



Coimisiún na Scrúduithe Stáit State Examinations Commission

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Gnó

Scrúduithe Ardteistiméireachta, 2007
Ardleibhéal

Marking Scheme
Business

Leaving Certificate Examination, 2007
Higher Level



**Coimisiún na Scrúduithe Stáit
State Examinations Commission**

LEAVING CERTIFICATE BUSINESS

HIGHER LEVEL

MARKING SCHEME

BUSINESS

Higher Level 2007

This booklet contains the following:

- 1. MARKING SCHEME**
- 2. NOTES ACCOMPANYING MARKING SCHEME**

The notes presented here are neither exhaustive nor complete. They are not model or suggested answers. Further points of information, illustration etc. presented by candidates are assessed and rewarded by the examiners on their merits.

**LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2007
MARKING SCHEME**

SECTION 1 (80 marks)

Answer 8 questions. Each question carries 10 marks.

Question	Scheme	
1.	5 @ 2 marks each	10
2.	(a) 4 marks (b) 6 marks (3 + 3)	10
3.	5 + 5 marks (3 + 2)	10
4.	10 @ 1 mark each	10
5.	5 + 5 marks (3 + 2)	10
6.	(a) 6 marks (3 + 3) (b) 4 marks (2 + 2)	10
7.	(a) 6 marks (3 + 3) (b) 4 marks (2 + 2)	10
8.	3 + 3 + 4 marks	10
9.	1 + 3 @ 3 marks each	10
10.	(a) 4 marks (b) 3 + 3 marks	10
Section 1	Available Marks	80

SECTION 2 (80 marks)

Applied Business Question (Units 4, 5 and 6)

(A)	Methods of market research Relevant to the text of ABQ	2 @ 10 marks (2+6 (3+3)+2)	20
(B)	Types of insurance Must have reference to text of ABQ	5 @ 6 m each (2+2+2)	30
(C)	Type of business organisation Sole Trader <i>Recommendation</i> Private limited company Relevant to the text of ABQ	15 marks - 5 @ 3 m each (3+3+3+3+3) 15 marks - 5 @ 3 m each (3+3+3+3+3)	30
	Available marks		80

SECTION 3 (240 marks)

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

Question 1

(A)	(i) Legitimate trade dispute (ii) Labour Relations Commission	10 marks (5 + 5) 10 marks [(5 + 5) (2 + 3)]	20
(B)	Sale of Goods and Supply of Services Act 1980 * evaluation required	6 @ 5 marks (2 + 3)	30
(C)	Specific Performance	10 marks (5 + 5)	10
	Available marks		60

Domestic / International Environment

Question 2

(A)	Categories of Industry	4 @ 5 marks (2 + 3)	20
(B)	Three community development organisations Services provided by one	3 @ 3 marks each 1 @ 11 marks (6 + 5) [(3 + 3) and (2 + 3)]	20
(C)	(i) Code of ethics (ii) Ethical and social responsibilities – effects on firm's costs	4 @ 5 marks (2 + 3)	20
	Available marks		60

Domestic / International Environment

Question 3

(A)	Opportunities provided by international trade – Irish business	5 @ 5 marks (2 + 3)	25
(B)	‘Global marketing’ and its role in international business	10 marks (5 + 5) and 3 @ 5 marks	25
(C)	‘Interest groups’ in EU	2 @ 5 marks (2 + 3)	10
	Available marks		60

Part 2

Enterprise / Managing

Question 4

(A)	Three enterprise skills	3 @ 5 marks (2 + 3)	15
(B)	Communication (importance, levels)	4 @ 5 marks (2 + 3)	20
(C)	Data Protection Act 1988 – any two from three	1 @ 5 marks (2 + 3) 5 @ 4 marks (2 + 2)	25
	Available marks		60

Managing

Question 5

(A)	Taxation forms	2 @ 10 marks [(5 + 5) (2 + 3)]	20
(B)	Net annual take-home pay - calculation	10 @ 2 marks	20
(C)	TQM	4 @ 5 marks (2 + 3)	20
	Available marks		60

Business in Action / Managing

Question 6

(A)	(i) Product life cycle with diagram (ii) Implications for cash flow – each stage of product life cycle	5 @ 2 marks 5 @ 2 marks	20
(B)	(i) Cash flow forecast (ii) Financial issue	10 marks [(5 + 5) (2 + 3)] 10 marks [(5 + 5) (2 + 3)]	20
(C)	Liquidity ratios - two	2 @ 10 marks [(5 + 5) (2 + 3)]	20
	Available marks		60

Business in Action

Question 7

(A)	Four pricing policies and application of one to a product	5 @ 6 marks (3 + 3)	30
(B)	(i) Marketing plan (ii) Marketing plan - role	4 @ 5 marks (2 + 3)	20
(C)	‘Niche market’	10 marks [(5 + 5) (2 + 3)]	10
	Available marks		60

The following Support Notes are neither exhaustive nor complete. They are not model or suggested answers. Further points of information, illustration etc. presented by candidates are assessed and rewarded by the examiners on their merits.

SECTION 1
SHORT ANSWER QUESTIONS
(Support Notes)

1.

1.	2.	3.	4.	5.
D	E	F	C	B

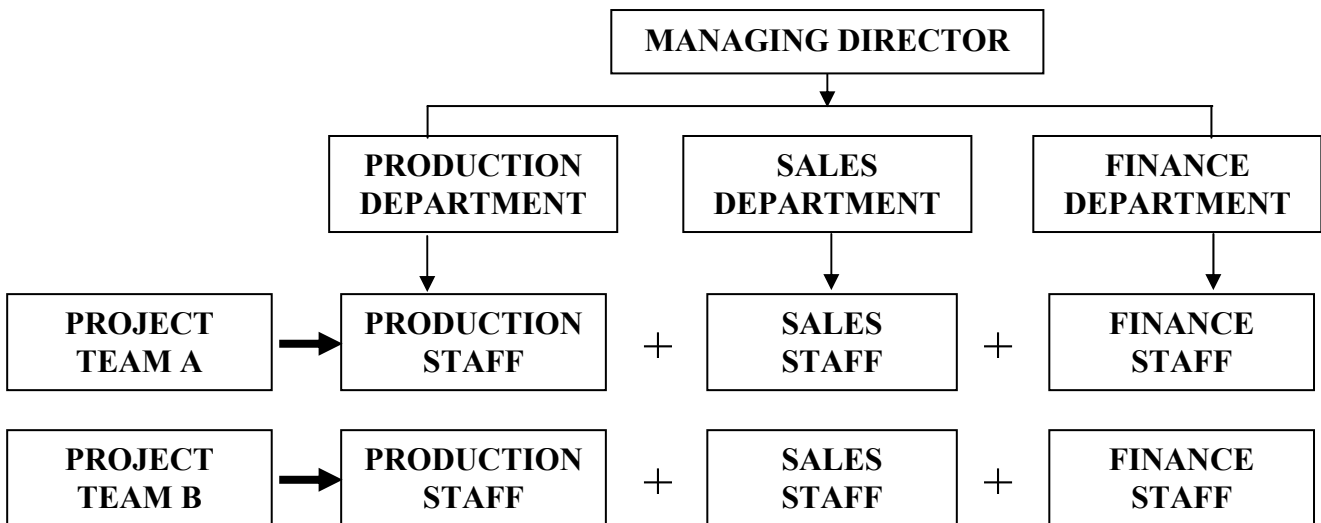
2. (a) Strengths, Weaknesses, Opportunities and Threats

(b) Use in business (explain):

- planning/decision-making situations
- product or service development.

3. An EU directive is a legal instrument to implement and enforce EU law in member states which obliges members to change their national laws within a time limit/deadline. An EU directive aims to harmonise laws in the Union by attempting to get rid of differences between national laws e.g. The Waste Electrical and Electronic Equipment Directive.

4. Matrix structure for a manufacturing organisation (draft and label):



5. Consideration means that some advantage or benefit must move from one party in a contract to another party. Money is the most common form of consideration as it is real and legal.

6. (a) A trading bloc is a group of countries who agree to form a free trade area, common market or customs union in order to eliminate or reduce barriers to trade.
- (b) **Two** examples:
- The European Union (EU)
 - The North American Free Trade Agreement (NAFTA).
7. (a) Self-actualisation means being personally fulfilled having developed one's own capabilities and talents to the highest possible level.
- (b) **Two** other human needs (name):
- Physiological
 - Safety.
8. **Two** parties in business (identify): Employers and Employees
 Competitive relationship (describe): parties with different aims, win/lose relationship
 e.g. claim for pay increase.
9. Diagram (name and insert):

Name	Break Even Chart
Label 1	Fixed Costs
Label 2	Total Costs (Fixed and Variable)
Label 3	Total Income/Revenue (Income from Sales)

10. (a) State-owned enterprise in 'production' category (name): ESB
- (b) **Two** reasons for state involvement (explain):
- Essential service
 - Economic Infrastructure/development.

SECTION 2
Applied Business Question
(Support Notes)

(A) Methods of market research (discuss):

Market research is the gathering, in a systematic way, of important and relevant information about specific market features and trends. Market research gathers both quantitative and qualitative market information.

Methods of market research: Field research and Desk research

Field (Primary) research involves making contact with people in the market, mainly by means of interview and the use of questionnaires.

Methods of field research include interviews, surveys, customer panels and observation.

Possible links to text could include:

staff to engage with customers and to note their reactions to new ideas and products
focused discussions with groups of customers.

Desk (Secondary) research involves using information that is already available within a business or from outside sources.

Information from within a business includes: sales figures and cost of marketing campaigns.

Information from outside sources includes: magazines, reports, government statistics/publications, internet, newspapers, trade directories/publications.

Possible links to text could include:

Responding to published official forecasts
trade publications.

Development of market research methods also required
e.g. use of internet and online surveys.

Possible link to text could include:

website design.

(B) Types of insurance (describe):

Appropriate types of insurance include:

Motor insurance
Property insurance
Fidelity guarantee
Life assurance
Public liability.

Possible links to text could include:

*five service vehicles on the road
operating from a premises fronting onto the main street of a large town
only one employee has had to be dismissed for theft
commitments to life plans
hosts product presentations and demonstrations on its premises.*

(C) Type of business organisation (evaluate):

A **Sole Trader** is a person who owns and runs a business enterprise under his/her own name or under a business name.

- Ownership/management
- Lack of capital
- Long working hours
- Unlimited liability
- Lack of capital.

Possible links to text could include:

*McGComputers was founded in 1986 by Jason McGinley, independent firm
new venture, manage with limited financial resources
adjust to working long and irregular hours
provision of his home as security
new venture, manage with limited financial resources.*

Recommendation: Private limited company

A **Private Limited Company** is a business enterprise with one to fifty shareholders.

- Ownership/management
- Availability of capital
- Limited liability.

Possible links to text could include:

*Limited number of investors/day-to-day running with Siobhán
Supported by limited number of reward-seeking investors.*

SECTION 3
Part 1
(Support Notes)

Question 1

(A) Industrial Relations Act 1990

(i) Legitimate trade dispute (define):

A trade dispute means any dispute between employers and workers that is connected with the employment or non-employment, or the terms or conditions of (or affecting) the employment of any person.

A legitimate trade dispute can result from any of the following issues:

- Pay and conditions of employment
- Physical conditions of work
- Employee dismissal
- The employment policy of an employer
- The range of duties required of employees
- Trade union recognition in the work place
- Improvement on statutory conditions, redundancy, etc.

(ii) Role of Labour Relations Commission (explain):

The role of the Labour Relations Commission (LRC) is to have general responsibility for promoting the improvement of industrial relations through the provision of a range of services to employers, trade unions and employees. These include:

- Conciliation service
- Rights Commissioner service
- Industrial relations advisory service
- Appointment of equality officers and the provision of staff and facilities for them
- Assisting Joint Labour Committees and Joint Industrial Councils in the exercise of their functions
- Reviewing and monitoring developments in the area of industrial relations.

(B) Sale of Goods and Supply of Services Act 1980

Provisions (describe):

Goods

- Merchantable Quality
- Fit for the Purpose
- Correspond to the description
- Correspond to the sample
- Right to ownership and quiet possession.

Services

- Supplier has the necessary skill to provide the service
- Any materials used will be sound and fit for the purpose
- Goods supplied as part of the service will be of merchantable quality.

Other provisions include:

- Guarantees
- Renting or Buying
- Motor Vehicles
- Spare Parts
- Unsolicited goods (Inertia Selling)
- Cooling-off Periods
- The Retailer is Responsible
- Redress.

Evaluation of the Sale of Goods and Supply of Services Act 1980 effectiveness required

(C) Specific Performance (explain and when used):

Specific Performance is a remedy for the breach of a contract. The party in breach of a contract would be ordered by a court to carry out its agreed contractual obligations. In a contract for the sale or lease of land, use of this remedy may be appropriate.

Question 2

(A) Categories of Industry (discuss):

Primary (Extractive): Agriculture, forestry, fishing, mining.

Secondary (Manufacturing/Construction): Electronics, food processing, chemicals, pharmaceuticals, building, development of the physical infrastructure, roads, bridges, tunnels, etc.

Tertiary (Service industry): Public Utilities, e.g. electricity, gas, etc.
Transport, communications, distribution, financial, tourism, entertainment, etc.

Importance to current Irish economy required

(B) Community development organisations

Three examples (name):

LEADER+

County Enterprise Boards

Area Partnership Companies.

Services provided by **one** (describe):

County Enterprise Board services include: information and advice on how to go about setting up or expanding a micro/small business venture, grants (capital, employment, feasibility), training and mentor programmes.

(C) (i) Code of Ethics (define)

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.

(ii) Meeting ethical and social responsibilities, effect on firm's costs (outline):

Increased costs due to:

- Higher wages and better working conditions for employees
- Buying raw materials at fair market prices
- Compliance with legislative requirements.

Reduced costs due to:

- Positive publicity, no protests
- Use of clean technologies and systems
- Use of renewable energy.

Question 3

(A) Opportunities provided by international trade for Irish business (discuss):

- Access to larger markets
- Economies of scale
- English, a trading language
- EU membership
- Highly-skilled workforce
- Green image.

(B) 'Global Marketing' (explain):

Global marketing involves marketing a firm's product and identity throughout the world as if the world is one market, e.g. Coca-Cola.

A global firm must develop a global marketing mix in relation to the 4Ps. A mix of standardised and adapted marketing is commonly used in global marketing.

Role in international business

- global standardisation of both brand and product
- activities planned and co-ordinated on a global basis
- achievement of reductions in costs and economies of scale
- availability of reliable, high quality products at lower prices
- facilities in many different geographical locations.

(C) Role of 'interest groups' in the EU (outline with example):

Interest groups are pressure groups who protect the interests of their members and try to influence the decision-making of the EU. They are not part of the EU's political framework but they use methods such as lobbying, information campaigns and public protests in attempting to influence EU decisions.

The IFA has an office in Brussels to promote and defend the interests of Irish farmers' in Europe.

Part 2
(Support Notes)

Question 4

(A) **Three** enterprise skills (describe):

Enterprise skills include:

Risk taking
Flexibility
Realism.

(B) Importance of good communication between levels in an organisation (discuss):

Communication is concerned with the transferring of ideas, information, messages, etc. from a sender to a receiver with the main purpose being the understanding by the receiver of the sender's message.

- Offers the solution to conflict and misunderstanding in an organisation
- Improved staff morale
- Good industrial relations
- Effective decision-making
- Feedback

Levels in an organisation

- Downward
- Upward
- Lateral/horizontal.

(C) Data Protection Act 1988 – **two** from three (explain):

(i) Rights of Data Subjects include:

- Access to information
- Inaccurate information
- Direct marketing list
- Court and compensation
- Type and purpose of information.

- (ii) Obligations of Data Controllers include:
- Data obtained and processed fairly
 - Data accurate and up to date
 - Data kept for specified and lawful purposes
 - Data kept safe and secure
 - Keep a register of data kept
 - On request, supply copy of data kept.
- (iii) Functions of the Data Protection Commissioner include:
- Responsible for supervising and monitoring the operation of the Act
 - Keep a register of data controllers and data processors
 - Use ‘enforcement notices’ to deal with people who breach the Act
 - Use ‘prohibition notices’ to stop data being transferred outside the state
 - Issue ‘information notices’ which force data controllers to provide information when requested
 - Report to the houses of the Oireachtas annually.

Question 5

- (A) Taxation forms (distinguish):

Form P21

Form P21 is known as a ‘balancing statement’. All PAYE taxpayers are entitled to request a Form P21 annually from the Inspector of Taxes. It is an end of year summary of an employee’s tax situation and contains all details of income, allowances and the calculations of the tax payable at the various rates for the year. Form P21 will indicate if an employee has overpaid or unpaid tax for the year. If an employee has overpaid tax, the Inspector of Taxes will issue a tax refund. If an employee has underpaid tax, the Inspector of Taxes will issue a tax demand.

Form P60

A P60 is issued by an employer to each of his/her employees at the end of each tax year. It is a certificate which shows details of gross pay, and tax and PRSI deductions made during the year. After 31 December each year, all PAYE taxpayers receive from their employers a Form P60 which has two parts. A PAYE taxpayer has a statutory right to this document and it is used as proof of income for various purposes, e.g. education grants.

(B) Taxation – Joan McCormack’s net annual take-home pay (calculate):

				€
Gross Salary				84,000
Tax				
34,000 @ 20%	6,800			
50,000 @ 41%	<u>20,500</u>			
Gross Tax		27,300		
- Tax Credits				
Single Person	1,760			
PAYE	<u>1,760</u>			
		<u>3,520</u>		
Tax to be paid			<u>23,780</u>	
PRSI (incl. health levy)				
48,800 @ 6%	2,928			
35,200 @ 2%	<u>704</u>			
PRSI to be paid			<u>3,632</u>	
Tax & PRSI to be paid				<u>27,412</u>
Net take-home pay (Annual)				56,588

(C) TQM

Term (explain):

TQM or Total Quality Management is a long-term focused effort to change all parts of an organisation to produce the best products or services for its customers. There are basically three principles to a TQM approach:

- Satisfying customer needs
- Providing top quality products and services
- Teamwork.

TQM of benefit to an organisation (describe):

- Quality of products
- Reduced costs
- Staff motivation
- Public image
- Customer satisfaction
- Productivity.

Question 6

(A) Product life cycle

(i) Stages in the product life cycle (explain with diagram):

- Introduction
- Growth
- Maturity
- Saturation
- Decline.

Diagram required with title, axes correctly labelled and stages in correct order

(ii) Implications for cash flow – **each** stage of the product life cycle (describe):

- Introduction – initially low sales
- Growth – sales grow rapidly
- Maturity – sales peak
- Saturation – sales slow
- Decline – little sales.

Implications for cash flow required for each stage

(B) Cash Flow Forecast

(i) Cash flow forecast prepared by Balden Ltd (why?):

- Measure the expected liquidity for July to September
- Identify problem areas/periods
- Plan for sources of finance
- Compare with previous forecasts
- Good cash management.

(ii) Financial issue in forecast

- July: Net Cash deficit of €10,000

How? – Increase Receipts, quicker collection of outstanding money from Debtors
– Arrange a short-term source of finance, e.g. bank overdraft.

(C) Liquidity Ratios

Two liquidity ratios (name):

- (i) Working Capital ratio
- (ii) Acid Test ratio.

(i) Working Capital ratio: Current Assets : Current Liabilities (2:1)

(ii) Acid Test ratio: Current Assets – Closing Stock : Current Liabilities (1:1)

Description of their respective benefits required

Question 7

(A) Four pricing policies (explain):

Pricing policies include:

- Strategic Pricing
- Cost Plus Pricing
- Market Share Pricing (Penetration Pricing)
- Premium Pricing.

Application of **one** pricing policy to a product required

(B) Marketing Plan

(i) What is a marketing plan? A marketing plan is a plan that organises a firm's policies relating to the elements of the marketing mix (4Ps) in order to best achieve a firm's overall objectives. It implements a firm's marketing strategy, and particular emphasis is placed on market segmentation and the needs of customers in different markets. A SWOT analysis should be carried out in advance of drawing up a marketing plan.

(ii) Role of marketing plan for a business

- Co-ordination of activities
- Targets/goals
- Raising finance
- Performance – monitored and controlled.

Evaluation of role required

(C) 'Niche market' (outline and illustrate):

A niche market is a specialist market which is especially suitable for the marketing of a particular type of product or service. It usually has only a certain small number of suppliers because of the specialist nature and requirements of the market. A niche market is identified through market segmentation, which can be by socio-economic class, geographical area, etc. Specialist markets are more common in times of economic prosperity.

An example of a niche market is the market for bridal shoes.

