and they may recommend it to their friends and others //
 - better targeting of customers with focused advertising - the business knows its target customers so well that it meet their needs better // *etc.*

Q.7 (cont'd.)

(B) (cont'd.)

- high margins / high profits / high prices //
 - a business can achieve high margins because of the added value to the goods and services offered //
 - prices tend to be more expensive than for mass-produced goods, as they are high-quality products / made using highly skilled labour // *etc.*
 - goodwill //
 - a niche marketer can earn a name and reputation in the market, *e.g.* Rolls Royce commands a lot of goodwill, *etc.*
 - survival can be more difficult // *etc.*
 - the chance of survival may decrease if the business depends solely on one product or if it tends to sell in relatively low volumes //
 - it may be difficult for the business to source finance because of its small size // *etc.*
- ** Accept other appropriate answers and material.

(C) Evaluate the importance of a business plan to a new business. (20)

① Importance of a business plan to a new business

Any 3: (3 × 6m)

** Stated (3m), Expanded (3m).

- guide to future action //
 - a business plan sets out both short- and long-term strategies / plans over agreed time periods, *e.g.* one year, five years, ten years, *etc.* //
 - it plans how to get where the enterprise wants to go and by doing this gives the entrepreneur a focus // *etc.*
- finance / grants //
 - vital document when approaching any financial institution, grant agency or other investor seeking funds (capital) for the enterprise //
 - no financial institutions will give funds to an enterprise without being convinced that the investment has a good chance of being recovered //
 - the business plan markets the enterprise; it sells the business ideas to others and encourages them to consider the project seriously // *etc.*
- performance measurement // *etc.*
 - nature of a business plan is such that targets are set in figures wherever possible //
 - these figures can be used as the benchmarks or standards against which the operations and performance of the enterprise can be measured //
 - if the standards are not reached, then the action to fix the problem can be implemented // *etc.*

** Accept other appropriate answers and material.

② Evaluation (2m)

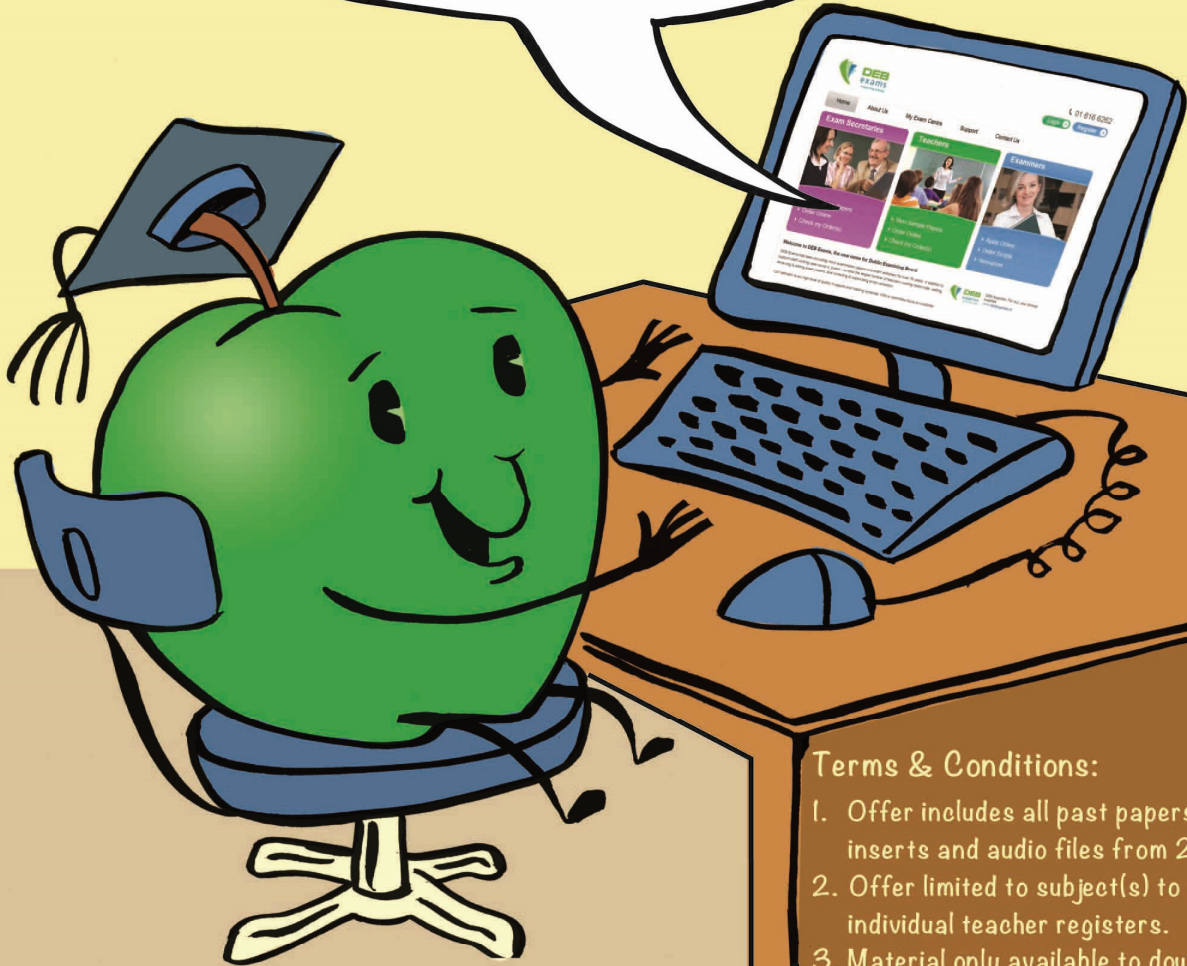
- *e.g.* a business plan will enable the business to determine whether it can be commercially viable. It may support the business when seeking sources of finance from potential investors, *etc.*

** Accept other appropriate material.

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