Chapter 1
Stakeholders; Relationships; Contract (Elements, Termination, Remedies)

Unit 1 – Past Paper Trends and Suggestions

The Unit introduces different stakeholders in business and the theme is based on the conflict that can arise between these parties, namely between the employer and employee and the consumer and retailer. In recent years they are breaking down the questions in to smaller parts and asking for specific elements of the chapter rather than asking broad, open questions.

Co-operative and Competitive relationships feature regularly, as does different questions relating to Contract Law. The exam likes to ask questions based on current affairs so expect questions on industrial action as it is heavily featured in 2016 (Luas drivers, teachers, doctors, Dart drivers...).

Suggested Questions are given below for conflict and relationships. The syllabus shows that they want students to be able to describe conflicts that could exist and give ways to solve this conflict, so make sure you are able to link sample conflicts to different laws that would resolve the conflict.

Q - How does different legislation affect business relationships

E.g. Describe the relationship that exists between employer and employee. How does the Industrial Relations Act impact on this relationship? (20 marks)

E.g.2. What type of conflict may arise between a consumer and a retailer? Evaluate how an Act of your choice may help to solve this conflict. (20 marks)
Chapter 1 – Stakeholders & Relationships

2015 Q1 (A) Describe one example of a co-operative relationship and one example of a source of conflict that could arise between the following stakeholders:
(i) Investor and Entrepreneur
(ii) Supplier and Purchasing Manager. (20 marks)

Investor and Entrepreneur Co-operative relationship 5m (3+2)
Source of Conflict 5m (3+2)
Supplier and Purchasing Manager Co-operative relationship 5m (3+2)
Source of Conflict 5m (3+2)

Investor and Entrepreneur

A co-operative situation could arise if the entrepreneur requests more time to repay a loan during an economic downturn, and an investor agrees to allow them more time to reduce the chances of them going out of business and not being able to pay back the debt at all. This would be a co-operative relationship as both parties gain from the relationship. i.e. it is a win-win relationship.

A source of conflict may exist where an investor may want immediate returns (e.g. dividends) and is not prepared to wait/may want greater returns out of profits rather than retaining funds in the business for further expansion which an entrepreneur might prefer.

Supplier and Purchasing Manager

A co-operative situation (win-win) would arise when the supplier provides good quality raw materials, components and finished goods to the purchasing manager who pays on time and offers a fair price. They act in each others interests to both benefit.

There may be conflict between the two sides if the purchasing manager isn’t paying up within the credit period provided by the supplier for the purchase of the goods.
2014 Q1 (B) Describe the role of any two ‘Interest Groups’ in business. (15 marks)

Interest Groups x 2 - Name 6m(3+3) / role 6m(3+3) / methodology 3m

An interest group (a group which represents a group/stakeholders with a common objective) seeks to influence decision and policy makers affecting its members, through various actions including negotiation, lobbying, information campaigns, public protests, boycotting and possibly legal action.

Irish Business and Employers Confederation (IBEC)

This is a union for business owners and employers. Represents employers on industrial relations matters with their employees. Negotiates with government and ICTU on wage agreements.

Irish Congress of Trade Unions (ICTU)

Represents almost all trade unions in Ireland. Negotiates national agreements with government and employers. Promotes the principles of trade unionism through campaigns and policy development. Provides information, advice and training to unions and their members;

2009 Q1 (A) Outline, using an example, the role of interest groups in the business world. (10 marks)

Role of Interest Groups and example 10m 4+4+2 Marks

This question is answered as per 2014 above.
Outline, using examples, the relationship that can exist between ‘Investors’ and ‘Entrepreneurs’ in business. (15 marks)

<table>
<thead>
<tr>
<th>Co-operative OR Competitive relationship 15m (3+6+6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investors provide <strong>finance</strong> for the business (shareholders/Banks/State bodies…) and expect a <strong>return from their investment</strong> (e.g. interest, dividends…)</td>
</tr>
<tr>
<td>Entrepreneurs are the risk takers (both <strong>financial</strong> and <strong>personal risk</strong>). They provide the <strong>initiative</strong> to start the business with the hope of making a <strong>profit</strong>.</td>
</tr>
<tr>
<td><strong>Co-operative relationship</strong></td>
</tr>
<tr>
<td>Parties/stakeholders working together towards a common goal. They act in a mutually beneficial manner (<strong>win/win</strong>).</td>
</tr>
<tr>
<td>E.g. the relationship is co-operative when the entrepreneur gives open, transparent and honest information to the investor e.g. accurate business plans and cash flow forecasts and in return the entrepreneur receives finance at a reasonable rate from the investor.</td>
</tr>
<tr>
<td><strong>Competitive relationship</strong></td>
</tr>
<tr>
<td>Each party/stakeholder tries to win at the other party’s expense. It is a <strong>win/lose</strong> relationship.</td>
</tr>
<tr>
<td>E.g. they might compete on the level or risk/investment. The entrepreneur is prepared to take further risks to develop the business and to use the profits for expansion, while the investor may wish the profit to be paid out regularly (less risk/safety of investment).</td>
</tr>
</tbody>
</table>
Each point must show how the consumer benefits & show it is from a competitive relationship between producers 3 x 5m (2+3)

A competitive relationship exists where each party is pursuing a common objective at the expense of the other party. It is a win-lose relationship.

**Improved Quality**

Producers like Lacoste may try to increase the quality of their product in order to increase sales against their competitors (like Tommy Hilfiger). Customers may respond by becoming more loyal to the firm. Consumers would benefit by getting a higher quality product from the manufacturer.

**Increased Choice**

Producers like Nike or Adidas may try to increase the range of products available for sale to increase loyalty amongst consumers. Consumers would benefit, as there are more options available to them.

**Improved Customer Service**

Producers like Sony or LG may try to offer better customer service to their consumers e.g. live chat on their webpage, more information on their products, customer care line… to outdo their competition. Customers would benefit as they can find out better information on the product before purchasing an item like a tv.

*Make it clear in your answer that you are referring to producers i.e. manufacturers and not retailers*
Co-operative Relationship:

A co-operative relationship is when two or more parties work together and they both benefit from the relationship if it is successful. It is a win-win relationship.

Producers could decide to share market research costs on their market e.g. Ryanair and Aer Lingus both pay for one market research study on airline customers holiday habits.

They both benefit as they receive better information on the market than they could afford individually.

Competitive Relationship:

A competitive relationship is where if one party gains it is at the expense of the other. It is a win-lose relationship.

Producers could offer lower prices or better products

For example, Ryanair compete against Aer Lingus by offering cheaper flights than Aer Lingus can on routes. If a customer chooses Ryanair because they are cheaper, they benefit while Aer Lingus loses out.
Chapter 1 - Contract Law (Elements, Termination, Remedies)

2013 Q1 (C) Illustrate your understanding of the following terms, in relation to a valid contract: agreement; legality of form; and consideration. (20 marks)

Agreement (8m) (3+3+2)
Legality of form (6m) & Consideration (6m) (3+3)

Agreement (Offer & Acceptance)

For agreement to exist there must be a clear, complete and unconditional offer and acceptance of that offer. The offer can be made orally, in writing, or by conduct.

The party answering the offer agrees to the terms of the offer orally, in writing, or by conduct. This is acceptance. Offer must be accepted and taken up by other party as it stands, without any conditions.

E.g. Paddy is selling an iPhone. Noah offers €280 for the iPhone. Paddy accepts the offer of €280 without any changes.

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.

E.g. Insurance policies / Hire Purchase agreements / The sale of a house

Consideration:

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

E.g. Noah pays Paddy €280 for the iPhone. The money (€280) and phone (iPhone) are the consideration.
2010 Q1 (C) In relation to the Law of Contract, illustrate your understanding of Capacity to Contract. (10 marks)

Explanation 5m & Example 5m

Capacity to contract means that all natural persons (human beings) and legal/corporate persons, such as companies, have the legal right to enter into a contract. It is the legal ability to enter a valid contract.

If the company acts beyond its legal powers it is said to be acting ‘Ultra Vires’.

The following generally don’t have capacity to contract: Infants, persons under the influence of drink or drugs, Insane or bankrupt persons.

2009 Short Q (a) Explain the legal term ‘consideration’. (b) Outline two other elements of a legally binding contract.

(a) 4m (2+2); (b) 6m (1m+2m x 2)

(a)

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

(b)

Legality of Purpose: A valid contract can’t be for something illegal e.g. a drug deal

Legality of Form: For some contracts to be valid they must be in a certain form e.g. the sale of a house must be in writing to be legal.
2012 Q1 (B) A legal contract can be terminated by breach, frustration or agreement. Illustrate your understanding of the underlined terms. (20 marks)

Explanation & Example needed 7 + 7 + 6 marks (4 + 3), (4+3) and (3+3)

By Breach

If one of the parties does not perform his/her side of the bargain/contractual obligation i.e. does not honour the promises made, the contract is said to have been breached. The party is in breach of a condition/essential element agreed. The second party has the right of action in the courts against the first party who caused the breach/compensation.

E.g. a condition of the contract states that a footballer won’t use drugs. If a footballer used drugs then they would have breached their contract and could be fined/fired by their club.

By Frustration

An unforeseen event prevents the contract from being completed. Something happens which makes it impossible to complete the contract for either or both parties.

E.g. the death or bankruptcy of one of the parties in the contract.

By Agreement

The parties to the contract may agree to end/cancel a contract by mutual consent whether or not the purpose of the contract has been achieved.

E.g. a contract of employment between a football club and its manager may be ended if both parties are happy to no longer work together.
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.

E.g. Specific performance may be used as a remedy in a contract for an extension to a property if a builder was to quit working on the extension before it was completed. The homeowner could bring it to court and the builder could be ordered to carry out the work as agreed in the original contract.