



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2014

Marking Scheme

Business

Higher Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.



Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE 2014

MARKING SCHEME

BUSINESS 2014

HIGHER LEVEL

Marking Scheme and Support Notes for use with the Marking Scheme.

In considering the marking scheme and the support notes the following points should be noted:

- The support notes presented are neither exclusive nor complete.
- They are **not** model answers but rather a sample of possible responses.
- The support notes in many cases may contain key phrases which must appear in the candidate's answer in order to merit the assigned marks.
- Further relevant points of information presented by candidates are marked and rewarded on their merits.
- The detail required in any answer is determined by the context and the manner in which the question is asked and by the number of marks assigned to the answer in the examination paper. Requirements may therefore vary from year to year.
- Words, expressions or phrases must be correctly used in context and not contradicted, and where there is evidence of incorrect use or contradictions the marks may not be awarded.

**LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2014
MARKING SCHEME**

**SECTION 1
(80 Marks)**

**This is a compulsory section.
Answer 8 questions. Each question carries 10 marks.**

Question	Scheme	Marks
1.	$6(3+3) + 4(2 + 2)$	10
2.	5 @ 2	10
3.	$6(3+3) + 4(2+2)$	10
4.	$5(3+2) + 5(3 + 2)$	10
5.	(a) 4 (2+2) (b) 6 (3(2+1)+3(2+1))	10
6.	3+3+2+1+1	10
7.	(i) 4 (ii) 6(3+3)	10
8.	$5(3+2) + 5(3 + 2)$	10
9.	$5(3+2) + 5(3 + 2)$	10
10.	(a) 2 (1+1) (b) 3 (1+2) (c) 2 (1+1) (d) 3 (1+2)	10
Section 1	Available Marks	80

SECTION 2
(80 marks)

Atlantic Surf

Applied Business Question (Units 1, 2,3)			Max Mark
This is a compulsory question.			
(A)	<p>Illustrate what it means to be an entrepreneur with reference to Atlantic Surf.</p> <p>Point, theory, link. (Separate relevant link for each point)</p>	<p>3 explanations @ 7 +7 +6</p> <p>2@ 7 (3 +1 +3) 1@ 6 (3 +1 +2)</p>	20 marks
(B)	<p>Elements of Contract Law</p> <p>Name, theory, link.</p> <p>(Separate relevant link for each element)</p>	<p>4 elements</p> <p>2@ 8 (3 +3 +2) 2@ 7 (3 +2 +2)</p>	30 marks
(C)	<p>The effectiveness of the systems of management control</p> <p>Name, theory, Link ,Evaluation (Quality, Credit, Stock, Financial)</p> <p>(Separate relevant link for each type of control)</p>	<p>3 management control techniques/systems</p> <p>3@ 10 (3 +4 +2 +1)</p>	30 marks
S.2	Available Marks		80 marks

In answering the questions on the ABQ, candidates **must** make use of relevant knowledge/theory (and understanding) gained in the subject while studying the course in addition to the relevant links from the ABQ.

In relation to the links given, they **must** be a direct relevant quote/phrase/statement from the ABQ indicating that candidates clearly understand the point(s) of theory presented. Separate links are required in each section. No link awarded marks, without relevant theory.

SECTION 3

(240 marks)

Part 1

People in Business Question 1			Max Mark
(A)	(i) Three Factors leading to industrial disputes.	3@4 (2+2)	12
	(ii) Two Types of Official Industrial Action.	7(4+3) + 6(4+2)	13
(B)	Interest Groups x2 Name/ role/methodology	6(3+3)+6(3+3)+3	15
(C)	Consumer rights under the SOGSOS Act 1980 any three of four given	7 (4(2+2)+3) + 7 (4+3) + 6 (4+2)	20
Available Marks			60

Domestic Environment Question 2			Max Mark
(A)	Opportunities and challenges of 'Privatisation' (At least one of each required)	4 @ 5 (2+3)	20
(B)	Reasons why a person who wishes to open a business might choose the Franchise model of business.	7 (4 + 3) + 7 (4 + 3) + 6 (4+2)	20
(C)	The role of IDA Ireland and Enterprise Ireland	2 @ 10 (4+3(1+2)+3(1+2))	20
Available Marks			60

Domestic / International Environment Question 3			Max Mark
(A)	(i) Global Business	4 (2+2)	20
	(ii) Effects of 'globalisation' on the Irish economy (Provide examples)	2 @ 8 (3+3+2) +(3+3+2)	
(B)	The EU legislative process	3@(1+3) +3+3+2	20
(C)	EU policies impact on Irish businesses (EU Policy statement, impact) (Evaluation of each policy)	2 @ 8 (4 + 4) +(4 + 4) (2+ 2)	20
	Available Marks		60

SECTION 3
Part 2
Enterprise

Managing Question 4			Max Mark
(A)	The functions of different meetings held by limited companies Annual General Meeting Any 2 other meetings	10(4+4+2) 6(4+2)+4(2+2)	20
(B)	The benefits of developments in technology for business communications (4 distinct points)	4 @ 5 (2+3)	20
(C)	Maslow's Theory/ Pyramid Explanation of theory/ pyramid/how 3 Dimension applies Maslow' theory to its employees	5@4(1+2+1)	20
Available Marks			60

Managing Question 5			Max Mark
(A)	Stages in an effective 'recruitment and selection' process (2 distinct points of information in each case)	Internal Recruitment (3 + 2) External Recruitment (3 + 2) Person Specification (3 + 2) Job Description (3 + 2) Job Interview (3 + 2)	25
(B)	(i) Explanation of 'Debt/Equity Ratio'. (ii) Calculate the Debt/Equity Ratio (iii) The importance of the Debt/Equity Ratio	4 (2 + 2) 10 marks Formula 2 3 figures @ 2 Answer 2 6 (3+3)	20
(C)	Underinsurance and one possible effect.	(4+4+4+3)	15
Available Marks			60

Managing/Business in Action Question 6			Max Mark
(A)	(i) Job production (ii) Two Challenges of job production (iii) Two Implications of changing from job production to another type of production process	5 2 @ 5 (3 + 2) Alternative production type 2 2 @ 4 (2 + 2)	25
(B)	Three Factors when assessing a loan application.	3 @ 5 (2 + 3)	15
(C)	(i) Short term finance (ii) Description of two short term sources Name, explain, reference to Sarah's usage	4 8 (4 + 3 + 1) 8 (4 + 3 + 1)	20
Available Marks			60

Business in Action Question 7			Max Marks
(A)	The role of advertising and sales promotion. (Two distinct points of information plus specific reference to Sensible Foods Ltd. in each case) (Evaluation in each case)	2 @ 11 (4 + 4 + 3) 3 (2 + 1)	25
(B)	(i) Two factors to consider when choosing a Channel of distribution (ii) One positive and one negative implication for Sensible Foods Ltd. of using a leading supermarket chain to sell its products	2 @ 5 (2 + 2 + 1) 2 @ 5 (2 + 2 + 1)	20
(C)	Three challenges facing business start-ups	3 @ 5 (2 + 3)	15
Available marks			60

SECTION 1
(80 Marks)
SHORT ANSWER QUESTIONS
(Support Notes)

Question	Possible Response	Max mark										
1	<p>Outline two benefits of local business for a local community:</p> <p>Employment/jobs direct employment in the community (in the business itself) Spin-off businesses- employment in spin-off businesses such as transport, suppliers, cleaning services etc. Increased disposable incomes leading to an improved standard of living, leading to increased spending in the local community thereby encouraging other businesses. Growth in local services to meet the needs of local businesses (taxi services, banks, credit unions etc.). Local people in the community can avail of these services. Community spirit and quality of life. Successful local business improves community spirit and social interaction between citizens. Taxation: Local rates, taxes and service charges contribute to development of local infrastructure. Culture of enterprise: encourages more businesses to develop.</p>	10										
2	<p>Column 1 is a list of <i>business terms</i>. Column 2 is a list of <i>possible explanations</i> for these terms. (<i>One explanation does not refer to any of the terms</i>)</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td style="text-align: center;">1.</td> <td style="text-align: center;">2.</td> <td style="text-align: center;">3.</td> <td style="text-align: center;">4.</td> <td style="text-align: center;">5.</td> </tr> <tr> <td style="text-align: center;">B</td> <td style="text-align: center;">F</td> <td style="text-align: center;">D</td> <td style="text-align: center;">A</td> <td style="text-align: center;">C</td> </tr> </tbody> </table>	1.	2.	3.	4.	5.	B	F	D	A	C	10
1.	2.	3.	4.	5.								
B	F	D	A	C								
3	<p>The goal of the <i>World Trade Organisation (WTO)</i> is to reduce <u>protectionism</u> and allow free trade. Illustrate your understanding of the underlined term.</p> <p>Protectionism Protectionism refers to trade barriers imposed by governments.</p> <p>It is Government actions and policies that restrict or restrain international trade. It may be done for economic reasons with the intention of protecting native businesses and jobs from foreign competition or for political reasons or for health reasons.</p> <p>Examples include tariffs, quotas, administrative barriers, embargoes.</p>	10										

Question	Possible Response	Max mark
4	<p>Outline two rights of a 'Data Subject' under the terms of the Data Protection Acts 1988 and 2003:</p> <ul style="list-style-type: none"> • Right of individuals not to be subjected to automated decision making: Important decisions about DS, such as rating of work performance, creditworthiness, or reliability, may not be made solely by computer automated means, unless the consent to this is given/ human input into such decisions. • Right to complain to the Data Protection Commissioner when some data controllers are not complying with the Data Protection Act. • Right of access to own files: The right to get a copy of the data held by the Data controller within forty days of a written request. • Right to have any errors corrected: inaccurate information held by the Data Controller about DS can be rectified or erased. • Right to compensation: if inaccurate information held causes suffering or financial loss e.g. refusal of a loan or job promotion. • Right to Privacy under Data Protection and Privacy in Telecommunications Regulations to prevent your data from being used for direct marketing purposes. 	10
5	<p>a</p> <p>Explain the term <i>interest rate</i>.</p> <p>It is the price that has to be paid by the borrower for the use of the money/or the reward for money saved, expressed as a percentage.</p> <p>The cost of borrowed money expressed as a % of the amount borrowed/ or the return on money saved over a period of time expressed as a % of the amount borrowed.</p> <p>b</p> <p>Outline two possible economic impacts of low interest rates for Irish businesses:</p> <p>There may be increased consumer spending as a result of the availability of cheaper credit from financial institutions leading to an increase in demand for business products and services/increase in business profits.</p> <p>Repayments on loans and servicing of debt will fall leading to lower business costs. The business may become more competitive and sales, exports and profits should increase.</p> <p>Investment and business expansion as a consequence of cheaper loans; allows businesses to grow and develop new products and services leading to increased employment. Possible economies of scale.</p> <p>Impact on savings- very low rates may discourage savings and may encourage consumer spending leading to increased business profits.</p>	10

Question	Possible Response	Max mark										
6	<p>In the context of business, what do the following letters stand for? Write your answer in the spaces provided.</p> <table border="1" data-bbox="408 421 1023 607"> <tr> <td>FDI</td> <td>Foreign Direct Investment</td> </tr> <tr> <td>HRM</td> <td>Human Resource Management</td> </tr> <tr> <td>USC</td> <td>Universal Social Charge</td> </tr> <tr> <td>ECB</td> <td>European Central Bank</td> </tr> <tr> <td>CGT</td> <td>Capital Gains Tax</td> </tr> </table>	FDI	Foreign Direct Investment	HRM	Human Resource Management	USC	Universal Social Charge	ECB	European Central Bank	CGT	Capital Gains Tax	10
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7	<p>a Name one leadership style. Autocratic/Democratic/Laissez Faire</p> <p>b Illustrate how a manager adopting this leadership style might manage the process of change in a business: Change is implemented by intimidating workers into accepting change e.g. threatening redundancies etc.</p> <p>Change is implemented by having a consultative process with employees</p> <p>e.g. calling a meeting and discussing and seeking opinions and views of staff with a view to reaching a compromise.</p> <p>Less engaged in the process of change and adopts a ‘hands-off’ approach.</p>	10										
8	<p>Outline two functions of the Labour Relations Commission:</p> <p><u>Rights Commissioner service.</u> They investigate disputes, grievances and claims that individuals or small groups of workers refer under specific legislation and issue the findings of their investigations in the form of either decisions or non-binding recommendations.</p> <p>Rights Commissioners can only deal with disputes about unfair dismissal, suspension, maternity leave and disciplinary procedures.</p> <p><u>Conciliation Service.</u> Conciliation is a voluntary process in which the parties to a dispute agree to avail of a neutral and impartial third party to assist them in resolving their differences.</p> <p>The Labour Relations Commission provides a conciliation service by making available Industrial Relations Officers of the Commission to chair 'conciliation conferences'.</p> <p>Solutions are reached only by consensus, whether by negotiation and agreements facilitated between the parties themselves, or by the parties agreeing to settlement terms proposed by the conciliation officer.</p>	10										

Question	Possible Response	Max mark															
9	<p>Illustrate the difference between a <i>strategic alliance</i> and a <i>takeover</i> as methods of business expansion.</p> <p>A strategic alliance: When two or more independent firms agree to co-operate and share resources and expertise for the mutual benefit of all parties involved. The firms remain completely independent legally and each firm maintains its own separate trading identity. The firms benefit from the sharing of resources and talent that otherwise they wouldn't have access to. Either party can end the arrangement easily if they choose to do so.</p> <p>A takeover: This occurs when one company purchases 51% or more of the shares in another company in either a hostile or friendly manner. The acquiring company obtains control of the other company, which could lose its identity after the acquisition and becomes part of the acquiring company. The cost of the takeover can be very expensive.</p>	10															
10	<table border="1" data-bbox="354 1061 1123 1305"> <thead> <tr> <th></th> <th><i>Workings</i></th> <th><i>Answer</i></th> </tr> </thead> <tbody> <tr> <td>(a)</td> <td>Sales 60,000 x €5</td> <td>€300,000</td> </tr> <tr> <td>(b)</td> <td>FC €48,000 + (VC €2 x €60,000)</td> <td>€168,000</td> </tr> <tr> <td>(c)</td> <td>€300,000 - €168,000</td> <td>€132,000</td> </tr> <tr> <td>(d)</td> <td><i>B/E Formula</i> $\frac{48,000}{5-2}$</td> <td>16,000 units</td> </tr> </tbody> </table>		<i>Workings</i>	<i>Answer</i>	(a)	Sales 60,000 x €5	€300,000	(b)	FC €48,000 + (VC €2 x €60,000)	€168,000	(c)	€300,000 - €168,000	€132,000	(d)	<i>B/E Formula</i> $\frac{48,000}{5-2}$	16,000 units	10
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Further relevant points of information presented by candidates are marked and rewarded on their merits.

SECTION 2

(80 marks)

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

APPLIED BUSINESS QUESTION

(Support Notes)

Question	Possible Response	Max mark
A	<p>Illustrate what it means to be an entrepreneur with reference to <i>Atlantic Surf</i>.</p> <p>Being an entrepreneur in <i>Atlantic surf</i> involves:</p> <p>Innovative/Creative</p> <p>Entrepreneurs are good at coming up with new ideas. They are constantly looking for new ideas and ways of improving what they do. Entrepreneurs show imagination, initiative, resourcefulness and readiness to undertake new projects. They think outside the box to develop new products or new versions of existing products.</p> <p>Links</p> <p>... “he read an article in "National Geographic" describing the quality of the giant waves surfers were experiencing”.....</p> <p>Risk Taker</p> <p>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.</p> <p>Link</p> <p>“He (Shay) used ... €30,000 he had saved while working in Australia to establish <i>Atlantic Surf</i>.”</p> <p>Initiative/Exploiting opportunity</p> <p>Shay showed initiative by bringing his surfing experience/skill to Ireland and taking advantage of Ireland's growing reputation for quality waves. Shay saw an opportunity presenting itself in the growing interest in surfing along the west coast of Ireland.</p> <p>Link</p> <p>“Inspired by the article.....he decided to return home from Australia in 2008 to set up <i>Atlantic Surf</i>.”</p>	20

Question	Possible Response	Max mark
	<p>Resilient /Confident Entrepreneurs are not put off by failure. Entrepreneurs have a strong sense of self-belief and conviction about their own business ideas. Shay showed confidence and belief in <i>Atlantic Surf</i>. He sees failure as an opportunity to learn. Having ambition and having a strong desire for success or achievement is central to being an entrepreneur.</p> <p>Link “Having tried and failed in business in the past. ‘...he decided to return home from Australia in 2008 to set up Atlantic Surf.”</p> <p>Future focused Reference to the importance of a business plan.....</p> <p>Link "He prepared a business plan and received a business start-up grant of €10,000 from Donegal County Enterprise Board."</p> <p>Reality Perception Sees things for what they are.....</p> <p>Link “Shay realised that he needed to carry out some market research and get assistance with this venture.”</p> <p>Networking/ Persuasive abilities Entrepreneurs recognise the importance of a wide range of contacts to provide guidance and support. Entrepreneurs need to be able to persuade others.....</p> <p>Link “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.”</p>	

Question	Possible Response	Max mark
B	<p>'For a contract to be legally enforceable certain essential elements must exist.'</p> <p>Discuss this statement with reference to the rented premises at <i>Atlantic Surf</i>.</p> <p>Offer: A promise by the person making the offer to be bound by the offer provided the terms of the offer are accepted. The offer can be made orally, in writing, or by conduct and is a clear indication of the offeror's willingness to enter into an agreement under specified terms.</p> <p>Link: "He telephoned the landlord and suggested a more realistic price of €7,500."</p> <p>Acceptance: It must be identical to the offer without any changes or conditions and communicated to the offeree in the time specified.</p> <p>Link: "Shay was delighted when the landlord said yes to an annual rent of €8,000."</p> <p>Agreement: For agreement to exist there must be a clear, complete and unconditional offer and an acceptance of that offer.</p> <p>Legality of form: Certain contracts, to be considered legal, must be drawn up in a particular manner. Some contracts must be in writing if they are to be legally valid. These include- Insurance policies- Hire Purchase agreements - The sale of property or land - Share transactions - Consumer credit and bank loans.</p> <p>Link: "The necessary documentation for the rental was signed in the solicitor's office."</p> <p>Consideration: Each party in a contract must give something of value to the other party. Something of value must be exchanged. So long as consideration exists, a court of law will not question its adequacy, provided it is of some value. Consideration is usually some monetary payment but it could also be something valuable exchanged as part of the contract.</p> <p>Link: "Shay secured the premises and paid €8,000 to the landlord."</p> <p>Capacity to contract</p> <p>All natural persons (human beings) and legal/corporate persons, such as companies, have the legal right to enter freely into a contract.</p> <p>The following generally do not have the capacity to contract:</p> <ul style="list-style-type: none"> - Infants (those under 18 years of age) except in certain cases e.g. necessities - Persons under the influence of drink or drugs - Insane persons - Bankrupt persons - Diplomats. - Companies operating outside their powers/ Ultra Vires. <p>Link: "In April 2009, just before celebrating his twenty-eighth birthday..."</p>	30

Question	Possible Response	Max mark
	<p>Intention to Contract Both parties to the contract must be aware that they are entering into a legally binding agreement that could see them in court if they fail to keep their side of the agreement. With domestic and social arrangements there is no intention to create a legally binding contract.</p> <p>Link: " ...both parties entered into negotiations with the objective of concluding a legal contract."</p> <p>Legality of purpose Contracts must be compliant with the laws of the land. Contracts may not be for an illegal activity such as smuggling or defrauding the state of taxes.</p> <p>Link: "While researching property sites he spotted a suitable retail premises."</p>	
C	<p>Evaluate the effectiveness of the systems of management control in operation at <i>Atlantic Surf</i>.</p> <p>Stock Control Stock Control is concerned with keeping optimum stock levels so that <i>Atlantic Surf</i> doesn't have too much stock or too little stock. Effective stock control means that you have the optimum level of stock/adequate stocks in your business to meet the needs of your consumers, while at the same time keeping them to a minimum.</p> <p>Optimum stock levels leads to efficiencies because you have the right stock, in the right place, at the right time to meet production requirements and satisfy consumer demand.</p> <p>Stock control can achieve efficiencies by eliminating the costs associated with carrying too much or too little stock i.e. high storage and administration costs resulting from too much stock and production stoppages due to a lack of raw materials and components for production, and lost sales orders because of a lack of finished goods for sale.</p> <p>Link "While very pleased with the high stock turnover of the <i>Atlantic Surf</i> branded beach clothing....."</p> <p>OR "She had some concerns because the annual stock take revealed a high level of kite surfing equipment still unsold."</p> <p>Evaluation required</p> <p>Quality Control Quality control is concerned with checking/reviewing/inspecting work done to ensure it meets the required quality standards of the business. It could involve physical inspections, quality circles etc.</p> <p>As part of a quality control system <i>Atlantic Surf</i> may achieve a quality control symbol such as an ISO 9000 award. This symbol may be recognised worldwide and would be of major benefit to <i>Atlantic Surf</i> in marketing its products internationally.</p>	30

Question	Possible Response	Max mark
	<p>Effective Quality control leads to efficiencies in business because consistently high quality products are being sold, resulting in repeat purchasing, consumer loyalty and the ability to charge higher prices.</p> <p>Link: "The shop sells high quality stock including wetsuits, surfboards, kite surfing equipment and <i>Atlantic Surf</i> branded beach clothing."</p> <p>OR</p> <p>Link: "Karen believes quality development is key to business success and she is hoping to apply for Quality Standard Certification in the near future."</p> <p>Evaluation required</p> <p>Credit Control Credit Control means controlling the amount of credit given to customers and the payment period given to customers. Good credit control ensures that payments are made in full and on time. It involves checking credit worthiness of customers, setting credit limit, credit periods and deciding on penalties for late payments. It seeks to minimise bad debts.</p> <p>Link "From the beginning Karen adopted a cash sales only policy with customers."</p> <p>Evaluation required</p> <p>Financial Control/Budgetary Control The aim of financial control is to ensure overall business profitability and liquidity (ability to pay bills due). Financial control involves preparing Cash Flow budgets, ratio analysis, and employing cost control measures (e.g. utilities, wages etc). These can provide an early warning of possible financial problems.</p> <p>Link "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."</p> <p>OR</p> <p>Link "She negotiated a 30 day credit period..."</p> <p>Evaluation required</p>	

Further relevant points of information presented by candidates for questions in Section 2 are marked and rewarded on their merits.

SECTION 3
(240 marks)

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

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

(Support Notes)
Not sample answers
Part 1

Question			Possible Response	Max mark
1	A	i	<p>Outline three factors that can lead to industrial disputes in business.</p> <p><u>Disputes over pay</u> Workers may launch a variety of different pay claims, e.g. cost of living claim, comparability claim or relativity claim. If the employer resists or rejects these pay claims it could lead to industrial disputes. There have been disputes recently in the ESB and Aer Lingus over pension funds and pension entitlements.</p> <p><u>Disputes over working conditions/duties</u> Workers are motivated by different needs. Safety is a fundamental need for employees. Failure by management to provide safe working conditions, safe equipment, proper hygiene and adequate heating can lead to industrial disputes. Aer Lingus-Cabin Crew seeking roster changes.</p> <p><u>Redundancy</u> Disputes may occur over redundancy if workers feel that unfair procedures for selection are being used or if redundancy payments are not adequate e.g. employers may wish to 'cherry pick' employees for redundancy while a trade union representing the employees may favour a LIFO system.</p> <p><u>New Technology</u> Workers may resist the introduction of new technology if they believe that the employer has not provided adequate training or financial reward for their increased productivity.</p> <p><u>Demarcation</u> Differences in pay and conditions of work between similar groups of workers.</p> <p><u>Trade Union Recognition/ Unfair Dismissal/ Discrimination</u></p>	25

Question	Possible Response	Max mark
	<p>ii Discuss two types of official industrial action available to employees involved in an industrial dispute with their employers.</p> <p>Official Strike where the employees do not enter their workplace and do not do their work. An official strike involves a secret ballot, proper notification to the employer (i.e. one week's notice) and sanction by ICTU.</p> <p>Work- to- rule where employees only undertake the exact jobs written in their job description or contract of employment. No flexibility is provided by staff to meet urgent or unforeseen requirements. Workers follow the rules of their employment contracts to the 'letter of the law'.</p> <p>Overtime ban where workers refuse to do overtime. This can cause major disruption, leading to lost orders and lost sales, especially at peak trading times e.g. a toy shop at Christmas, an airline during holiday time.</p> <p>Token Stoppage A brief stoppage of work intended to carry the threat of further, more serious action if agreement is not reached.</p>	
<p>1 B</p>	<p>Describe the role of any two 'Interest Groups' in business.</p> <p>An interest group is an organisation which represents the common viewpoint, objectives and goals of particular group/stakeholders e.g. IBEC, ICTU, IFA, SIMI and ISME etc.</p> <p>An interest group seeks to influence decisions and policy affecting its members, through various actions including negotiation, lobbying, information campaigns, public protests, boycotting and possibly legal action.</p> <p>Lobbying is the deliberate effort to influence the decision making process by promoting a particular point of view with government or MEPs or with other organisations. Interest groups may or may not succeed in achieving their desired objectives.</p> <p>Example:</p> <p>Irish Congress of Trade Unions (ICTU) - Represents almost all trade unions in Ireland.</p> <ul style="list-style-type: none"> • Represents and advances the economic and social interests of working people; • Negotiates national agreements with government and employers, when mandated to do so by constituent and member unions; • Promotes the principles of trade unionism through campaigns and policy development. • Provides information, advice and training to unions and their members; • Assists with the resolution of disputes between unions and employers; • Regulates relations between unions and rules on inter-union disputes etc. 	<p>15</p>

Question	Possible Response	Max mark
	<p>Example: The Irish Farmers Association (IFA) actively represents and serves over 965 branches and 90,000 members. The IFA engaged in intense lobbying in Brussels to obtain greater flexibility on milk quotas in advance of their 2015 abolition. The IFA lobbies national governments to initiate pro farming policies that would improve and consolidate farm incomes (loss leader sale of vegetables in the large multiples at Christmas time) etc.</p> <p>Example: Irish Business and Employers Confederation (IBEC) - Represents employers on industrial relations matters. Negotiates with government and ICTU on wage agreements. Advises members on the effects of new EU legislation etc.</p>	
1	<p>C</p> <p>Outline a consumer's legal rights under the terms of the <i>Sale of Goods and Supply of Services Act 1980</i> with reference to any three of the following:</p> <ul style="list-style-type: none"> (i) Merchantable Quality (ii) Guarantees (iii) Signs limiting consumer rights (iv) Unsolicited Goods <p>i Merchantable Quality The consumer is entitled to goods which are of merchantable quality – they should be of reasonable standard/quality taking into account what they are supposed to do, their durability and the price paid. A €50 pen versus a €1 pen. If the good is not of merchantable quality, the consumer could seek a refund, replacement, or repair depending on the type of fault and the time frame.</p> <p>ii Guarantees Guarantees are seen as additional protection given to the consumer and they cannot limit the consumer’s rights under consumer law. The guarantee must clearly show what goods are covered, the time frame involved and the procedure for making claims. The consumer can choose to have the goods fixed by the manufacturer or they can insist that the retailer deals with the complaint. The contract is between the seller and the buyer.</p> <p>iii Signs limiting consumer rights Consumers’ rights under the act cannot be taken away or limited by signs such as ‘Credit Notes Only’, ‘No Cash Refunds’, ‘No exchange’ etc. These signs are illegal and do not affect your statutory consumer rights. A credit note is not a refund as it restricts you to shopping in that shop. It is an offence for the retailer to display signs that give the consumer the impression that they have no legal rights.</p> <p>iv Unsolicited Goods These are goods that are sent to someone without having received an order. The consumer has the right to keep the goods without payment after thirty days if the consumer has sent written notice to the sender and informed him where they can be collected. S/he has the right to keep the goods after six months if the sender has not collected them and the consumer has not prevented the firm from collecting them.</p>	20

Question		Possible Response	Max mark
2	A	<p>Outline the opportunities and challenges for the Irish economy of the privatisation of state owned enterprises.</p> <p>Sample responses include the following:</p> <p>At least one of each required for full marks.</p> <p><u>Opportunities</u></p> <p>Privatisation creates much needed revenue for the Irish economy. Pressure has also being brought to bear by the Troika on the government to sell assets to raise finance and reduce our national debt.</p> <p>The revenue generated can be used to build infrastructure in addition to repaying the national debt, which is beneficial for economic activity. Bord Telecom Éireann plc - listed on the ISE as Eircom plc (now Eircom Group plc), was privatised in 1999.</p> <p>Government financial commitments are reduced when an unprofitable state enterprise is privatised. In addition industrial relations issues are removed from the government's remit by the privatisation.</p> <p>Privatised companies can sell shares which allow them greater access to capital. This allows companies to grow and expand creating wealth and employment for the economy. Access to capital, to finance expansion of Aer Lingus' short haul and long haul fleet, was a prime motivator for the Government's sale of Aer Lingus in 2006.</p> <p>Privatisation leads to greater competition/efficiency which may benefit the consumer in terms of quality and price. Greater competition has played a significant role in the delivery of greater broadband capacity in the Irish market and cheaper air fares for Irish consumers. (privatisation of Eircom and Aer Lingus)</p> <p>Sample responses include the following:</p> <p><u>Challenges</u></p> <p>Privatised companies operate and survive because of their profit motive. They do not have a social agenda and will not provide services in loss making areas. E.g. there is an argument that if Bus Éireann was privatised routes in rural and remote areas would be cut affecting the economic sustainability of these areas ('Bus Éireann, 25 years at the heart of your community').</p> <p>Many privatised companies may cut their employee numbers in order to streamline their costs and achieve efficiencies. This has been the case with Aer Lingus and Eircom. Unemployment means higher social welfare payments for the Irish Economy.</p> <p>Loss of state asset: Control of strategic state assets may be lost by the government to private individuals. This has been a factor in the discourse around the future of Bord Gáis, Coillte, and Bord na Móna.</p>	20

Question		Possible Response	Max mark
2	B	<p>Outline the reasons why a person who wishes to open a business may chose the franchise model of business.</p> <p>Sample responses include the following:</p> <p>Less risk of business failure: Franchising provides a person who wishes to open a business with the opportunity of replicating a proven, well established business model. The franchisee (person setting up the business) pays the franchisor (existing business) for the right to use the franchisors trade name and business system. The business name is well known in the market so it is low risk.</p> <p>Economies of scale: The new franchisee benefits from economies of scale generated by the franchiser. Bulk discounts, gained by the franchiser as a result of bulk purchasing are passed onto individual franchisees, allowing them to charge lower prices and generate larger profits.</p> <p>Training and on-going support is provided in the start- up and development by the franchisor. The franchisor may pay for a national advertising campaign and create a marketing strategy for the franchisee. New product development is undertaken by the franchisor, business start-up advice and training programmes will help the new franchisees in their businesses.</p> <p>Banks are more likely to lend money: Failure rates for franchises are far lower than the failure rates for new independent businesses and for that reason banks are more willing to lend money.</p> <p>Marketing campaigns are conducted nationally.....etc.</p>	20
2	C	<p>Discuss the current role of the Industrial Development Authority (IDA Ireland) and Enterprise Ireland in the development of the Irish economy.</p> <p>Industrial Development Authority (IDA Ireland)</p> <p>Sample responses include the following:</p> <p>Must have the first point below.</p> <p>IDA Ireland is responsible for the attraction and development of foreign direct investment in Ireland. Companies such as Google, Intel, Microsoft and Face book etc. have all interacted with the IDA.</p>	20

Question	Possible Response	Max mark
	<p>IDA Ireland provides information and statistics on key business sectors and locations within Ireland.</p> <p>IDA Ireland assists in setting up a business in Ireland and offers advice on property for international investors.</p> <p>IDA Ireland introduces potential investors to local industry in Ireland, government, service providers and research institutions.</p> <p>IDA Ireland builds links between international businesses and third level education, academic and research centres to ensure the necessary skills and research and development capabilities are in place.</p> <p>IDA Ireland develops clusters of excellence/equitable regional balance etc.</p> <p>Enterprise Ireland (EI)</p> <p>Must have the first point below.</p> <p>Enterprise Ireland has the responsibility for developing Indigenous Irish industry with an export focus. It is focused on helping Irish-owned business with 10 or more employees seeking to deliver new export sales. The Irish software sector is one area that Enterprise Ireland supports.</p> <p>Enterprise Ireland provides supports for both companies and researchers in Higher Education Institutes to develop new technologies and processes that will lead to job creation and increased exports.</p> <p>Enterprise Ireland provides funding and supports for companies - from entrepreneurs with business propositions for a high potential start-up through to large companies expanding their activities and growing international sales. Provides equity investment for business.</p> <p>Enterprise Ireland provides international offices that can assist in the growth of exports by providing marketing services/connections and introductions to potential customers overseas.</p> <p>Enterprise Ireland provides a programme of trade missions, trade fairs and knowledge events to give clients the opportunity to connect with existing and new customers and increase sales in international markets and exchange ideas etc.</p>	

Question			Possible Response	Max mark
3	A	<p>i Explain the term 'global business'.</p> <p>A global business sees the world as one giant market and production location. A global business provides the same, undifferentiated product worldwide. It uses a global marketing strategy, which involves the same or sometimes an adapted marketing mix (product, price, place, promotion) throughout the world to build a global brand.</p> <p>Examples of global businesses include Coca Cola, Dell, Nike, Toyota, Microsoft, Intel, HP, Google, and Nokia.</p> <p>ii Discuss the effects of 'globalisation' on the Irish economy. Provide examples to illustrate your answer.</p> <p>Sample responses may include the following:</p> <p>Globalisation can be viewed as an opportunity for Irish businesses to sell goods and services abroad and grow and expand their operations. Companies get access to much wider markets E.g. Kerry Group and GlanBia Plc leading to economic growth for the Irish economy.</p> <p>Globalisation impacts on the labour market within the Irish economy. Having experienced net emigration for decades, Ireland now has significant immigration as global companies located here try to fill high skill vacancies, for example in the technology sector, where there is a skill shortage.</p> <p>Global companies located in Ireland are a significant source of employment. It is estimated that American global companies alone directly employ 115,000 people. Companies such as Dell, Microsoft, Google, Hibernian Aviva, Palm Inc., Facebook & Intel have all made significant contributions to the success of Ireland's economy.</p> <p>Consumers get much wider variety of products to choose from and they get the product they want at more competitive prices/Increased domestic demand leading to economic growth in the Irish economy.</p> <p>The growth in Globalisation and global firms, with their quality produce at cheap prices, are a competitive challenge for Irish exporters. Irish exporting firms will have to become more efficient and invest in R&D in order to provide products with a unique selling point (USP) to survive the competitive threat from global firms.</p> <p>Globalisation can be viewed as a threat to the Irish economy because if Ireland is uncompetitive, its domestic industries will decline in the face of cheaper imports of goods and services produced globally.</p> <p>Repatriation of profits/ closure of business/impact on Balance of Payments/ economies of scale etc.</p>	20	

Question		Possible Response	Max mark
3	B	<p>Describe the legislative process within the European Union.</p> <p>The European Commission is the executive body of the EU. It is the body responsible for proposing legislation etc.</p> <p>These proposals are then discussed in the European Parliament and amendments to legislation can be put forward. There is a democratic deficit however because the European Parliament neither initiates nor passes legislation on its own etc.</p> <p>Decisions are usually made by the Council of the European Union. It decides on legislation drafted by the European Commission and discussed by the European Parliament. It is the main decision making body of the EU etc.</p> <p>Once legislation is passed by the Council of the European Union and Parliament, it is the Commission's responsibility to ensure it is implemented etc. Regulations/Directives/Decisions etc.</p> <p>Decisions/legislation can be adjudicated upon by the Court of Justice. The Court of Justice interprets EU law to make sure it is applied in the same way in all EU countries etc.</p>	20
3	C	<p>Evaluate the impact that any two of the following EU policies have on Irish businesses:</p> <ul style="list-style-type: none"> (i) European Economic and Monetary Union (EMU); (ii) European Union Competition Policy; (iii) European Union Social Charter. <p>i European Economic and Monetary Union (EMU)</p> <p>Sample responses include the following:</p> <p>The main perceived advantages of EMU are a reduction in transaction costs and end to destabilising currency shifts within Europe. The elimination of these transaction costs benefit a country like Ireland whose businesses export a considerable amount of its output to the European Union.</p> <p>A single currency highlights price differentials. Businesses sourcing raw materials and components can readily identify the best bargains throughout the EU.</p> <p>The ECB has a monetary policy that focuses on price stability. This includes setting interest rates for the Euro zone. Record low interest rates set by the ECB of late facilitate business expansion and investment.</p> <p>Ireland's common currency is an attraction for FDI because trade within a large European market is less bureaucratic and relatively cheap. Increased FDI has positive spin- off effects for Irish indigenous industry.</p>	20

Question	Possible Response	Max mark
	<p>ii European Union Competition Policy</p> <p>Sample responses include the following:</p> <p>It ensures the best chance for the Irish consumer of getting quality goods and services through suppliers competing for the business, i.e. the existence of competition among suppliers.</p> <p>It restricts Irish businesses from forming anti-competitive cartels or keeping prices artificially high or preventing newcomers from entering the market. It controls the growth of large mergers and takeovers and this ensures that Irish businesses operate on a fair basis and that consumers benefit.</p> <p>In doing business with smaller firms, large firms may not use their bargaining power to impose conditions which would make it difficult for their supplier to do business with the large firm's competitors.</p> <p>The European Commission can and does fine companies for any unfair practices.</p> <p>iii European Social Charter</p> <p>Sample responses include the following:</p> <p>This EU Social Charter sets out basic principles that impact on Irish businesses:</p> <p>Free movement of Labour. Workers have the right to migrate freely which benefits employers in terms of recruitment and selection.</p> <p>Employees have the right to a fair wage. The establishment of the minimum wage level has increased costs for business.</p> <p>A commitment to vocational training through grant aid directly to trainees has greatly up-skilled the labour force benefiting Irish businesses.</p> <p>Health protection and safety at work elements to the charter have forced employers to improve health and safety conditions in the work place.</p> <p>Evaluation required in each case</p>	

Question	Possible Response	Max mark
4 A	<p style="text-align: center;">SECTION 3</p> <p style="text-align: center;">Part 2</p> <p>Describe the functions of the different meetings held by limited companies.</p> <p>Annual General Meeting (AGM) This is a meeting held once a year and attended by the directors and shareholders of the company. The main functions of the AGM are as follows;</p> <ul style="list-style-type: none"> - The shareholders elect a board of directors. - The shareholders appoint auditors. - The chairperson gives a report on company performance. - The auditor's report presents the accounts. - Shareholders have an opportunity to question directors in public on company policy. - Declare a dividend. <p>Extraordinary General Meeting (EGM) This is a meeting of the shareholders and company directors held to discuss a matter of urgency that cannot wait until the next AGM. There is no other matter discussed at this meeting.</p> <p>Board Meetings These are meetings of the board of directors and are usually held on a monthly basis. Progress and performance is discussed and tactical and strategic plans are formulated. Problem solving is a key function of board meetings.</p> <p>Statutory Meeting This is the first meeting of company shareholders. Its objective is to inform the shareholders about the affairs of the company A statutory meeting is held once only in the whole life of the company. A statutory meeting is held by every limited company. The meeting should be held within the prescribed period mentioned in the company ordinance.</p> <p>Ad Hoc meeting A meeting that takes place at short notice to discuss a matter that requires attention and that has arisen unexpectedly.</p>	20

Question	Possible Response	Max mark
4 B	<p>Outline how developments in technology have benefited business communications.</p> <p>If you need to speak with an employee who is travelling in another country or you need to communicate with your supplier half way around the world, technology such as email and texting allows you to do so instantaneously. Urgent messages can be communicated rapidly and effectively using different technologies, including Skype and smart phone technology.</p> <p>EDI (Electronic Data Interchange) greatly facilitates communication in a global market. Document transfer, automated stock ordering, details of trading figures etc. can be transmitted globally in a matter of seconds.</p> <p>Professional networks like LinkedIn have revolutionised the way business people communicate with each other.</p> <p>The Internet including social network sites such as Facebook and business networks such as LinkedIn have facilitated the global marketing of companies.</p> <p>Network advertising, company websites and electronic payment have allowed global e-commerce to flourish.</p> <p>Intranets or Local Area Networks (LAN's) allow employees within the organisation to communicate with each other much more efficiently. Files can be sent quickly and paperwork is kept to a minimum.</p> <p>Workers have no longer to be on site to communicate efficiently. Skype and virtual meetings/video conferencing allow workers to enjoy flexi time, work from home and communicate, cutting down on the costs associated with live meetings.</p> <p>CAD (Computer Aided Design) had revolutionised the design process, making it much easier and faster to develop new products, and allowing companies to react quickly to customer requests and needs. Allows designs to be saved, changed and reworked without starting from scratch. A product designed in one country can be sent electronically to another country to be tweaked by local designers to make it better suited to local tastes.</p> <p>ISDN (Integrated Services Digital Network) uses telephone lines to communicate, transmit and receive digital information.</p> <p>File transfer, teleworking, video conferencing, e-mail etc. allow vital information to be transferred anywhere in the world. This greatly assists management planning, organising and control and facilitates effective decision making</p> <p>Automated stock control systems/design technology/Robotics Use of technology to handle, analyse and communicate business data.....</p>	20

Question	Possible Response	Max mark
4 C	<p>Outline the different stages in Maslow’s hierarchy of needs and illustrate how 3 Dimension Ltd applies this theory to motivate its employees.</p> <p>Maslow put forward a theory on motivation based on 5 levels of basic human needs that must be satisfied in sequence, starting from the lowest and working up to the highest. As one need is satisfied then the need immediately above it on the pyramid becomes the dominant motivator. The needs in ascending order are as follows:</p> <ol style="list-style-type: none"> 1. The need for Food /Shelter (Physical Needs) 2. The need for Security and predictability. (Safety/security Needs) 3. The need for love and friendship. (Social Needs/Acceptance) 4. The need for status, respect & appreciation by others. (Esteem needs) 5. The need to realise one’s full potential. (Self-Actualisation needs) <p><u>Physical Needs.</u> A manager can motivate his workers by ensuring they receive a fair wage, bonuses, profit-sharing schemes in order that the physical needs for food, clothes, shelter etc. can be met. <i>3 Dimension Ltd ‘offers competitive salaries to its employees’</i></p> <p><u>Safety Needs.</u> Managers can make employees feel safe and secure by:</p> <ul style="list-style-type: none"> o Offering long term contracts of employment. o Providing free medical check-ups. o Sending workers on health and safety courses. o Providing a safe working environment e.g. safety goggles, boots, gloves, hard-hats, high visibility jackets for construction workers. <p><i>3 Dimension Ltd provides ‘a safe and healthy work environment’</i></p> <p><u>Social Needs.</u> The social needs of employees can be met through offering flexi-time which allows employees to spend more time with their families. Teamwork and social events can help workers form new friendships and relationships. <i>3 Dimension Ltd ‘holds weekly team meetings enhancing the workers' sense of belonging’.</i></p> <p><u>Esteem Needs.</u> Managers can facilitate a worker’s esteem needs through offering praise and rewards such as a new job title or an attractive office. <i>3 Dimension Ltd ‘recognises and rewards staff achievement’.</i></p> <p><u>Self-Actualisation Needs.</u> Management offers workers a career plan, training and development opportunities, empowerment and promotion to positions of responsibility. <i>3 Dimension Ltd ‘provides opportunities for staff to develop new skills and experience new challenges.’</i></p>	20

Question		Possible Response	Max mark
5	A	<p>Outline the stages in a ‘recruitment and selection’ process, using the following headings:</p> <ol style="list-style-type: none"> i. Internal and External Recruitment; ii. Job Description and Person Specification; iii. Job Interview. <p>i Internal and External Recruitment:</p> <p><u>Internal recruitment</u> The employee is familiar with the culture, policies and work practices of the firm. Training and advertising costs are decreased. Motivation within the workplace improves as employees recognise that opportunities will occur as vacancies higher up the chain of command become available. No “new blood”, no new thinking. The best person for the job may not be the internal appointment. Promotion from within can have a negative effect on levels of co-operation between employees.</p> <p><u>External recruitment</u> Fresh new perspective brought to the business by the external appointee. The new employee may have skills and experience that may be required by the business but is not present among existing staff. Training costs avoided as the external appointee may already have the skill set required. Links with colleges of education which provide staff with expertise to meet business needs.</p> <p>ii Job Description A job description sets out the purpose of a job, where the job fits into the organisation structure, the main accountabilities and responsibilities of the job and the key tasks to be performed. The job description defines where the job is positioned in the organisation structure and who reports to whom. It provides essential information to potential recruits and it creates the information necessary for recruiting the right kind of person to do the job.</p> <p>Person Specification A person specification sets out the kind of qualifications, skills, experience and personal attributes a successful candidate should possess. It refers to the person rather than the post and is useful in comparing and assessing the suitability of job applicants.</p> <p>iii Job Interview The job interview is used to determine whether the candidate and the job complement each other. A job interview is a process in which a potential employee is evaluated by an employer for prospective employment in the company. The process attempts to determine the candidate’s ability to do the job, get along with other employees, work in teams and contribute to the business in an innovative and effective manner. Interviews generally take the form of interview panels where a number of interviewers interview one candidate.</p>	25

Question		Possible Response	Max mark												
5	B	<p>The following figures are taken from the final accounts of Flame Ltd for 2013.</p> <table border="1"> <thead> <tr> <th>Flame Ltd</th> <th>2013</th> </tr> <tr> <td></td> <td>€</td> </tr> </thead> <tbody> <tr> <td>Authorised Share Capital</td> <td>900,000</td> </tr> <tr> <td>Issued Share Capital</td> <td>450,000</td> </tr> <tr> <td>Long Term Loan</td> <td>200,000</td> </tr> <tr> <td>Retained Earnings</td> <td>150,000</td> </tr> </tbody> </table> <p>i Explain the term 'Debt/Equity Ratio'. The debt/equity ratio is an analysis of the capital structure of the business. It indicates what proportion of capital is made up of long term loans and what proportion of capital is made up of reserves and issued ordinary share capital.</p> <p>ii Calculate the Debt/Equity Ratio for 2013. Show your workings.</p> <div style="border: 1px solid black; padding: 10px; width: fit-content; margin: 10px auto;"> <p style="text-align: center;">Debt: Equity 200,000 : 450,000 + 150,000 200,000 : 600,000 .33 : 1</p> </div> <p>iii Discuss the importance of the Debt/Equity Ratio in deciding on new sources of finance for Flame Ltd.</p> <p>Flame Ltd is a lowly geared company which means the majority of the capital has been provided by the owners in the form of share capital and retained earnings. Flame Ltd can raise further capital by selling shares up to a limit of €450,000 (Authorised – Issued).</p> <p>Raising finance through additional loans is an option for Flame Ltd because it does not have too many existing loans already, as it is lowly geared.</p>	Flame Ltd	2013		€	Authorised Share Capital	900,000	Issued Share Capital	450,000	Long Term Loan	200,000	Retained Earnings	150,000	20
Flame Ltd	2013														
	€														
Authorised Share Capital	900,000														
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5	C	<p>Explain what it means to be 'underinsured' and outline one possible effect of being underinsured on a business.</p> <p>Underinsured means the business has inadequate insurance cover. The insured fails to insure for the full value of the policy. In the event of a claim for total loss or partial loss underinsurance may result in economic losses to the policy holder, since the claim would exceed the maximum amount that can be paid out by the insurance policy.</p> <p>The motivation for being underinsured is the lower premiums paid by the policy holder, however, the losses arising from a claim will far outweigh savings experienced in reduced insurance premiums as a consequence of the inadequate insurance.</p>	15												

Question	Possible Response	Max mark
	<p>Possible effects on business:</p> <p>Underinsurance could result in a serious financial crisis in a business depending on the asset that is insured. For example if a building is insured for €300,000 and is subsequently destroyed in a fire and the cost to replace the building is €500,000 the business will have to make up the difference of €200,000 from its own resources.</p> <p>The lower premiums will reduce the business costs and thereby increase profits. This could be intentional with the full knowledge of the risk. However, the losses arising from a claim may far exceed any marginal savings in insurance premiums.</p> <p>It may not be intentional. Businesses should review and update cover annually (e.g. stock may have increased in value due to inflation).</p>	
6	<p>Read the information supplied and answer the questions that follow.</p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>Sarah Fleming is a wedding dress designer and has worked for over 20 years in the bridal and clothing industry. She specialises in creating unique wedding dresses with an emphasis on personal service. Business is good and Sarah has applied for a bank loan of €10,000 to finance expansion.</p> </div> <p>A i Name the type of production process used by Sarah.</p> <p>Job Production</p> <p>ii Outline two challenges for Sarah of this type of production process.</p> <p>The product involved i.e. the designer wedding dress, requires highly skilled labour. Sarah will have to continue her professional development to keep up with new production techniques, IT developments, and changes in fashion and style.</p> <p>Highly skilled labour will mean a higher wages bill. This type of work is very labour intensive and the high salaries will increase the running costs of the business.</p> <p>Raw materials, equipment, tools, machinery are expensive for this specialised production. In addition it is generally a small scale operation and does not benefit from economies of scale. It is a very slow process.</p> <p>Quality standards have to be very high. There is no room for error. The slightest fault with the product will have to be corrected in an efficient manner to prevent the loss of the sale and business reputation.</p> <p>Once-off production to a specific order. If the customer ordering the product is unable to pay (goes bankrupt) it may be difficult to find an alternative buyer.</p>	25

Question	Possible Response	Max mark
	<p>iii Discuss two implications for Sarah of changing to another type of production process.</p> <p>Both batch and flow (mass) production are heavily automated production processes. Substantial investment in machinery, equipment, IT, premises etc. will be required.</p> <p>Finance will be required to fund the necessary investment. Sarah will have to look carefully at her finance options. Are her reserves adequate? If not, long term loans, for capital investment and finance for increased working capital needs will have to be sourced.</p> <p>Sarah will have to review the ownership structure and maybe change to a private limited company in order to be able to raise finance through selling shares and benefit from limited liability. This involves a loss of control of business.</p> <p>Sarah will no longer be making goods to order. She will be creating goods for stock. A stock control system will have to be developed, leading to increased costs. A marketing plan will have to be implemented.</p>	
6 B	<p>Outline three factors that Sarah’s bank may consider when assessing her bank loan application.</p> <p><u>Creditworthiness:</u> The bank will look at her credit history and her record in terms of repayment of previous loans. Any bad debt history will affect her loan application.</p> <p><u>Ability/capacity to repay the loan/Business Plan:</u> Sarah will be expected to provide a business plan outlining her trading history and predicted profit trends for the short and medium term. Profitability/liquidity/gearing.</p> <p><u>Amount /purpose of the loan/Time period for the loan:</u> The larger the loan amount required the riskier it is for the bank in terms of default. As a consequence, the loan application may be affected. Furthermore it will be expected that the loan application is for a productive purpose e.g. business expansion.</p> <p><u>Availability of Security:</u> A valuable asset such as premises will be required as collateral for the loan. In the event of a default the bank will be able to sell the asset to recover its loan.</p> <p><u>Level of own investment/Grants</u> etc.</p>	15

Question		Possible Response	Max mark
6	C i	<p>Explain the term ‘short term finance’.</p> <p>Short-term finance is finance available for a period of up to one year. It should be repaid within twelve months and should be used for short term needs.</p> <p>ii Outline two sources of short term finance Sarah may consider to meet her working capital needs.</p> <p><u>Bank Overdraft</u> 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. It can be recalled by the bank at any time. Sarah could use an overdraft facility to purchase stock or pay the wages of part- time staff.</p> <p><u>Accrued Expenses:</u> This source of finance frees up money by delaying the payment of regular bills such as utilities, rent or insurance. This would free up cash for Sarah to pay for supplies which in turn could be sold allowing these bills to be paid later.</p> <p><u>Trade Credit:</u> Sarah may buy stock for resale on a “buy now and pay later” basis. The amount of credit available may be dependent on her reputation and creditworthiness. There is no direct charge but cash discounts can be sacrificed if Sarah chooses to buy raw materials and stock on credit.</p> <p><u>Factoring Debts/ Short Term Loan from a credit union.....</u></p>	20
7	A	<p>Read the information supplied and answer the questions which follow.</p> <div style="border: 1px solid black; padding: 10px; margin: 10px 0;"> <p>Maria Noone is the entrepreneur who owns Sensible Foods Ltd. This new company intends to manufacture a range of low calorie confectionery products. Initially consumers will be tempted by special offers. There will also be frequent coverage on national and local radio. <i>Goodbuys</i> a leading supermarket chain has agreed to stock the range, while wholesalers will distribute them to small independent shops.</p> </div> <p>Evaluate the role of advertising and sales promotion as elements of the promotional mix at Sensible Foods Ltd.</p> <p><u>Advertising</u> The purpose of advertising is to inform the market that the business has something for sale and to convince someone to actually purchase it.</p> <p>Advertising is used by Sensible Foods Ltd. to let possible future customers know about the products on offer and to get them interested in buying the goods.</p> <p>Advertising informs, persuades and reminds customers about the product and its attributes. Advertising communicates a message in order to influence customers towards a particular product or service.</p> <p>The medium used will depend on the market segment, the type of product or service, the message and the cost effectiveness involved.</p> <p>Sensible Foods Ltd. is planning to have “frequent coverage on national and local radio”. With 3 million adults in Ireland tuning in every day and listening for an average of 4 hours the company will build brand awareness, and appeal to its customer base at local level and nationally as it grows.</p>	25

Question	Possible Response	Max mark
	<p>Evaluation required</p> <p><u>Sales Promotion</u> is the use of short-term incentives/ “gimmicks” to attract customers to the product or services on offer. Activities other than direct advertising are included. It adds to the attractiveness of the product.</p> <p>It is useful for stimulating sales by offering customers price reductions, buy one get one free, coupons, samples, prizes, free draws, in-store displays etc. or any other incentives directly related to the product.</p> <p>It aims to attract new consumers for the product, rewarding loyal consumers and increasing buying frequency among occasional consumers.</p> <p>Sales promotion techniques involve some contact between the customer and the seller. It lasts for a short period of time and may be repeated at a later date. It will help Sensible Foods Ltd. retain market share. Sales promotion is less expensive than advertising which may make it attractive for a new company like Sensible Foods Ltd.</p> <p>Sensible Foods Ltd. is supplying “special offers”</p> <p>Evaluation required</p>	
7	<p>B i Describe two factors Sensible Foods Ltd should consider when choosing a suitable channel of distribution for its products</p> <p>Cost The more stages in the channel of distribution the more expensive the product will be for the consumer as each middleman will require a cut or mark-up. Sensible Foods Ltd may keep costs down by selling directly to <i>Goodbuys</i>. They also provide on-line selling.</p> <p>Nature of the product being sold/its durability/its image A range of low calorie confectionary products could include cakes which may have a very short shelf life. If marketed as a product for the health conscious ,Sensible Foods Ltd may sell the product in a pharmacy or a health store (i.e. directly to the independents).</p> <p>Target Market Sensible Foods Ltd will have to consider its target market and choose a channel which allows it to reach its target market of health conscious consumers. Sensible Foods Ltd. can advertise and sell its products on line using a company web site. Consumers place orders and goods are delivered using the postal system or a courier delivery service.</p>	20

Question		Possible Response	Max mark
	ii	<p>Outline one positive and one negative implication for Sensible Foods Ltd of using a leading supermarket chain such as <i>Goodbuys</i> to sell its product.</p> <p><u>Positives</u> National Promotion Campaign: <i>Goodbuys</i> may implement a promotional campaign for all its stores nationwide on behalf of Sensible Foods Ltd. extending the customer base for Sensible Foods Ltd. Consumer Feedback: <i>Goodbuys</i> may provide feedback to Sensible Foods Ltd on consumer behaviour, attitudes and opinions on the low calorie confectionary products at Sensible Foods Ltd. This will help the company in developing its product range. Products will be sold fresh due to the high turnover of stock in the <i>Goodbuys</i> chain, therefore minimal loss due to product being out-of-date. Guaranteed big purchaser..... Convenient access to the products/shelf space in eye catching location.</p> <p><u>Negatives</u> Competition: If the product is successful <i>Goodbuys</i> may develop its own brand to compete directly with Sensible Foods Ltd, affecting sales and profits at Sensible Foods Ltd. Restrictive conditions: <i>Goodbuys</i> may attach special conditions before agreeing to carry the Sensible Foods Ltd product range. For example forbidding Sensible Foods Ltd from selling its goods through rival multiples, limiting the possible expansion of Sensible Foods Ltd. It is hard for new products to gain acceptance in large supermarkets, unless they are genuinely innovative.</p>	
7	C	<p>Discuss three challenges facing business start-ups.</p> <p>Raising finance and making loan repayments. A lot of business start-ups fail and as a result reluctant lenders charge high interest rates to lessen their risk. This carries the risks associated with being highly geared.</p> <p>In addition in the current economic climate there is a credit squeeze and many businesses fail to secure any credit at all.</p> <p>The lack of adequate cash is often cited as the main reason why new start-ups fail in their first year of operation.</p> <p>An ownership structure has to be decided upon. Different structures have different demands in terms of risk, control, ownership, liability, tax implications etc.</p> <p>A firm must choose an appropriate method of production that suits the type of good being manufactured and the potential demand for the product. Job and batch production have different demands in terms of automation, staffing and storage.</p> <p>Marketing</p> <p>Staff Recruitment</p> <p>Competition.....</p>	15

Further relevant points of information presented by candidates for questions in Section 3 are marked and rewarded on their merits.

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