

The Business Guys

November Newsletter

LC Business

ABQ Focus – Unit 4

This newsletter will look back at what has been previously asked when Unit 4 appeared on the ABQ. The markings schemes used and sample H1 answers are given for each Unit 4 section.

*Send on any feedback and suggestions for future newsletters to **gavin@thebusinessguys.ie***

Unit Summary & Previous ABQ Topics for Unit 4

Chapter 9 - Human Resource Management

(Function: Manpower Planning, Recruitment & Selection, Training & Development, Performance Appraisal, Pay & Rewards Employer/Employee Relations)

Chapter 10 – Change

(Changing role of manager; Employee Empowerment; Teamwork; Total Quality Management; Impact of Technology; Strategies for Managing Change)

Chapter 11 – Accounting

(Ratio Analysis – Profitability, Liquidity, Debt/Equity)

Chapter 12 – Insurance and Tax

(Insurance: Risk Management; Principles (Utmost Good Faith, Insurable Interest, Indemnity, Contribution, Subrogation; Premiums; Business vs Household. Tax: Household/Business types; Effects of Tax)

Chapter 13 - Finance

(Budgeting/Cash Flow Forecasts; Sources of Finance – Short, Medium and Long Term; Qualifying for a Loan; Business vs Household)

2010 Units 2,3,4

(B) Impact of Investment in Technology

2011 Units 3,4,5

(B) HRM Functions (Evaluation)

2012 Units 4,5,6

(A) Sources of Finance

2015 Units 2,3,4

(C) Managing Change (Evaluation)

2016 Units 3,4,5

(B) Sources of Finance & Cashflow Forecast

2010 ABQ - Castlewest Hotel and Conference Centre

Independent online reviews of the hotel continue to compliment the very helpful and friendly staff. The hotel was totally refurbished and extended to include a state-of-the-art Conference Centre in 2005.

A significant investment in Information and Communications Technology (ICT) has taken place within the hotel in recent years. The Marketing Manager, Pat Butler, redesigned the website to include an on-line booking facility, which also provides a customer database. Complimentary Wi-Fi (internet access) is available throughout the hotel, while the Conference Centre is equipped with the latest video and audio conferencing facilities. Technology is also used in the day-to-day operations of the hotel, from stock ordering to managing the hotel's accounts.

(B) Discuss the impact that investment in technology has had on Castlewest Hotel and Conference Centre. Refer to the above text in your answer.
MS: 3 @ 10 marks each (4+4+2) Name, Impact, Link (Separate link for each impact)

Marketing

Technology allows access to a large potential market of customers from all over the world at a very low cost. Websites can be used to advertise products and services and to sell them on line, and social networking can be used to reach a business' target market very cheaply. Websites like tripadvisor give firms good PR and allow them to interact with their customers.

"Online reviews of the hotel continue to complement the very helpful and friendly staff" Castlewest can use this to help market their business online.

Competitive Advantage

Technology can be used to keep the business up-to-date with the latest trends in the market. This means the target market is increased to include a new section of customers E.g. Business clients may want good meeting facilities. Introducing new technology ahead of competitors can be a USP for hotels and other businesses.

“Complimentary Wi-Fi is available throughout the hotel, while the conference centre is equipped with the latest video and conferencing facilities.” giving Castlewest the edge on rivals

Training

Investment in technology will also require adequate staff training to ensure that the staff has the necessary skills and knowledge to use the technology. This will help staff throughout the organisation to get the best use out of the technology in every aspects of the firms work

Technology is used in the day –to- day operation of the hotel “from stock ordering to managing the hotels accounts” so staff will need to be trained costing Castlewest time and money.

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2011 ABQ - Clothes-4-Us Ltd

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.

(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.

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2012 ABQ - 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.

(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 $7m(2+3+2) \times 2 + 6m(2+2+2)$

(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".

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2015 ABQ - Harte Shoes Ltd

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

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.

(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, investing in training is vital in this day and age of rapidly evolving technologies and processes, and this will give staff confidence needed to adapt to change.

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

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2016 ABQ - Digibrand

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.

(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: 3 x 8 marks (3m (name + correct source) +3m(2+1)+ 2m(Link))

(ii) Importance of preparing C/F forecast. 6m (3m(2+1) +3m(Link))

Short term finance: Bank overdraft

A Bank overdraft is a common source of finance for small businesses.

It is a facility that allows the business to 'overdraw' on their business current account. The length of time that account is 'overdrawn' has to be negotiated with the bank.

The advantage is that the business only needs to borrow when and as much as it needs.

A high rate of interest and a facility fee are attached to an overdraft and the bank can insist in being repaid quickly. It can be used as a form of working capital to aid in the day-to-day running of the business.

"He discovered he would need finance to pay three months' rent in advance."

Medium term: Hire-Purchase

HP involves buying assets over a period of time. A deposit is paid at the beginning, followed by equal instalments and a final payment, after which the buyer now owns the asset.

Interest is extremely high, no security is required, however, the assets may be seized if there is a default in repayments.

“...he would need (to invest in) equipment and office furniture”
Long term: Reserves

The profits of the business can be ploughed back into the business to help it grow.

The advantage of re-invested profits is that it does not have an associated cost.

The disadvantage is that it may be limited so could constrain the rate of business expansion.

“Profits were increasing by an average of 20% annually and Ryan reinvested them in the business.”

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