

ABQ Past Paper Solutions And Marking Schemes 2011-2016**LC Business****Gavin Duffy****2011 Units 3,4,5**

- (A) Define Planning & Benefits of Planning
- (B) HRM Functions (Evaluation)
- (C) Market Research (Analyse Desk & Field)

2012 Units 4,5,6

- (A) Sources of Finance
- (B) Benefits to Local Economy of successful business
- (C) Promotion Techniques (Evaluation)

2013 Units 5,6,7

- (A) Stages in Developing a New Product / Service
- (B) Social Responsibilities
- (C) Global Marketing

2014 Units 1,2,3

- (A) What is an Entrepreneur
- (B) Elements of a Valid Contract
- (C) Management Control (Evaluation)

2015 Units 2,3,4

- (A) Enterprise Characteristics
- (B) Define Planning & SWOT analysis
- (C) Managing Change (Evaluation)

2016 Units 3,4,5

- (A) Management Skills
- (B) Sources of Finance & Cashflow Forecast
- (C) Merger (opportunity and threat) & Evaluate another way to expand

2017 Units 4,5,6**2018 Units 5,6,7****2019 Units 1,2,3****2020 Units 2,3,4**

How To Answer The ABQ

The ABQ always carries 80 marks, and students generally have about 40 minutes to answer the section. If not managed correctly, much longer can be spent on the question as students often put a higher value on it. This is a huge error made every year. Extra time spent here results in huge losses in marks towards the end of the paper when time runs out for the student.

The ABQ tries to give the students the answers to the questions with specifically placed links that students should be able to pick out. Generally all the links for a question are included in the same paragraph, but this isn't always the case. With this in mind, its worth remembering the ABQ isn't an open question for the student to write all they know about a topic.

The A1 ABQ Student

1. Will plan their answer before beginning. You should read the text and highlight the links to be used with each question. Plan a marking scheme so you have a better idea on how many points to give for each question. The trend has been for fewer, better developed points in recent years.

2. Will check the verb. Define means you just define the term. Almost all other verbs require you to link the text directly in your answer. Evaluate means you either evaluate each point or give one overall evaluation.

3. Will structure almost all answers the same:

-> State (Give a heading)

-> Explain / Theory (Give textbook knowledge relevant to the link)

-> Link (Give a "direct quote from the ABQ text" relevant to the theory)

Then depending on the question you could be asked to evaluate or recommend or give a benefit of etc... which could be given next.

4. Not write too much. A heading, then 2 points of relevant information /keywords, then a direct quote are enough for almost all ABQ questions. The best students will trust they've written enough and move on.

How to score well?

1. Links given must be quotations/phrases directly from the text, not just a reference to the text.

2. No marks are awarded for links without relevant business theory.

3. No marks are awarded for business theory unless theory is relevant to the ABQ (i.e. a link could be found in the ABQ for that point)

2011 ABQ - Unit 3,4 and 5**Clothes-4-Us Ltd**

Clothes-4-Us Ltd established its first retail store in Galway city in 1990. Its mission statement focuses on providing 'fashionable fast moving clothing' as well as 'value for money' for young fashion-conscious consumers. Its founder, Aoife Coyle, was determined from a very young age to become an entrepreneur and she chose the fashion industry because of her love of clothes. Under her guidance the business has expanded and now employs 600 staff in twenty retail stores located in prime sites throughout Ireland. The business continues to grow steadily. Strong performance in the Irish market and many years of profitability has encouraged Aoife to expand her successful business model into the UK clothing market. Monthly meetings are held to manage the growth and expansion of the business. Strategies have been put in place in the event of possible disruptions in the supply of essential stocks from global suppliers. Recently it was decided to undertake an advertising campaign on UK television to coincide with the opening of the company's first store in London's Oxford street.

Oliver Quinn, the Human Resource manager, has played a central role in the steady growth of Clothes-4-Us Ltd. He continues to effectively manage employee numbers. For the planned opening of the store in London, Oliver advertised job opportunities on the company's website and included an on-line application form. With increasing competition in the market coupled with recessionary times, Aoife and Oliver recognise the necessity to invest in staff training. A comprehensive induction programme is provided throughout the company and personnel from the Human Resource department meet employees annually to review their progress. Employees at Clothes-4-Us Ltd are well rewarded and there are opportunities for promotion for those who achieve their sales targets.

Aoife is concerned that the business may lose market share because of increased competition from rival 'copycat' fashion multiples. She has begun visiting the company's stores unannounced to monitor sales, employee behaviour and customer trends. In addition, the marketing department is carrying out regular consumer surveys. Fashion magazines with their coverage of the latest designer 'catwalk' fashion trends from Milan, Paris and London are closely monitored. The company's daily sales records and data from the Central Statistics Office (CSO) on market size and consumer expenditure patterns are continually analysed. Aoife believes that a renewed emphasis on its unique selling point (USP) of fashionable budget clothing, targeted at the young fashion-conscious consumer, will position Clothes-4-Us Ltd as the market leader. With this in mind the business has updated its slogan to "Affordable Fashion" which it will use for its advertising campaign in the UK market.

(A) (i) Define the management activity of 'planning'.
(ii) Illustrate how different types of planning benefit Clothes-4-Us Ltd. (20)
MS: (i) 6marks (3+3); (ii) 2@ 7 marks (2+3+2) (State + benefit /explanation + relevant link)

(i) 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.

(Question verb asked the student "define" – so define the term without any need to add key course content around the term)

(ii) **Mission Statement**

This is a visionary statement outlining who the business is, what the business does and where the business is going. It gives an insight to the stakeholders into what makes a business 'tick'.

Clothes-4-Us's Mission Statement emphasises 'fashionable fast moving clothing' as well as 'value for money'.

Strategic Planning

A Strategic Plan is usually drawn up by top management and it outlines how the long-term goals (usually more than 5 years) of the firm are to be achieved e.g. expansion.

Strategic planning benefits Clothes-4-Us Ltd because it prioritises long term objectives and encourages strategic thinking among senior management.

Aoife Coyle plans "to expand her successful business model into the UK clothing market".

Tactical Planning

This is short-term planning which breaks the strategic plan into shorter more manageable periods. They deal with the 'now' part of the plan. Generally drawn up by middle management.

They benefit Clothes-4-Us Ltd as it helps them eventually achieve their Strategic plan bit by bit using smaller plans.

'Monthly meetings are held to manage the growth and expansion of the business'

(B) Evaluate the effectiveness of the Human Resource department at Clothes-4-Us Ltd. (30)

MS: 3 Functions of HRD @ 9 marks each (3+3+3)+3 evaluation

Manpower Planning

This involves having the right people with the right skills in the right place at the right time throughout the business. It involves doing a human resource audit and estimating future human resource needs based on forecasting demand for the product.

'He continues to effectively manage employee numbers'.

Recruitment & Selection

Recruitment and selection is concerned with finding or attracting potential candidates with the appropriate skills and then picking the most suitable candidates for employment.

The Human resource manager must draw up a job description and person specification and then advertise the position.

The applicants must be screened (short-listed). Selection is usually by means of an interview process.

'Oliver advertised job opportunities on the company's website and included an on-line application form.'

Performance Appraisal

This is the process of evaluating the performances, progress, contribution and effectiveness of an employee. It ensures high performance standards in the business, leading to organisational success.

A meeting is held with the employees to review their progress and set targets for the future. Regular reviews are vital to the performance appraisal process.

'Personnel from the Human Resource department meet employees annually to review their progress.'

Evaluation: In my opinion, Oliver is doing a great job as HRM. He knows training staff is essential and getting them up to speed once they start with induction training is a great idea so they can be effective as quickly as possible. Regular appraisal and promotion opportunities offered by Oliver will really help to motivate the staff as well.

(C) (i) Explain the term 'Market Research'.
 (ii) Analyse how Desk and Field Research can contribute to the continued success of Clothes-4-Us Ltd. (30)
MS: 6 marks (3+3); 12marks (6+6) x 2 (+contribution to success)

(i) Market research is the systematic **gathering, recording and analysing of facts about some element of the marketing mix** in order to **identify and satisfy customer needs** in an **informed and effective** manner.

Reasons for market research include – finding out **information on the competition, identifying new opportunities and reducing risk.**

(ii) Desk research

Involves accessing information that has already been gathered (Secondary Research). Desk research is relatively **cheap** as the work has already been done e.g. you don't have to pay to carry out a survey, which helps keep costs down, thereby ensuring a **competitive business.**

Different types of desk research include the **internet, internal sales reports, trade reports, Central Statistics Office publications, newspapers** etc.

Contribution: The daily sales records of Clothes-4-Us Ltd would indicate if consumer spending patterns have changed and the CSO could provide trends in population details of towns (i.e. age, sex, family structure etc.) where new Clothes-4-Us Ltd branches could be set up.

'The company's daily sales records and data from the Central Statistics Office (CSO)' on market size and consumer expenditure patterns are continually analysed'.

Field research

Field research involves going into the marketplace to **gather first-hand** business information. It is **primary research** carried out by making **direct contact** with customers.

It tends to be **expensive** and **time consuming** but provides **specific** information on the target consumer behaviour.

Methods: surveys, observation, questionnaires, customer panels.

Contribution: Field research in Clothes-4-Us Ltd ascertains attitudes and opinions of its customers and they can make **specific changes** to their **stores/products/staff based on the feedback received.**

"The marketing department is carrying out regular consumer surveys."

2012 ABQ - Unit 4, 5 and 6 Riverport Indoor Market (RIM) Ltd

Riverport is a scenic town in the West of Ireland. In 2009, a large multinational company, the town's biggest employer, closed down. This loss motivated a group of enthusiastic local residents and business people to do something to revive their local community. They saw the multinational's empty factory warehouse as a potential resource and believed its location, easy access and ample parking would assist local development projects. They consulted widely gathering information from as many local interests as possible.

Arising from the consultation process, local farmers, producers and crafts people identified the provision of an indoor farmers' market as being a unique opportunity to sell their produce directly to the consumer. A small group of local business people formed a private limited company, Riverport Indoor Market (RIM) Ltd. It set about identifying the financing options available to purchase the factory warehouse for the agreed price of €400,000. An additional €50,000 was required to refurbish the warehouse into 50 stall units, which could then be rented out to farmers and crafts people. The stallholders had to initially purchase a transport vehicle, equip their stall and pay the agreed stall rent of €50 a day to RIM Ltd. On an ongoing basis, the stallholders would have to manage cash flow effectively and control essential costs such as raw materials, stock, transport operating costs, wages, and insurance.

The farmers' market proved a major success. At the end of its second year the number of stallholders had increased from its original 7 to 30. Due to the increasing numbers visiting the market, RIM Ltd was able to lease out units within the warehouse to an indoor children's play and activity centre, and a car valeting centre. Many local services in Riverport such as B&Bs, restaurants and petrol stations reported increased year-end profits. The market provided opportunities for locals and visitors to meet informally and interact with each other. The local town council donated a nearby green area for the construction of a public park.

Given that many of the new stallholders travel from neighbouring counties, there are plans now to promote RIM Ltd as a regional market, serving the Connacht area. RIM Ltd has developed an interactive website which includes a video clip capturing a day in the life of the market. This website has impressed tour operators so much that they have included the market as part of their visitor tour route. Sales representatives from RIM Ltd use mobile display booths within the region to attract visitors to the area. In addition RIM Ltd run monthly competitions to win a prize of a weekend break in Riverport. RIM Ltd continues to build on its good relationship with the local community by providing financial support to the local GAA club, in return for having the RIM brand name and logo appear on the club's jersey.

(A) Identify and describe the most appropriate sources of finance to meet the needs of (i) RIM Ltd (ii) Individual stallholders.

MS: S-T, M-T, L-T 7m(2+3+2) x 2 + 6m (2+2+2)

(Sources of Finance almost always refers to S-T,M-T,L-T)

(i) Long Term Finance - Equity Capital

Equity Capital is raised by a business by **selling ordinary shares** in the business to investors (called **shareholders**) in return for **control** in the business (**votes at the AGM**) plus annual returns called **dividends**. This would mean **no security or set repayments** would be required by the business (RIM Ltd)

RIM Ltd is a Private limited company so could issue shares to "purchase the factory warehouse for the agreed price of €400,000"

(ii) Medium Term Finance - Hire Purchase

This is a method of finance that would allow the individual stallholders to purchase an **asset** such as a **transport vehicle** over a five year period or less. The stallholder will get **immediate possession** of the transport vehicle, however, **ownership doesn't transfer until the last instalment is made**.

HP is an **expensive** source of finance. **No security is required** but the HP Co. may **repossess the asset** if there is a **default** in repayments.

RIM Ltd could use hire purchase to "purchase a transport vehicle"

Short Term Finance - Bank Overdraft

This is a facility offered by a bank that allows **current account holders** to **withdraw more money from their account than they actually have in it**. **Interest** is charged on the outstanding balance on a daily basis and it can become very expensive if used too frequently.

The individual stallholders could use their overdraft facility to "manage cash flow effectively and control essential costs such as raw materials, stock, transport operating costs, wages and insurance".

(B) Discuss the benefits for the local community, arising from the success of RIM Ltd.

MS: 3@ 10 marks (3+4+3) (Name, Explain, Link)

(Benefits for the local economy should always have at least one social and one economic benefit – students usually omit social!)

Economic Benefit - Direct Employment

Jobs are directly created in the community reducing unemployment when a business sets up in an area. This creates jobs, reducing unemployment in the area and giving employees **more income** to purchase **local goods**.

“At the end of its second year the number of stallholders had increased from its original 7 to 30.”

Economic Benefit - Spin-off Employment

With increased employment and **increased visitor numbers** more income is being spent in the community increasing **spin-off jobs** in the retail and **services businesses** like restaurants and hotels/B&Bs.

“Many local services in Riverport such as B&Bs, restaurants and petrol stations reported increased year-end profits.”

Economic Benefit - Enterprise Culture

New enterprise is encouraged and promoted. Other new businesses (“Start-ups”) have set up in the market as **confidence grows** from the success of RIM Ltd is shown to the community. **Profits will motivate others to become entrepreneurs.**

“...Lease out units within the warehouse to an indoor children’s play and activity centre and a car valeting centre.”

Social Benefit - Community spirit/ Sense of pride

A new and successful business will facilitate an improvement in community **spirit and social interaction** between the different **community stakeholders**. With prosperity comes a sense of pride in the community which should help the **town’s appearance and amenities improve** as people have a new found sense of belonging to their area.

“The market provided opportunities for locals and visitors to meet informally and interact with each other”

(C) Evaluate the promotional techniques undertaken by RIM Ltd.
MS: 3 @ 9 marks (2+4+3) (Name, Explain, Link) + 3 evaluation

Advertising

Advertising is the **communication of information** to a target market using the advertising media such as **social media, magazines, posters, radio, TV, Cinema, Internet.**

Advertising **awakens the public's interest and persuades** them to purchase goods.

Advertising can be **persuasive, competitive, generic and informative.**

"RIM Ltd has developed an interactive web site which includes a video clip capturing a day in the life of the market".

Personal Selling

This occurs when a salesperson is in **direct contact** with the customer and tries to **verbally persuade customers** to buy a product or service.

Sales representatives must have **good personal and communications skills**, and a **detailed knowledge** of the product or service being sold.

They provide **feedback** to the company on **customers' reactions.**

Usually used with **higher technological goods or expensive goods** e.g. cars, phones.

"Sales representatives from RIM Ltd use mobile display booths within the region to attract visitors to the area."

Sales Promotion

Sales promotion involves the use of **short term gimmicks** to encourage purchase. It is great to attract new customers or to get people to try out a new product when it is launched.

Forms of sales promotion include **2 for 1, coupons, vouchers, loyalty cards, free samples, banded offers, competitions** etc.

"RIM Ltd runs monthly competitions to win a prize of a weekend break in Riverport."

Evaluation: In my opinion, RIM Ltd. do a great job with promotional techniques. In a small community like theirs, public relations is very important so sponsoring the local GAA club is a great idea as many locals will be involved and feel very grateful to them for the financial support which may make them support RIM in turn.

2013 ABQ - Unit 5, 6 and 7 - GALAXY GAMES LTD

Galaxy Games Ltd is a small indigenous company, operating in the new gaming technology sector. It was founded by two college graduates, David Whelan and Jane Ward. David is a software engineer and a web architect while Jane is a marketing graduate. Their design team recently identified some ideas for new games in action-adventure, music, and e-learning.

After reviewing the various ideas put forward, 'Knights' Domain', a new action-adventure game that involved building a fantasy kingdom, was chosen. The design team decided to use Irish music and cutting-edge graphics to set the game apart. Jane completed a business report, including a detailed break-even analysis, to determine the potential of 'Knights' Domain'. Following on from this report, the design team introduced more challenging levels to the game and added more 3D graphics. The game was introduced to a group of transition year students from a local secondary school, who commented positively on the different levels and on its distinctive graphics. The product 'Knights' Domain' was launched in various games stores with an advertising campaign accompanying the launch.

Social responsibility is a key element in Galaxy Games' corporate business plan. Funding was invested in supporting the development of a highly skilled customer service department. Galaxy Games Ltd attracts and retains high quality, creative employees. A major European venture capital firm has invested €1.5 million in the company to date. Galaxy Games Ltd maintains good relationships with its suppliers, many of whom have continued a business relationship with the company since its establishment. When choosing a suitable business premises, David and Jane prioritised energy efficiency.

As a result of Ireland's growing international reputation in the gaming technology sector and Galaxy Games' successful company presentation at the '2012 Dublin Web Summit', the company became a target for acquisition. In January 2013 it was taken over by BizzBuzz, a US global gaming company and a market leader in the industry. BizzBuzz implements a global approach to marketing its games. All games are available in ten different languages. Prices per game are set taking account of competitor prices and various economies of scale. Recent developments in technology enable BizzBuzz to distribute its games worldwide through download from the internet to laptops, smartphones and tablets. BizzBuzz is a globally recognised brand name and uses the slogan 'A new game every day' on its website.

(A) Outline the stages involved in the product development process of 'Knights' Domain' for Galaxy Games Ltd.
MS: 5 stages @ 6 marks (2+2+2) (Stages must be given in order)

Idea Generation

Ideas may be generated by **brainstorming sessions, market research, staff suggestions, customer suggestions/feedback on existing products or services, competitors, R&D etc.**

"Their design team recently identified some ideas for new games in action-adventure, music, and e-learning."

Product Screening

All ideas are **vetted** using a **SWOT (Strengths, Weaknesses, Opportunities & Threats) Analysis** and the **unworkable ideas are dropped**, leaving the most **viable** ones for further examination and development.

"After reviewing the various ideas put forward, 'Knights' Domain' a new action-adventure game that involved building a fantasy kingdom, was chosen."

Concept Development

Going from an idea in to an actual product or service that will appeal to the needs of customers. A **unique selling point (USP)** is identified which will differentiate it in the market, and the product's **design, shape, function, form** is worked on.

"The design team decided to use Irish music and cutting-edge graphics to set the game apart."

Feasibility Study

This is carried out to **assess** if a product has **commercial potential** and to check if it is a **viable product** to make.

It looks at whether it can be produced **technically (production feasibility)** and if it will be **profitable (financial feasibility)** and this stage can include a **break-even chart**.

"Jane completed a business report, including a detailed break-even analysis, to determine the potential of 'Knights' Domain'."

Prototype Development

This stage involves **developing a sample or model of a product**. It is produced to see what **materials are required** to make it and if it **appeals**

to customers. It can be used to determine what **adjustments** can be made before deciding to go into full production.

“Following on from this report, the design team introduced more challenging levels to the game and added more 3D graphics.”

Test Marketing

The product is tested on a **small sample of potential consumers** before going into full production to determine customer satisfaction with the product.

“The game was introduced to a group of transition year students from a local secondary school, who commented positively on the different levels and on its distinctive graphics.”

Production and Launch

The product is put into **full-scale production (Job, Batch or Mass)** and introduced to the market. The business will select a suitable **marketing strategy to persuade consumers** to buy the product.

“The product ‘Knights’ Domain’ was launched in various games stores with an advertising campaign accompanying the launch.”

(B) Discuss the social responsibilities of Galaxy Games Ltd to its stakeholders.

MS: 4 Stakeholders@ 5m (1+3+1) (State, Explain, Direct Link)

Social Responsibilities to Investors/Shareholders

A business should act in accordance with its **Memorandum and Articles of Association**, provide a **fair return** on the investment by shareholders and avoid **excessive payments to senior management / directors**.

“A major European venture capital firm has invested €1.5million in the company to date.”

Social Responsibility to Customers

A business should only engage in **fair and honest advertising** of its product, **abide by EU health and safety regulations** for products; and **charge a fair price / not abuse their market position**.

“Funding was invested in supporting the development of a highly skilled customer service department.”

Social Responsibility to Employees

Adhere to Employment Law, Health and Safety Regulations etc.

Pay a fair wage (above minimum wage – some companies pay a ‘living wage’ in Ireland like Lidl) to all employees, provide a **safe working environment** and treat employees with **dignity and respect** (engage in **no discrimination**).

“Galaxy Games Ltd attracts and retains high quality, creative employees.”

Social Responsibility to General Public/Community

A business should be **environmentally conscious** and to implement **environmentally friendly business practices**. They should co-operate with government offices e.g. **EPA (Environmental Protection Agency)** Efforts should be made to use **recyclable packaging**, **clean manufacturing** and engage in **sustainable development practises**.
“When choosing a suitable business premises, David and Jane prioritised energy efficiency.”

Social Responsibility to Suppliers

Follow **tendering procedures** where applicable, treat all **suppliers** fairly by paying amounts agreed **within timeframe** agreed and not **abusing credit terms**.

“Galaxy Games Ltd maintains good relationships with its suppliers, many of whom have continued a business relationship with the company since its establishment.”

(C) Evaluate the global marketing mix of BizzBuzz.

MS: 2 elements @ 7m (2+3 (2+1) + 2) and 2 elements @ 6m (1+3 (2+1) + 2) and evaluation 4m (2+2)

Global Product

Global businesses aim to sell an **undifferentiated product** in all markets. They aim to develop a **unique selling point** for their products and a **global brand name and logo** recognized globally e.g. Nike, McDonalds. However, the product may need to be **adjusted to reflect technical, legal and language requirements** e.g. a left hand drive car; McDonalds beef burgers in India...

“All games are available in ten different languages.”

Global Price

Global firms attempt to achieve a uniform price in each market.

However, trying to sell at the same price worldwide is difficult. There will be differences in **cost of living** in different countries, **transport** and **distribution** and also different **taxes/tariffs/custom duties** that will effect

the selling price. Also **local competitors prices** will vary widely between markets.

“Prices per game are set taking account of competitor prices and various economies of scale.”

Global Place

Different global channels of distribution include: **Selling directly to customers, the use of local agents or forming a strategic alliance with a foreign company** to produce and/or market products.

Global channels of distribution for physical goods tend to be **longer** involving more **intermediaries** such as **exporters and agents**.

The nature of the Bizzbuzz product portfolio makes a direct channel of distribution appropriate.

“Recent developments in technology enable BizzBuzz to distribute its games worldwide through download from the internet to laptops, smartphones and tablets.”

Global Promotion

Differences in **legislation, language and culture** need to be **recognised** in the choice of advertising / sales promotions / social media used.

Internet advertising on **social media sites, TV and radio advertising** of the BizzBuzz website and **international trade fairs** would be suitable methods of promoting the Bizzbuzz **brand, logo and slogan** globally.

“BizzBuzz is a globally recognised brand name and uses the slogan ‘A new game every day’ on its website.”

Evaluation: In my opinion, Bizzbuzz’s global marketing mix is excellent, their slogan ‘A new game every day’ is very **catchy**, the **ease of purchase** being able to download from different platforms should help boost sales, and they seem to **appeal to lots of markets** by being able to offer the game in ten different languages.

2014 ABQ - Unit 1, 2 and 3 - Atlantic Surf

Shay Doherty, a native of Summerstown, is the owner of *Atlantic Surf*, a surfing school located on the seafront at Summerstown Beach in County Donegal. In 2008 Shay was enjoying life in Australia and perfecting his big wave surfing skills when he read an article in the 'National Geographic' describing the quality of the giant waves surfers were experiencing along the west coast of Ireland. Inspired by the article and having always wanted to have his own business he decided to return home from Australia in 2008 to set up *Atlantic Surf*. Having tried and failed in business in the past Shay realised that he needed to carry out some market research and get assistance with this venture. Shay contacted the Irish Surfing Association (ISA) and received valuable advice on health and safety legislation, on how to network and on the importance of having a web presence. He prepared a business plan and received a business start-up grant of €10,000 from Donegal County Enterprise Board. He used the grant together with €30,000 he had saved while working in Australia to establish *Atlantic Surf*, an ISA approved surfing school.

From the outset Shay understood that location would be a key factor driving business success. While researching property sites he spotted a suitable retail premises located on the seafront at Summerstown. The property was advertised as being available for immediate use for an annual rent of €10,000. Given the economic climate at the time and the collapse in property prices in Summerstown, Shay believed that a better deal could be agreed. He telephoned the landlord and suggested a more realistic price of €7,500. This price was rejected and both parties entered into negotiations with the objective of concluding a legal contract. In April 2009, just before celebrating his twenty-eighth birthday, Shay was delighted when the landlord said yes to an annual rent of €8,000. Shay secured the premises and paid €8,000 to the landlord. The necessary documentation for the rental was signed in the solicitor's office in time for the busy summer surfing season.

Shay decided to open a 'one stop surf shop' in the rented premises and appointed Karen, a champion surfer, as its manager. The shop sells high quality stock including wetsuits, surfboards, kite surfing equipment and *Atlantic Surf* branded beach clothing. In addition, it rents out wetsuits and surfboards. From the beginning, Karen adopted a cash sales only policy with customers and negotiated a 30 day credit period with suppliers. While very pleased with the high stock turnover of the *Atlantic Surf* branded beach clothing, she had some concerns because the annual stocktake revealed a high level of kite surfing equipment still unsold. To assist with cash flow, Karen decided to use the website to highlight offers such as *6 surfing lessons for the price of 5* if payment is made in advance. Karen believes quality development is key to business success and she is hoping to apply for Quality Standard Certification in the near future.

(A) Illustrate what it means to be an entrepreneur with reference to *Atlantic Surf*.

MS: 3 explanations, 2@ 7m (3+1+3), 1@ 6m (3+1+2)

Resilient

Entrepreneurs are **not easily put off by failure or setbacks**.

They often have a strong sense of **self-belief** and **conviction** about their own business ideas. Shay had tried and failed at business in the past, but he didn't let that put him off trying again when he had belief in a new idea.

"Having tried and failed in business in the past. '...he decided to return home from Australia in 2008 to set up Atlantic Surf."

Risk Taker

Being an entrepreneur involves taking both **personal and financial risk** in pursuit of a business idea.

Successful entrepreneurs are willing to take a chance on their ideas knowing that they can lose their investment if it goes wrong. They are realistic risk takers.

"He (Shay) used ... €30,000 he had saved while working in Australia to establish Atlantic Surf."

Initiative/Innovative

Shay showed **initiative** by bringing his surfing experience back to Ireland to take advantage of Ireland's growing reputation for quality waves.

Shay saw a gap in the market and an opportunity presenting itself in the **growing interest** in surfing along the west coast of Ireland, and came up with a new type of shop that would fit a niche market.

"Inspired by the article.....he decided to return home from Australia in 2008 to set up Atlantic Surf."

(B) 'For a contract to be legally enforceable certain essential elements must exist.'

Discuss this statement with reference to the rental of the premises by Shay Doherty for *Atlantic Surf*.

MS: 2@8m (3+3+2) 2@7 (3+2+2) (Name, Theory, Link)

Agreement

This is **both offer and acceptance**. For agreement to exist there must be a **clear, complete and unconditional** offer and an **acceptance of that offer** without changes. The offer can be made **orally, in writing, or by conduct**.

Acceptance is agreeing to the offer **without any changes** (i.e. making a counter-offer).

"Shay was delighted when the landlord said yes to an annual rent of €8,000."

Legality of form

Certain contracts, to be **legally valid**, must be **drawn up** in a particular manner e.g. **be in writing**.

These include: **Insurance policies, Hire Purchase agreements, the sale of property, consumer credit and bank loans**.

"The necessary documentation for the rental was signed in the solicitor's office."

Consideration

Each party in a contract **must exchange something of real value** to the other party. Consideration is usually a **monetary payment** but it could also be something valuable exchanged as part of the contract.

"Shay secured the premises and paid €8,000 to the landlord."

Capacity to contract

All natural persons and limited companies, have the **legal right and legal ability** to enter freely into a contract.

The following generally do not have the capacity to contract:

Infants; those under the influence of drink or drugs; Insane persons; Bankrupt persons; Directors acting Ultra Vires.

"In April 2009, just before celebrating his twenty-eighth birthday..."

(C) Evaluate the effectiveness of the systems of management control in operation at *Atlantic Surf*.

MS: 3@ 10m (3+4+2+1) (Name, Theory, Link, Evaluation)

Credit Control

Credit Control means controlling the **amount of credit** and **length of payment periods** given to customers.

It involves trying to **reduce bad debts** by checking **credit worthiness** of customers, setting **credit limits**, and **penalties for late payments**.

"From the beginning Karen adopted a cash sales only policy with customers."

Evaluation: In my opinion Karen's approach will **improve liquidity** with cash paid up front, making it easier for them to pay off short term debts.

Stock Control

Having the right amount of stock, in the right place, at the right time to **meet production requirements** and **satisfy consumer demand** (**optimum stock levels**).

Stock control can achieve efficiencies by eliminating the costs associated with **carrying too much** (storage and insurance costs) or **too little stock** (production stoppages due to a lack of raw materials), and **lost sales orders** because of a lack of finished goods for sale.

"She had some concerns because the annual stock take revealed a high level of kite surfing equipment still unsold."

Evaluation: In my opinion Atlantic Surf need to be very careful with the **leftover stock** as it can go **out of fashion** and then it will have to be **sold off at a loss** to get rid of it.

Quality Control

Quality control is concerned with checking work done to ensure it meets the **required quality standards** of the business.

It could involve **physical inspections**, **quality circles**.

As part of a quality control system Atlantic Surf may achieve a quality control symbol such as an **ISO 9000 award**. This symbol may be recognised worldwide, helping their marketing of products internationally.

"Karen believes quality development is key to business success and she is hoping to apply for Quality Standard Certification in the near future."

Evaluation: I think this is great for the shop as displaying a quality certification sign for consumers will increase their **trust** of Atlantic Surf.

2015 ABQ - Unit 2, 3 and 4 - Harte Shoes Ltd

Harte Shoes Ltd is a small family run manufacturing business, located in Monaghan, which has operated in the highly competitive footwear industry since the 1970s. At its peak the company employed highly skilled shoe makers and a very effective sales team. Martin Harte, the owner, began to realise that the centuries-old footwear industry was in decline, largely as a result of cheaper imports from manufacturers in Eastern Europe. He decided to review the company's corporate strategy in order to make his company viable in the future.

His solution was based on the ever increasing popularity of Irish dance worldwide. The outstanding success of productions such as *Riverdance*, *Lord of the Dance* and the popularity of competitions such as the Irish Dance World Championships have seen a global increase in the numbers of girls and boys learning Irish dancing. Martin's goal was to create a range of soft and hard dance shoes, using the finest and most durable leather, and so well engineered that they would provide protection and comfort for Irish dancers worldwide.

He sought the assistance of Enterprise Ireland's 'Get Export Ready' scheme. Enterprise Ireland appointed Christine Landers, a Development Adviser, to Harte Shoes Ltd and she carried out a SWOT analysis. From this, it was clear that Harte Shoes Ltd had manufacturing expertise and that growing markets exist in the UK, America and Australia due to the global popularity of Irish dancing. However, she noted the lack of a computer aided design system (CAD) to assist with the production of shoes, especially in light of the fact that competitors from Eastern Europe had invested heavily in Information and Communications Technology (ICT). She also noted the absence of a quality website to facilitate online selling.

Martin discussed the SWOT analysis with existing employees and at that meeting a way forward was agreed. Martin invested a further €50,000 into the business to be used for modernising plant and equipment. Grant aid received from Enterprise Ireland was used for a new computer aided design system (CAD) and a website was established to showcase the new brand and to get orders from clients. Employees were given the required training and development through up-skilling courses organised by the company. Significant productivity improvements were achieved by introducing bonus shares for employees and offering a fair redundancy scheme. Martin was delighted with the innovative approach adopted by the design team in creating a range of quality hard and soft dance shoes. He welcomed their suggestions on the technical aspects of manufacturing hard dance shoes which included fibreglass heels and toes to increase the clicking sound, so important to Irish dance. His team developed a newly patented production technique enabling them to produce a dance shoe that is the lightest and loudest in the marketplace.

(A) Do you think that Martin Harte displayed enterprising skills/ characteristics? Explain your answer with reference to the text of the ABQ.
MS: Yes = 2; 3 @ 6m (2+2+2) (Name, Explain/Theory, Link)

Yes

Innovative

Entrepreneurs are **creative** and good at **coming up with new ideas** and better ways of doing things. They constantly look for new ideas and ways of **improving** what they do, thinking **outside the box** to develop new products or new/improved versions of existing products.

"His solution was based on the ever increasing popularity of Irish Dance worldwide".

Initiative

Martin showed he was capable of **exploiting opportunity at the right time** by bringing his footwear manufacturing expertise into the growing Irish Dancing market. He saw an **opportunity presenting** itself (a niche market) for Irish dancing shoes and he **exploited it**.

"Martin's goal was to create a range of soft and hard dance shoes, using the finest and most durable leather and so well engineered that they would provide protection and comfort for Irish Dancers worldwide."

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, able to assess the **risk to reward** ratio well.

"Martin invested a further €50,000 into the business to be used for modernising plant and equipment."

(B) (i) Define the management activity of *planning*.
(ii) Explain the elements of a SWOT analysis and conduct the SWOT prepared by Christine Landers.
MS: 6m (3+3); 4 @ 6m (2+2+2) (Name, Explain/Theory, Link)

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.

Strengths

Internal aspects of a business that they are good at or **successful** at, or certain **resources** they have, any of which that can be developed into a **competitive advantage** for the business.

Examples: **Strong brand/ good market share/ an excellent employee/ copyright** of a certain **design** or recipe.

“...highly skilled shoe makers and a very effective sales team”

Weaknesses

Internal aspects of a business which are **underdeveloped** or **lacking** and could **damage** the **future success** of the business.

Examples: **Poor credit control/ obsolete technologies/ weak management / outdated machinery/ inadequate R&D.**

“absence of a quality website to facilitate online selling.”

Opportunities

External factors that have the ability to benefit the business.

Examples: **Falling exchange rate/ consumer demand/strong economy.**

“...growing markets exist in the UK, America and Australia due to the global popularity of Irish dancing.”

Threats

External factors that could have a **negative impact** on a business.

Examples: **A change in EU regulations/ recession / shortage of raw materials/ changing market tastes.**

“...that competitors from Eastern Europe had invested heavily in Information and Communications Technology (ICT).”

(C) Evaluate the effectiveness of the approach taken by Martin to help Harte Shoes Ltd adapt to change.

MS: 3 @ 10m (3+3+3+1) (Identify, Explain, Link, Evaluate)

Communication

Communicating change to employees should be **honest** and **open**, management should explain the **benefits** of the changes and the **consequences** of **not taking** any action to ensure the **survival** of the firm. This will reduce **uncertainty** and **tensions** among employees.

"He welcomed their suggestions on the technical aspects of manufacturing hard dance shoes..."

Evaluation: In my opinion, Martin is very **inclusive** and **consults** his staff before change, which will make staff more **assured** and **trusting**.

Lead By Example

Management should be **totally committed** to creating a business that **welcomes change** and looks to develop a culture of change. They should look to **act first** to **show employees** they are committed to the process.

"He decided to review the company's corporate strategy in order to make his company viable in the future."

Evaluation: In my opinion, showing staff that he will change the corporate structure shows that he's committed to change throughout the business.

Training and Development

Staff must be trained in the **management** and **use** of **new technologies** and systems so that they will be able to **adapt** to the changes and **excel** at them when they are introduced, achieving efficiencies for the business.

"Employees were given the required training and development through up-skilling courses organised by the company."

Evaluation: In my opinion

Other: Changing Controller -> Facilitator; Rewarding Staff; Empowerment; TQM; Adequate Funding;

2016 ABQ - Unit 3, 4 and 5 - Digibrand

Ryan Cullen studied Marketing, Innovation and Technology as part of his degree at Dublin City University (DCU). In his third year of study, he set up Digibrand, a digital marketing agency developing marketing campaigns for businesses, using various forms of digital and electronic media such as internet, Facebook, and Twitter to reach consumers. Initially Ryan carried on his business in TechSpace, a co-working office space in a building in Dublin. Ten other like-minded tech entrepreneurs shared the office space each paying €300 a desk per month. Ryan had instant and affordable access to facilities such as high speed broadband, security and meeting rooms.

In the second year of business, Ryan obtained more projects than he could handle, so he teamed up with two classmates, Jane McDaid and Mark Reilly. Ryan offered them a percentage commission on each project they worked on and he consistently praised the high standard of their work. Decisions were made democratically. Ryan actively encouraged their suggestions on designs and always obtained their point of view before finalising a website design, marketing content for social media or a logo for clients in different industry sectors. In the evenings after college Ryan used Skype to share opinions with the team, and used email to send design and graphics between each member of the team. Ryan gave responsibility for a major project to Jane, as he believed she had the potential to create a very innovative marketing campaign. Upon graduation, Ryan decided to completely focus on the business and Jane and Mark began working for him full time.

Digibrand was gaining more clients. Ryan needed to relocate as he wished to expand his office space and build the business. He researched renting an office in a business park rather than buying a premises. He discovered he would need finance to pay three months' rent in advance, and he would need equipment and office furniture. Like most new start-ups cash was scarce and Ryan wished to avoid huge debt. He had to ensure that he managed his working capital. He had to work hard at getting paid quickly for work carried out for clients to ensure he could pay wages and various day-to-day expenses. Profits were increasing by an average of 20% annually and Ryan reinvested them in the business.

After four years in business, Ryan remained very passionate about Digibrand, which had built up a strong client base in Ireland. Ryan was keen to keep up this pace and momentum. He continued to avail of various supports, including Enterprise Ireland's grant scheme towards R&D costs. At the Dublin Web Summit 2015 Ryan was approached by MediaMania, a leading London-based digital marketing agency which focuses exclusively on the retail sector in the UK. MediaMania is planning to expand its business outside the UK and is interested in merging with Digibrand. Ryan was unsure of the consequences of merging with another business at this stage, so he held a meeting with Jane and Mark to find out their views on the offer.

(A) Ryan Cullen has developed effective management skills. Would you agree with this statement? Outline reasons for your answer, with reference to the text of the ABQ.

MS:

To be added...

(B) (i) Identify and describe the most appropriate sources of finance for Digibrand's relocation.

(Refer to short, medium and long term sources of finance in your answer.)

(ii) Outline the importance of preparing a cashflow forecast for Digibrand.

MS:

To be added...

(C) (i) Discuss **one** possible opportunity and **one** possible threat for Digibrand of **merging** with MediaMania.

(ii) Evaluate **one** other method which Ryan could consider to grow his business.

MS:

To be added...