



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2016

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.

LEAVING CERTIFICATE 2016

MARKING SCHEME

BUSINESS, 2016

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 not exclusive and alternative valid answers may be acceptable.
- 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 2016

MARKING SCHEME

SECTION 1

(80 Marks)

This is a compulsory section.

Answer 8 questions. Each question carries 10 marks.

Question	Scheme	Marks
1.	3+3+2+1+1m	10
2.	(a) Definition 4m(2+2) (b) 2 x 3m (2+1)	10
3.	3+3+2+1+1m	10
4.	3+3+2+1+1m	10
5.	(a) Formula 2m Workings 2m Answer 2m (b) 4m(2+2)	10
6.	2 x 5m(3+2)	10
7.	(a) 3 x 2m (b) 4m(2+2)	10
8.	2 x 4m(2+2) + 2m	10
9.	6m(3+3) +4m(2+2)	10
10.	4m + 3m + 3m (first correct 4m)	10
Section 1	Available Marks	80

SECTION 2
(80 Marks)

Digibrand

	Applied Business Question (Units 3, 4, 5) This is a compulsory question.	Max Marks
(A)	<p>Ryan Cullen has developed effective management skills. Would you agree with this statement? Yes 3m Outline reasons for your answer, with reference to the text of the ABQ.</p> <p>3 x 9 marks (3m(name) + 3m(explain)+ 3m(Link))</p>	30m (3m+27m)
(B)	<p>(i) Identify and describe the most appropriate sources of finance for Digibrand’s re-location. (Refer to short, medium and long term sources of finance in your answer.)</p> <p>3 x 8 marks (3m(name + correct source) +3m(2+1)+ 2m(Link))</p> <p>(ii) Outline the importance of preparing a Cash flow forecast.</p> <p>6m (3m(2+1) +3m(Link))</p>	30m (24m+6m)
(C)	<p>(i) Discuss one possible opportunity & one possible threat of merging with MediaMania</p> <p>2 x 5 marks (3m (2+1) + 2m (Link))</p> <p>(ii) Evaluate one other method which Ryan could consider to grow his business.</p> <p>10 marks (2m+3m+3m+2m) Name; explain; explain; evaluate</p>	20m (10m+10m)
	Available Marks	80 marks

In answering the questions on the ABQ, candidates **must** make use of relevant knowledge 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 without relevant theory.

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.

Part 1

People in Business			
Question 1			
(A)	(i) Outline two reasons for fair dismissal. (ii) Explain the term constructive dismissal , providing an example .	(i) $2 \times 6m(3 + 3)$ (ii) $8m(4 + 4)$	20
(B)	Termination of legal contract.	$8m(4+4)+6m(3+3)+6m(3+ 3)$	20
(C)	Evaluate the functions of the NCA (CCPC) with regard to protecting the interests of consumers. Evaluation	$3 \times 6m(3+3)$ 2m	20
Available Marks			60

Domestic Environment

Question 2

(A)	Discuss the different ways in which the Irish Government affects the labour force in Ireland.	4x5m(2 + 3)	20
(B)	Analyse the benefits and drawbacks of franchising as a business start-up option for a potential franchisee. (at least one of each required)	4x5m(2 + 3)	20
(C)	Discuss the social responsibilities of a business to any four of the stakeholders: investors, employees, suppliers, customers, and government	2x6m(3+3) 2x4m(2+2)	20
Available Marks			60

Domestic/International Environment

Question 3

(A)	It's time to stop relying on Foreign Direct Investment (FDI) - and grow our own indigenous businesses instead. To what extent do you agree with the above statement? Outline reasons for your answer.	2m 3x6m(3 + 3)	20
(B)	Discuss the marketing challenges an Irish business may face when trading globally, providing examples to support your answer.	4x5m(2 + 2+1)	20
(C)	Explain the following international trade terms: (i) Open Economy (ii) Trading Bloc (iii) Protectionism (iv) Deregulation	2x6m(3+3) 2x4m(2+2)	20
Available Marks			60

SECTION 3
Part 2
Enterprise

Enterprise/Managing			
Question 4			
(A)	Discuss how the hotel staff could apply entrepreneurial skills/characteristics to develop the various centenary events.	4x5m(2 + 3)	20
(B)	Evaluate how different types of planning contribute to business success. Relate your answer to Mayfair Hotel , making any appropriate assumptions. Evaluation	3x6m(2+3+1) 2m	20
(C)	Discuss the benefits and challenges for a business of developing a matrix organisation structure (team structure) to complete specific projects in a business. (at least one of each required)	4x5m(2 + 3)	20
	Available Marks		60

Managing

Question 5

(A)	Discuss the benefits of both internal and external recruitment for management positions, for a business such as SuperSave. (2 Internal/2 External)	4x5m(2 + 3)	20
(B)	Analyse the impact of new technology on business costs and on business opportunities. Provide examples to support your answer. (2 impacts on business costs and 2 impacts on business opportunities required)	4x5m(3+2)	20
(C)	(i) Explain the term quality assurance as part of Total Quality Management (TQM). (ii) Describe the benefits to a business of achieving a recognised quality mark standard.	(i) 5m(2+3) (ii) 3x5m(2+3)	20
	Available Marks		60

Business in Action

Question 6

(A)	Outline the reasons why businesses engage in prototype development.	3x5m(2 + 3)	15
(B)	Illustrate by means of a break-even chart: (i) The Break-even Point (ii) The Margin of Safety at Forecast Output (iii) Profit at Forecast Output	Break-even chart showing: X Axis: Output in units '000s 1m Y Axis: Revenue/Costs €'000s 1m Title of Chart 1m FC line 2m TC line 4m TR line 4m BEP 4m MOS 4m Profit at Forecast output 4m OR Calculations only: (Max. 12m) BEP 4m Profit at Forecast output 4m MOS 4m	25
(C)	(i) Calculate New break-even point and Illustrate (TC ₂) line (BE ₂) on breakeven chart (ii) Outline one limitation of a breakeven analysis when making business decisions.	(i) 15m (5+5+5) Calculation only (Award max. 5m) (ii) 5m	20
Available Marks			60

Business in Action

Question 7

(A)	(i) Outline the advantages and disadvantages of using secondary (desk) research techniques for collecting information on a market. (at least one of each required)	(i) 3x5m(2 + 3)	25
	(ii) Illustrate one source of desk research and one source of field research that Stitch Express might use, giving a reason for your answer in each case.	(ii) 2x5m(2 + 2+1)	
(B)	Evaluate the effectiveness of sales promotion techniques Alex could consider to boost sales. Evaluation	3x4m(2+2) 3m(1+1+1)	15
(C)	Discuss the benefits of branding as a marketing tool for a business providing examples to support your answer.	7m(3+2+2) 7m(3+2+2) 6m(2+2+2)	20
	Available Marks		60

SECTION 1
(80 marks)
SHORT ANSWER QUESTIONS
SUPPORT NOTES

Q.	Possible Responses	Max Marks
1.	IDA – Industrial Development Authority PLC – Public Limited Company SME – Small and Medium Enterprises ROI – Return on Investment CEO – Chief Executive Officer	10
2.	<p>(a) Define the term Trade Dispute A Trade Dispute is defined as any dispute between employers and workers which is connected with the employment or non-employment or the terms or conditions of employment of any person (example of any condition of employment).</p> <p>(b) Outline two types of official industrial action available to employees involved in an industrial dispute with employers:</p> <ul style="list-style-type: none"> • Official Strike (complete withdrawal of labour). This involves workers picketing outside the premises of their employer to highlight the industrial dispute taking place. Employees hold a secret ballot, receive union approval and give their employer one week’s notice of strike action. Secondary picketing where employees picket another premises if that other business is assisting their employer to complete work, thereby frustrating the industrial action. • Work-To-Rule/ Go Slow where employees do their work as per their employment contract and will not complete any extra duties outside of those stated in the contract. Action in which employees protest against an employer by doing their job as per the contract but doing it at such a slow pace that it frustrates the employer. • 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. an airline during holiday season. • Token stoppage which involves a brief stoppage of work to highlight their frustration, and intended to carry the threat of further more serious action if agreement is not reached. 	10
3.	FALSE TRUE TRUE FALSE FALSE	10

4.	<table border="1" data-bbox="279 230 662 309"> <tr> <td>1</td> <td>2</td> <td>3</td> <td>4</td> <td>5</td> </tr> <tr> <td>C</td> <td>D</td> <td>F</td> <td>A</td> <td>B</td> </tr> </table>	1	2	3	4	5	C	D	F	A	B	10		
1	2	3	4	5										
C	D	F	A	B										
5.	<p>(a) Debt: Equity Ratio Debt Capital: Share Capital + Reserves 700,000:220,000 + 130,000 700,000:350,000 = 2:1</p> <p>(b) Lalco Ltd. is highly geared – this means the firm has to make high interest payments resulting in low/no dividend payments to shareholders. Assets may be used as security/Capital repayment required/May impact on ability to borrow in the near future/Impact on the firm’s profits/cash flow.</p>	10												
6.	<p>Describe two features of Job Production</p> <ul style="list-style-type: none"> • Job Production is a method of production where goods are made to order/ goods are not made for stock/one-off product/unique product/made to specification. • Labour is highly skilled due to the customised nature of the product. • The production process generally requires very advanced machinery and equipment. • Items are expensive because skilled craftsmen are used/quality raw materials are used/specifications can be changed, and are therefore quite expensive. 	10												
7.	<p>(a)</p> <table border="1" data-bbox="347 1272 1284 1570"> <thead> <tr> <th>Visible Exports (€bn)</th> <th>Visible Imports (€bn)</th> <th>Balance of Trade (€bn)</th> </tr> </thead> <tbody> <tr> <td>€70</td> <td>€105</td> <td><i>€35 deficit</i></td> </tr> <tr> <td>€90</td> <td>€65</td> <td>€25 surplus</td> </tr> <tr> <td>€80</td> <td>€110</td> <td>€30 deficit</td> </tr> </tbody> </table> <p>(b) Invisible Exports refers to services sold to foreign countries and money flowing into the country/ Money flows into Ireland when Irish services are sold abroad. E.g. Italian tourists holidaying in Ireland; foreign students studying in Ireland/Irish internet providers selling their services to customers abroad.</p>	Visible Exports (€bn)	Visible Imports (€bn)	Balance of Trade (€bn)	€70	€105	<i>€35 deficit</i>	€90	€65	€25 surplus	€80	€110	€30 deficit	10
Visible Exports (€bn)	Visible Imports (€bn)	Balance of Trade (€bn)												
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€80	€110	€30 deficit												

8.	<p>Outline two methods of extending a product’s life cycle and provide one example to illustrate your answer.</p> <p>Product: Improve/update the product- Introduce new features.</p> <p>Re-branding/Change the name and total appearance of the product/create new image of the product in the mind of the consumer.</p> <p>Change the use of the product/Lucozade as medicinal drink to sports drink.</p> <p>Change the name of the product-new name may appear different in the eyes of the consumer.</p> <p>Increase penetration with customer base-different ‘<i>eir</i>’ packages/bundles.</p> <p>Introduce line extensions to the product-different flavours, sizes etc.</p> <p>Price: Change the pricing strategy-discounting to reach out to new target market, for example teenage market.</p> <p>Place: Change the place where product is sold/expand abroad/sell online.</p> <p>Promotion: Use a different or new advertising campaign/advertising media-Facebook, Twitter. Use sales promotional techniques to stimulate demand- vouchers, points etc.</p> <p>Example: Additional features - iPhone 6</p>	10
9.	<p>Distinguish between VAT and Corporation Tax</p> <p>VAT (Value Added Tax) is a tax on goods and services paid by both consumers and business/tax on consumer spending. The standard rate is 23%. There are various rates of VAT depending on the type of goods and services being sold e.g. 0% (Medicine, Food staples etc.). 9% is a special reduced VAT rate for tourism related activities including restaurants, hotels etc.</p> <p>Corporation Tax is an annual tax on company’s profits. The corporation tax rate in Ireland is currently 12.5%, one of the lowest corporation tax rates worldwide. The tax is calculated based on a company’s net profit position. It is seen as a major factor in attracting FDI in Ireland. Companies resident in the state, 25% rate on non-trading companies e.g. Rental companies.</p>	10
10.	European Commission \implies European Parliament \implies Council of EU	10

Section 2
(80 marks)
APPLIED BUSINESS QUESTION
Digibrand
(Support notes)

Q	Possible Response	Max Mark
(A)	<p>Ryan Cullen displays effective management skills. Would you agree with this statement? Outline reasons for your answer, with reference to the text of the ABQ.</p> <p>YES</p> <p>Leadership is the act of inspiring/influencing people to perform and engage in achieving goals. Leadership involves directing and assisting/guiding people on the right course in order that everybody works together to achieve goals of the enterprise. Leaders know how to achieve goals and inspire people along the way.</p> <p>Delegation involves the assignment of authority and responsibility to another person, generally from a leader to a subordinate, to undertake a specific project as s/he trusts the staff to do the work. Ryan delegates responsibility to staff.</p> <p>There are various types of leaders/leadership styles including Autocratic, Democratic and Laissez-faire. Ryan displays a Democratic leadership style where power is shared with employees/he includes employees in decision making, and intrapreneurship is encouraged. Ryan consults and seeks opinions.</p> <p>Link: <i>“Ryan Actively encouraged their suggestions on designs and always obtained their point of view before finalising a website design, marketing content for social media or a logo for clients in different industry sectors.”</i></p> <p>OR</p> <p><i>“In the evenings after college Ryan used Skype to share opinions with the team, and used email to send design and graphics between each member of the team.”</i></p> <p>OR</p> <p><i>“Ryan gave responsibility for a major project to Jane, as he believed she had the potential to create a very innovative marketing campaign.”</i></p> <p>OR</p> <p><i>“Decisions were made democratically.”</i></p>	<p>30 marks (3m+27m)</p>

	<p>Motivation</p> <p>Motivation in management is the process through which managers encourage employees to be productive and effective. Managers put certain factors in place that cause employees to behave in certain ways for the benefit of the business. A culture of empowerment within a business motivates employees. Employees' behaviour can be influenced by motivating them to meet their unsatisfied needs.</p> <p>Two widely used theories of motivation are Maslow's Theory of Motivation/Mc Gregor's Theory X and Theory Y. Ryan has adopted Mc Gregor's theory Y approach to motivation.</p> <p>Theory Y: Employees are interested in their work and are given interesting and challenging jobs. Employees are motivated to change when they are consulted. Employees want to achieve their best and gain respect and recognition.</p> <p>According to Maslow's theory employees are motivated by a desire to satisfy five specific needs: physical needs; safety and security needs; social and acceptance needs; esteem needs and self-actualisation needs.</p> <p>Link:</p> <p><i>"Ryan Actively encouraged their suggestions on designs and always obtained their point of view before finalising a website design, marketing content for social media or a logo for clients in different industry sectors."</i></p> <p>OR</p> <p><i>"Ryan offered them a percentage commission on each project they worked on"(Maslow's Physical needs)</i></p> <p>OR</p> <p><i>(and) "he consistently praised the high standard of their work"(Maslow's Esteem needs)</i></p> <p>OR</p> <p><i>"Ryan gave responsibility for a major project to Jane, as he believed she had the potential to create a very innovative marketing campaign." (Maslow's esteem needs)</i></p> <p>Communication</p> <p>Communication involves people exchanging information in order to better understand each other. Consultation implies good two-way communication exists. Feedback is required to ensure the message has been understood and acted upon.</p> <p>Communicating the goals/objectives allows the activities of all to be co-ordinated. Upward/Downward/horizontal channels of communication are necessary so that everyone understands what tasks they have to perform.</p>	
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	<p>There are a variety of methods of communication used in a business depending on the nature of the message-written, oral, visual and electronic.</p> <p>Link:</p> <p>..... <i>“obtained their point of view before finalising a website design, marketing content for social media or a logo for clients in different industry sectors.”</i></p> <p>OR</p> <p><i>“In the evenings after college Ryan used Skype to share opinions with the team, and used email to send design and graphics between each member of the team.”</i></p> <p>OR</p> <p><i>“Ryan was unsure of the consequences of merging with another business at this stage, so he held a meeting with Jane and Mark to find out their views on the offer.”</i></p> <p>Note:</p> <p><i>You cannot repeat links within a section. Theory has to be relevant to the ABQ. Links for leadership, motivation and communication can overlap, but if a specific link is used to explain one management skill it cannot be repeated for another management skill.</i></p>	
<p>(B)</p>	<p>(i) Identify and describe the most appropriate sources of finance for Digibrand’s re-location. (Refer to short, medium and long term sources of finance in your answer.)</p> <p>Short term finance</p> <p><u>Bank overdraft</u></p> <p>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.</p> <p>Link:</p> <p><i>“He discovered he would need finance to pay three months’ rent in advance.”</i></p>	<p>30 marks (24m+6m)</p>

	<p>Short term finance <u>Accrued expenses (unpaid bills)</u> Expenses that do not have to be paid until after the service is provided. Service is provided and during that time the money due can be used as a short term source of finance. No cost involved provided the bill is paid on time.</p> <p>Link: <i>“to ensure he could pay wages and various day-to-day expenses.”</i></p> <p>Short term finance <u>Credit card</u>.....</p> <p>Medium term <u>Leasing:</u> Leasing involves renting an asset from a finance company rather than purchasing it. The business will never own the asset, and at the end of the leasing period the owner may start a new leasing agreement with new assets. There is no security required, payments are tax deductible and ownership is not affected. As no lump sum is required it may improve the cash flow position.</p> <p>Medium term <u>Medium-term Loan:</u> Business can avail of medium term loans at quite competitive interest rates. The loan is repaid in equal instalments over the period of the loan (1 to 5 years) allowing the business to cash purchase and negotiate the best cash prices available. Interest paid is tax deductible and control of the business is not affected. Security or personal guarantees may be required to ensure the loan is repaid.</p> <p>Medium term <u>Hire-Purchase:</u> 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.</p> <p>Link: <i>“...he would need (to invest in) equipment and office furniture”</i></p>	
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Long term

Retained Profit/ 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.

Link:

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

Government Grants

Grants are available to businesses that create employment, from various Government agencies such as Enterprise Ireland and LEOs (Local Enterprise Offices) for start-up, expansion, research and development etc. Grants normally are interest free and do not have to be repaid if used for the intended purposes.

Link:

“He continued to avail of various supports, including Enterprise Ireland’s grant scheme towards R&D costs.”

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

Ryan will be able to improve his financial control by comparing actual receipts and payments with cash flow forecast/ it will help him to see if he is meeting his targets. A Cash flow forecast will have to be prepared if Digibrand intends to borrow finance. The cash flow will help to identify if the business can afford to make repayments on a potential loan. It will also help Ryan to identify times of high expenditure. Digibrand is a new company and availability of cash is more important than profit in the early years of a business. Without adequate cash to pay its bills Digibrand could fail.

Link:

“Like most new start-ups cash was scarce and Ryan wished to avoid huge debt.”

OR

“He had to ensure that he managed his working capital.”

OR

“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.”

(C)	<p>(i) Discuss one possible opportunity and one threat for Digibrand of merging with MediaMania.</p> <p>Opportunities: Quick method of business expansion – improved chance of survival/increased level of power in the market.</p> <p>Shared resources and expertise – access to new technologies quickly/new skills & expertise/ economies of scale/ sharing of costs.</p> <p>Diversification to new product areas/Access to new markets – merging with another firm will allow both firms to access each other’s markets/export market/reduced dependence on one market. Share strengths in different areas e.g. different regions of the world/different sectors of industry.</p> <p>Link: “MediaMania is planning to <u>expand its business outside the UK.</u>” OR “MediaMania a <u>leading London-based digital marketing agency which focuses exclusively on the retail sector in the UK.</u>”</p> <p>Note: Links from the ABQ could be presented as either an opportunity or threat depending on how the theory is developed by the candidate.</p> <p>Threats: Sharing of profits – all shareholders are entitled to a share of profits from newly merged firm.</p> <p>Loss of personal touch with customers – the larger a business gets the harder it becomes to retain relationships with existing customers.</p> <p>Different organisational cultures may lead to conflict/change can be difficult for both owners and employees to adapt to.</p> <p>Proprietary knowledge may be taken/the intellectual property of Digibrand could be taken by MediaMania.</p> <p>Potential loss of control.</p> <p>Potential redundancies.</p> <p>Link: “Digibrand (which) had built up a strong <u>client base in Ireland.</u>” OR “MediaMania is planning to <u>expand its business outside the UK.</u>” OR “MediaMania a <u>leading London-based digital marketing agency which focuses exclusively on the retail sector in the UK.</u>”</p> <p>Note: If link is given as an opportunity a different link needs to be given as a threat.</p>	20 marks (10m+10m)
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	<p>(ii) Evaluate one other method which Ryan could consider to grow his business.</p> <p>Strategic Alliance – this involves two firms coming together (voluntarily) to work on a particular project/ develop a specific product/service, but there is no change in ownership/ both remain separate corporate entities.</p> <p>Evaluation***** This type of expansion may be suited to Digibrand as it could enable it to work with other firms who may have more expertise in particular areas of marketing. Access to new markets/contacts. Digibrand can easily withdraw from the activity. Both firms benefit from shared skills and expertise and costs are shared.</p> <p>Takeover –A takeover is where 51% of the shares in another company have been purchased in either a hostile or friendly manner. The acquiring company absorbs the other company, which loses its identity after the acquisition and becomes part of the acquiring company.</p> <p>Evaluation***** This is unlikely as Digibrand is a very small company and MediaMania is a leading London-based company. It would be very costly for Digibrand.</p> <p>Organic Growth – this is the natural expansion of a business/growth from within the business using its own resources. Digibrand could sell more of its services or develop new services. Growing the domestic market/enter the international market/licensing/franchising.</p> <p>Evaluation***** This type of expansion would allow Ryan to retain ownership of his business and avoid any costly acquisitions. However, it is a slow gradual process as it takes time to build up reserves.</p>	
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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.

Question	Possible Responses	Max Marks
1. (A)	<p>(i) Outline two reasons for fair dismissal, as set out under the Unfair Dismissal Acts 1977/2007.</p> <p>Incompetence on the part of the employee. The employee lacks the ability to carry out required duties (poor work performance; failure to meet set targets).</p> <p>Qualifications (misrepresentation by the employee). Lack of formal technical or professional qualifications as appropriate for the work the employee was employed to do/ misleading employer in relation to qualifications.</p> <p>Misconduct by the employee. Improper /unacceptable behaviour by the employee e.g. theft, substance abuse, violence at work.</p> <p>Redundancy. Due to closure, competition, decline in demand, cutbacks (fair procedures applied).</p> <p>Incapability refers to employee’s attendance i.e. persistent lateness, absenteeism, or extended sick leave etc.</p> <p>Legal Reasons. If continuation of the job was to break the law in some way e.g. if an employee’s work visa expired etc.</p> <p>(ii) Explain the term ‘constructive dismissal’, providing an example to support your answer.</p> <p>Constructive dismissal refers to a situation where an employer makes it so difficult for an employee/ the employee feels they have no other option but to resign their position/, with or without notice.</p> <p><i>E.g. An employee is constantly being harassed by his manager, who blames the employee for all problems in the business. The employee feels she has no option but to resign her position.</i></p> <p><i>A change in functions of your job could give rise to a successful constructive dismissal case.</i></p>	<p>20 marks (12m+8m)</p>

<p>(B)</p>	<p>Outline three other methods for terminating a legal contract.</p> <p>Frustration – an unforeseen event makes it impossible to complete the contract. <i>Concert is cancelled as singer is taken ill and unable to perform/death or bankruptcy of one of the parties to the contract.</i></p> <p>Breach – one party in the contract fails to fulfil his/her contractual obligation. The party is in breach of an essential condition of a contract. The other party may have the right of action in the courts and may sue for damages. <i>Professional footballer does not turn up for training session and has thereby breached his contract with the club.</i></p> <p>Agreement – both parties agree to end the contract whether or not the purpose of the contract has been achieved. <i>Employee hired for 9 month contract but completes project in 6 months. Both employer and employee agree to end the contract.</i> A contract of employment may be ended by agreement if it includes a clause stating the contract can be terminated if one month’s notice is given.</p>	<p>20 marks</p>
<p>(C)</p>	<p>Evaluate the functions of the NCA (CCPC) with regard to protecting the interests of consumers.</p> <p>To provide information to consumers on their rights in relation to the purchase of goods and services – leaflets, website, telephone line.</p> <p>To enforce the relevant consumer law and encourage compliance, e.g. on-the-spot penalties and prohibition orders.</p> <p>To investigate suspected offences under any of the relevant laws, e.g. the NCA has the power to enter premises to gather evidence, with the support of the Gardaí if necessary The trader has 14 days in which to appeal the notice. If the trader fails to comply, the NCA may take criminal proceedings.</p> <p>To advise policy makers (Government) in relation to consumer protection and competition matters.</p> <p>To prohibit false pricing, e.g. goods advertised as being reduced in a sale must have been on sale at the higher price for twenty eight consecutive days sometime in the last three months. The NCA can serve a compliance notice on a trader whom it considers to have engaged in a prohibited activity.</p>	<p>20 marks</p>

	<p>Publication of a Consumer Protection List; a list of traders convicted of criminal offences, subject to court orders, bound by an undertaking, served with a compliance notice, or subject to a fixed payment notice.</p> <p>To refer cases to the Director of Public Prosecutions where appropriate.</p> <p>The National Consumer Agency may also apply to the court for an order that requires a business to pay compensation for any loss or damage to the consumer resulting from an offence.</p> <p>Evaluation***** Could refer to the Volkswagen emissions scandal in answer etc.</p> <p><u>CCPC is a statutory body since October 2014</u></p> <p>Investigates and challenges practices which are damaging to the consumer and/or the wider economy.</p> <p>Provides information to consumers to help make informed decisions.</p> <p>Promotes compliance with new regulatory regime.</p> <p>Can take enforcement actions against trading companies in breach of the consumer protection legislation.</p> <p>Advises policy makers (Government) in relation to consumer protection and competition matters.</p> <p>Examines mergers and acquisitions to ensure there is not a substantial lessening of competition in Ireland which could impact on prices/services provided to consumers.</p> <p>Responsibility for market surveillance in relation to safety of products covered by various EU Directives.</p> <p>Brings anti-competitive behaviour and practices that are harmful to consumers to an end (via court actions where necessary). www.consumerhelp.ie “about us” for additional points.</p> <p>Evaluation *****</p>	
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Question	Possible Responses	Max Marks
2. (A)	<p>Discuss the different ways in which the Irish Government affects the Labour Force in Ireland.</p> <p>Possible responses include:</p> <p>The setting of a legal national minimum wage may protect workers on low pay, however, some workers may be worse off as employers may not employ them due to rising costs (employers demand less labour at the higher wage rate so employment will fall). Labour supply should increase as more workers will be willing to offer themselves for employment at the higher wage.</p> <p>The government sets rates for PAYE/PRSI/USC etc. These rates of tax may act as an incentive/disincentive to work.</p> <p>A low corporation tax rate of 12.5% encourages foreign direct investment, thereby increasing businesses in Ireland and increasing the labour force. Low personal taxation in the form of lower PAYE and lower tax on interest earned (DIRT) gives employees and consumers more disposable income, which increases the demand for the goods and services, thereby increasing the labour force.</p> <p>The government investment in 3rd level education for all students in Ireland exempt of tuition fees ensures a steady supply of highly skilled labour. Training provided through organisations such as SOLAS, for unemployed people allows for up-skilling and helps the unemployed to re-enter the labour force.</p> <p>Government Agencies such as Enterprise Ireland and LEO's are tasked with the responsibility of helping business set up, grow and develop, which creates employment thereby improving the labour force. LEOs give up to €20,000 feasibility/innovation grants where entrepreneurs match at least 50% of the costs. Business expansion grants of up to €80,000 are available for sole traders, partnerships, community or limited companies. SEED and BES schemes are available for companies exporting or companies having export potential.</p> <p>IDA Ireland, a state body, attracts multinational companies into Ireland through grant aid etc., and creates large employment around the country.</p> <p>The existence of regulation such as Employment law, Health & Safety law, Competition law etc. A better regulatory environment encourages the growth and expansion of business leading to increases in the labour force.</p>	20 marks

	<p>Spending on new and improving infrastructural projects such as roads, airports, ports, telecommunications and broadband increases employment during the construction phase and also encourages more business as a result of improved infrastructure, thereby creating additional employment.</p> <p>The Irish government is a major employer – almost 300,000 people work in the public sector, making the Government the largest single employer. Pay cuts and an embargo on recruitment introduced in the public sector in recent years impacted negatively on the labour force.</p>	
<p>(B)</p>	<p>Analyse the benefits and drawbacks of franchising as a business start-up option for a potential franchisee.</p> <p><i>Benefits:</i></p> <p>Tried and tested formula – reduced risk. Buying an established business/name/brand with a proven track record/lower risk of failure in the marketplace/Business idea is already successful.</p> <p>Have an existing customer base which results in guaranteed sales.</p> <p>Have access to the experience and systems of the franchisor/can learn from other franchisees/benefit from uniform approach.</p> <p>Low cost/centralised/group purchasing power/ bulk discounts/economies of scale/can share costs such as marketing between all franchisees.</p> <p>Managerial training and support provided by the franchiser.</p> <p>Brand recognition/ can use the name or logo which is already well established.</p> <p>Product innovation is shared.</p> <p>Part of a bigger organisation e.g. benefitting from a national/international presence.</p>	<p>20 marks</p>

	<p><u>Drawbacks:</u> High start-up costs (initial franchise fee)/Royalties are paid from profits.</p> <p>No option for individual flair/restrictions imposed/lack of freedom to make changes or respond to new competition/ Must adhere to strict regulations/standards set by franchiser.</p> <p>Other franchisees might create negative image for the brand in the future due to poor performance or inability/maintaining the brand's integrity may be difficult.</p>	
(C)	<p>Discuss the social responsibilities of a business to any four of the stakeholders referred to above.</p> <p><u>Investors:</u></p> <p>Do not conceal information – be honest and transparent with investors at all times/act ethically at all times/ present a true and fair view of the financial performance and standing of the business/ maintain proper set of accounts.</p> <p>Use investment capital appropriately – investors' funds must be spent in the manner for which they are given.</p> <p>Give reasonable return on investment – investors are taking a risk when providing capital and should be given a fair return if profits are made.</p> <p><u>Employees:</u></p> <p>Pay fair wage – employees must be paid at least the minimum wage and must be given wages which reflect the work which has been done and the qualifications and skills of the employees.</p> <p>Ensure safe and healthy working environment – workplace should be maintained to meet legal and moral standards.</p> <p>Treat all employees fairly – respect all employees equally and treat them in a fair and dignified manner/ employment legislation/ no discrimination.</p> <p>Maintain employment/job security – business must strive to keep the business in a good financial position to keep employees in their positions.</p>	20 marks

	<p><u>Customers:</u></p> <p>Provide quality products at reasonable prices – produce products which are safe and unlikely to cause harm and charge prices which are fair.</p> <p>Do not mislead consumers regarding product/service, price/advertising and information must be truthful and appropriate to the audience targeted.</p> <p>Dealing with complaints in a fair manner – provide customers with an adequate complaints procedure.</p> <p>Providing an after-sales service – customers should be given adequate assistance if required after purchase.</p> <p><u>Suppliers:</u></p> <p>Honour the contracts agreed.</p> <p>Prompt payments within the time agreed.</p> <p>No pressure/duress.</p> <p>Follow tendering procedures where applicable.</p> <p><u>Government:</u></p> <p>Pay all taxes when due PAYE, VAT and Corporation Tax.</p> <p>Comply with various legislation (i.e. employment law, environmental law, company law, consumer law etc.)</p> <p>Use government finance provided as intended (Grants).</p> <p>Co-operate with government departments and agencies.</p>	
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Question	Possible Responses	Max Marks
3. (A)	<p><i>It's time to stop relying on Foreign Direct Investment– and grow our own indigenous businesses instead.</i></p> <p>To what extent do you agree with the above statement? Outline reasons for your answer.</p> <p>Agree – Benefits/Importance of indigenous business:</p> <p>Possible responses include:</p> <p>Indigenous Irish owned businesses are loyal to the country they are founded and set up in and may remain here regardless of cost.</p> <p>Small/medium enterprises create huge employment (currently over 150,000 SMEs in Ireland)-they tend to be more labour intensive than FDI.</p> <p>Stimulate growth – create a culture of enterprise within communities.</p> <p>Flexible/able to adapt to changes in market conditions-they can spot opportunities and react to changing market conditions quicker than large MNCs.</p> <p>The local community benefits from the revenue generated by the businesses and the wages spent by the employees.</p> <p>Support – spin-off business can develop to provide various supports/services to the existing indigenous firms.</p> <p>Profits are retained in Ireland and reinvested in the Irish economy.</p> <p>Reduced reliance on FDI-domestic indigenous firms have been quite successful in growing output and employment due to the growing UK market. Large multinationals may damage environment/may exert power over government/may not re-invest profits.</p>	20 marks

	<p>Disagree – Benefits/Importance of FDI</p> <p>Possible responses include:</p> <p>Large employment (direct and indirect employment) – create greater amount of jobs quicker than indigenous firms and also results in many additional jobs being created in the support services to the multinational firms/Employment boosts income and spending within localities.</p> <p>Improve the Balance of Payments on the current account by boosting exports – goods produced here sold throughout Europe etc. resulting in much needed revenue for the economy/Easy access to international markets.</p> <p>Positive spin-off effects for the local economy and local indigenous firms. Creation of spin-off business for Irish suppliers and service providers (many firms are set up to provide raw materials or services to the multinational creating more jobs and revenue for local economy).</p> <p>Increased government tax revenue for the economy – although the low corporation tax rate (12.5%) in Ireland is one of the main reasons multinational firms invest in Ireland they still make a large contribution to Government revenue through corporation tax on profits, VAT on purchases and PAYE paid by employees.</p> <p>They bring a knowledge base and business expertise to Ireland/make it easy for ‘would be’ entrepreneurs to set up their own businesses thereby promoting an entrepreneurial spirit.</p> <p>They invest in new technologies/R&D and Education, increasing the skill base of Irish workers which improves employee mobility and expertise/advanced production methods leading to higher productivity and lower unit costs.</p> <p>Invest capital thereby boosting demand/stimulate economic growth.</p> <p>Enhance Ireland’s reputation as a place to do business (international goodwill).</p>	
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(B)	<p>Discuss the marketing challenges an Irish business may face when trading globally, using examples to support your answer.</p> <p>Product may have to be adapted to meet local requirements. Example: Irish electronic/electrical products would have to be adapted to suit electrical sockets in all other countries it sells to outside Ireland and the UK.</p> <p>Price must take into account standard of living, transport costs, local competition, taxes, exchange rates etc. – Irish firm may charge a higher price in Ireland due to standard of living in Ireland and high cost base but may charge a lower price in low cost countries such as South America.</p> <p>Longer channels of distribution (place) may result in firms setting up manufacturing plants in other countries or operating under licence to other companies – Glanbia have set up plants in various countries including Germany, Belgium, USA etc.</p> <p>Language, culture, media are major factors for business to take into account before engaging in a promotion campaign. Tobacco products cannot be advertised in Ireland but can in other countries.</p>	20 marks
(C)	<p>Explain the following international trading terms:</p> <p><i>(i) Open Economy</i> An open economy is an economy which engages in international trade – goods and services are traded in the international community. Funds can also be transferred across borders allowing countries to borrow from another country if necessary. A measure of a country’s openness is the fraction of GDP devoted to imports and exports. Nearly 80% of what is produced in Ireland is exported.</p> <p><i>(ii) Trading Bloc</i> A Trading Bloc is a group of countries that organise a free trade area, common market or customs union in order to reduce or eliminate barriers to trade, e.g. European Union, NAFTA (an agreement between North America, Canada and Mexico). Trading blocs agree a common set of tariffs on imports from countries outside the trading bloc.</p> <p><i>(iii) Protectionism</i> Protectionism involves Governments protecting their home industries from foreign competition by erecting barriers to trade e.g. tariffs, quotas, embargoes, paying subsidies to home industries. Protectionism measures are put in place to reduce</p>	20 marks

	<p>imports and/or make them more expensive, to protect jobs, protect specific industries and to improve the balance of payments.</p> <p><i>(iv) Deregulation</i> The reduction or elimination of government power in a particular industry/ It involves removing legal barriers to entering an industry. It usually creates more competition within the industry. An increase in competition should lead to an increase in efficiency and lower prices.</p> <p>The EU deregulated the airline industry to allow more competition due to the removal of monopolies and more choice for consumers/value for money. It resulted in the emergence of low cost airlines such as Ryanair.</p>	
Question	Possible Responses	Max Marks
4. (A)	<p>Discuss how the hotel staff could apply entrepreneurial skills/characteristics to develop the various centenary events.</p> <p>Possible responses include:</p> <p>The staff could come up with new ideas or new ways of doing things. Develop a unique selling point (USP) to distinguish its hotel from other hotels. Innovative/creative (Visionary approach) is required.</p> <p>Customer satisfaction is the key to any successful business, so a customer focus is required. The Mayfair staff needs to determine and prioritise customer needs.</p> <p>The ability to relate well with people. Staff will be working in teams to generate ideas and plan events so good human relations are vital. They will also be dealing with customers and potential customers.</p> <p>The ability to change as circumstances change. The business environment is very dynamic so everything may not go exactly to plan. Staff need to be able to adapt to the changing circumstances/ need for flexibility.</p> <p>The ability to see things as they are not as you would like them to be. Staff must be realistic with their ideas and plans and be realistic about what they can achieve in a specific timescale/reality perception.</p> <p>The ability to act in advance of a future situation, rather than just reacting. Staff need to take control and make things happen rather than waiting for something to happen. Staff need to adopt a proactive approach.</p>	20 marks

	<p>Staff need to anticipate future customer needs/they need to have a vision which allows them to anticipate customer needs and look towards the future/future focused. Need to stay ahead of the competition.</p> <p>The ability to make quick and effective decisions is essential for enterprising people. Management and staff must be able to assess situations, identify options and weigh up the pros and cons before making decisions that will benefit the hotel.</p>	
<p>(B)</p>	<p>Evaluate how different types of planning contribute to business success. Relate your answer to Mayfair Hotel, making any appropriate assumptions.</p> <p>(Corporate) Strategic Planning is long term planning usually for a period of up to 5 years. It provides a guide or framework as to where the business/hotel will be in the long run. Strategic plans are usually devised by senior management to ensure the long term profitability and ultimate existence of the business. A strategic plan may be to grow market share by 20% over the next 5 years/to increase profitability by 10%/to enter the UK market.</p> <p><i>Mayfair hotel may have long-term plans such as increasing their market share, becoming a market leader. These plans will allow the business to grow into possible new areas such as business conferences (providing latest video and audio conferencing facilities), weddings/banqueting, Spa and fitness centre and Leisure Club etc. It will help them to increase profits as developing new facilities will allow them to charge higher prices or have an entirely new source of revenue.</i></p> <p>(Functional) Tactical Planning is short term planning, usually one to two year plans, which is essential to achieve the business' strategic or long term plans. The plans are a break-down of the strategic plans into a set of action items/tactics to help management achieve a number of objectives/goals in the short to medium term.</p> <p><i>The staff could conduct market research into the possibility of expanding into the conference/banqueting market. If the research is found to be positive the hotel may move ahead with its plan to build a conference centre.</i></p> <p>OR</p> <p>Operational Planning could involve planning for daily, weekly activities such as timetabling, holiday rosters etc.</p> <p><i>The Mayfair Hotel will have operational plans in place for all the various departments in the hotel such as the Kitchen, Cleaning Department, Accommodation, Reception etc. All staff are aware of</i></p>	<p>20 marks</p>

	<p><i>what needs to be done on a daily and weekly basis, ensuring that guests are well looked after and the hotel runs smoothly.</i></p> <p>Manpower planning- this would involve having the right people with the right skills in the right place throughout the business. It involves doing a human resource audit and estimating future human resource needs.</p> <p><i>The Mayfair may require contract/temporary staff at certain busy periods or for specific events such as conferences and weddings or specific events relating to the centenary celebrations.</i></p> <p>Contingency Planning – plan that is used as a back-up plan or for emergency situations. They prevent disruptions in business and thereby may prevent loss of profits and ultimate closure of business.</p> <p><i>The Mayfair may have contingency plans for various emergency situations which may occur at the hotel, such as closing certain wings of the hotel/shortage of essential supplies / may have a back-up plan for power in the form of a stand by generator.</i></p> <p>Mission Statement is a visionary statement outlining the overall purpose of the business and where it is going. The mission statement would give an insight to the stakeholders into the core values and culture of the Mayfair Hotel.</p> <p><i>The Mayfair hotel may branch out/extend into a new area of business which would be reflected in its mission statement.</i></p> <p>Cash Flow Forecasting.</p> <p>Evaluation *****</p>	
(C)	<p>Discuss the benefits and challenges of developing a matrix organisation structure (team structure) to complete specific projects in a business.</p> <p>Possible responses include:</p> <p>Benefits Personnel from various different departments bring new ideas/ new ways of thinking to the project (innovation).</p> <p>Improves relationships within the team – improved communication.</p>	20 marks

	<p>A co-ordinated approach to problem solving can be achieved due to the existence of a team/project leader/Team members have the support of a project leader who is responsible for co-ordinating team effort and ensuring task completion.</p> <p>Shared skills and expertise – employees can learn new skills from each other/professional development/improved motivation for employees.</p> <p>Responsibility is shared – although team leader is appointed to control the project the entire team shares responsibility of task/all team members have an input into decision making and problem solving.</p> <p>Challenges Teams can be a talking shop – all talk no action/ Certain people in the project team may dominate the task/only one voice is heard.</p> <p>Team development goes through stages of forming, storming, norming and performing/ Decision making may be slow as getting agreement at consultation stage could take time/all opinions considered which may slow down the process.</p> <p>Can be difficult to co-ordinate employees from different areas/being answerable to two different managers could lead to confusion and conflict/clash of loyalty between their own department and the project team.</p> <p>Can be conflicting pull on resources. Member from the sales team may be unwilling to agree extra funding for the production department etc.</p>	
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Question	Possible Responses	Max Marks
5. (A)	<p data-bbox="392 311 1249 376">Discuss the benefits of both internal and external recruitment for management positions, for a business such as SuperSave.</p> <p data-bbox="392 454 807 488"><u><i>Benefits of internal recruitment:</i></u></p> <p data-bbox="392 528 1241 633">Morale improves in business as staff have greater variety and promotion opportunities-career progression/can act as a motivator and strengthen employee commitment to the business.</p> <p data-bbox="392 674 1209 739">Employee’s skills, capabilities and attitude to work will be well known by management.</p> <p data-bbox="392 779 1246 844">Employee has working knowledge of how firm operates – reduces need for and cost of induction training.</p> <p data-bbox="392 884 1225 918">Reduces labour turnover as the opportunity for promotion exists.</p> <p data-bbox="392 958 1230 1023">Less disruption within the business/vacancy can be filled quicker and cheaper/reduced costs of advertising etc.</p> <p data-bbox="392 1064 807 1097"><u><i>Benefits of external recruitment:</i></u></p> <p data-bbox="392 1137 1134 1202">Best candidate for the job can be recruited/wider range of candidates.</p> <p data-bbox="392 1243 1102 1276">New employee brings fresh ideas/more open to change.</p> <p data-bbox="392 1317 1219 1382">Wide ranging experience from previous employment/better skill set/higher calibre.</p> <p data-bbox="392 1422 1230 1487">No existing relationships in the business – may reduce chance of conflict/less tension among existing staff.</p>	20 marks

<p>(B)</p>	<p>Analyse the effect/impact of new technology on business costs and business opportunities. Provide examples to support your answer.</p> <p>Technology (impacts can be on business costs or business opportunities depending on how they are presented by the candidates).</p> <p>Impact on finance for acquiring the technology-financial cost of purchase; installing and maintenance costs.</p> <p>Impact on production- product quality/greater efficiency /economies of scale/reduced costs/speed of production etc.</p> <p>Impact on staff (employees and management)- staff redundancies; training costs; wider span of control; E-working; more competent staff; greater efficiency in administrative functions, etc.</p> <p>Impact on communications-Quick/better decision making due to availability of large amounts of data, etc.</p> <p>Impact on marketing-on-line advertising; on-line sales; E-commerce; E-business, etc.</p> <p>Impact on sales/enhanced reputation with existing/ potential customers; edge over rivals, etc.</p> <p>Impact on security- Breakdowns/security breaches/business vulnerability, etc.</p> <p>Technology-some examples EDI-Automated stock ordering system.</p> <p>Websites and social media such as Facebook; Twitter and LinkedIn allow businesses use internet effectively.</p> <p>Software- Database software (Details of customers/suppliers etc.): Spreadsheet software (Financial and statistical calculations etc.): Desktop publishing software (Professional quality brochures/leaflets/newsletters etc.)</p> <p>CAD-3D Printing technology- e.g. packaging design).</p> <p>CAM-Assembly line work automated.</p> <p>CIM-Use of robotics to control the entire production process.</p>	<p>20 marks</p>
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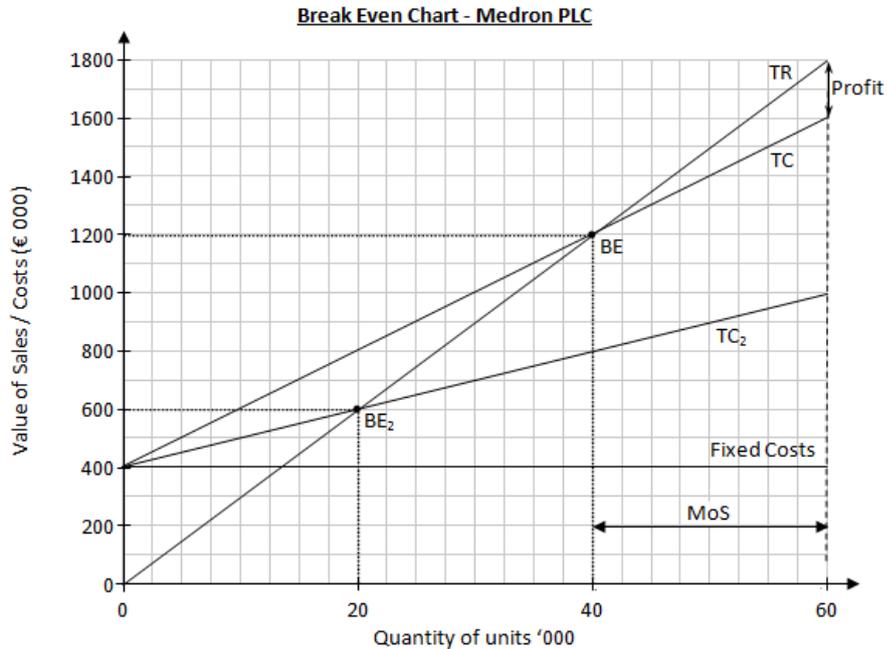
<p>(C)</p>	<p>(i) Explain the term quality assurance as part of Total Quality Management (TQM).</p> <p>Quality Assurance is a system that guarantees customers that detailed systems are in place to govern quality at every stage in production from design right through sales/ refers to the maintenance of a desired level of quality in a service or a product, by means of attention to every stage of the process of delivery or production.</p> <p>(ii) Describe the benefits to a business of achieving a recognised quality standard/mark.</p> <p>Quality symbols (i.e. Q mark) show consumers that a product can be trusted – quality has been approved – products have met industry standards which should result in increased customer loyalty/satisfaction.</p> <p>Can be used as a marketing tool to gain a competitive advantage/ increase sales/gain sales from competitors.</p> <p>Allows business to export more easily – quality symbols such as ISO9001 are internationally recognised/ improved reputation.</p> <p>By becoming associated with a high level of quality a business may be able to charge a higher price for its products leading to higher profits.</p> <p>Cost savings-less wastage/mistakes.</p> <p>May ensure repeat sales of products/source of competitive advantage.</p> <p>Better motivated employees/Job satisfaction.</p>	<p>20 marks (5m+15m)</p>
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Question	Possible Responses	Max Marks
6. (A)	<p>Outline the reasons why businesses engage in prototype development.</p> <p>Opportunity to refine the original design to create a fully functioning product (eliminate bugs). Identify problems with the product and improvements that could be made/products tested/ An opportunity to test the product in use.</p> <p>Identify the effectiveness of machinery and equipment used to make the product/ An opportunity to address engineering/production issues during the production process.</p> <p>Determine if you can source the materials when required (required amount and appropriate quality).</p> <p>To determine the financial cost of producing the prototype.</p> <p>Develop a prototype for test marketing.</p>	15 marks

(B)

Illustrate by means of a break-even chart:

- (i) Break Even Point
- (ii) Margin of Safety at forecast output
- (iii) Profit at Forecast Output



(i) $BEP = \text{Fixed Costs} / \text{Contribution} = 400,000 / 30 - 20 = 40,000$ units

(ii) $\text{Margin of Safety} = 60,000 - 40,000 = 20,000$ units

(iii) $\text{Profit at Forecast output} = 1,800,000 - 1,600,000 = \text{€}200,000$

Units	Selling Price	Variable Costs	Fixed Costs	Total Costs	Total Revenue	Profit/loss
0	30	20	400,000	400,000	0	(400,000)
40,000	30	20	400,000	1,200,000	1,200,000	0
60,000	30	20	400,000	1,600,000	1,800,000	200,000

25 marks

Title 1m

Output in units

'000s 1m

Revenue/Costs

€'000's 1m

FC line 2m

TC line 4m

TR line 4m

BEP 4m

MOS 4m

Profit at
forecast
output 4m

Calculations only:

12 m

BEP 4m

MOS 4m

Profit at
forecast
output 4m

(C)

(i) Following a review of costs, Medron found their variable costs per unit would decrease to €10. Calculate the new Break-Even point and illustrate how this decrease in variable costs will affect the total cost line and the original break-even point.

$$\text{BEP} = \text{Fixed Costs} / \text{Contribution} = 400,000 / 30 - 10 = 20,000 \text{ units}$$

Units	Selling Price	Variable Costs	Fixed Costs	Total Costs	Total Revenue	Profit/loss
0	30	10	400,000	400,000	0	(400,000)
20,000	30	10	400,000	600,000	600,000	0
60,000	30	10	400,000	1,000,000	1,800,000	800,000

(ii) Outline one limitation of a breakeven analysis.

Break-even analysis assumes Fixed Costs are constant – FCs can vary as output changes.

It assumes that the business knows all its costs and can break them down into fixed and variable.

Variable costs may increase/decrease as output increases – business may be able to purchase larger amounts of raw materials at lower prices (economies of scale from bulk buying).

Assumes that firm sells all its output – in times of low demand a firm may have difficulty in selling all its products.

Assumes a firm sells all its output at a single price -firms may offer discounts for bulk purchases/ may produce more than it can sell and may have to sell the surplus at a discounted price.

Ignores the effect that a change of price may have on sales-price increase fall in demand for the product and vice versa.

Most businesses sell more than one product, so break-even becomes harder to calculate

**20 marks
(15m+5m)**

BEP2
Calculation 5m
Illustration
BEP₂ = 5m
TC₂ = 5m

Question	Possible Response	Max Marks
7. (A)	<p>(i) Outline the advantages and disadvantages of using secondary (desk) research as a method of collecting information on a market.</p> <p><u>Advantages:</u> Usually faster to complete than primary research/may be carried out online/research reports/press reports/CSO publications, etc.</p> <p>Relatively inexpensive compared to primary research thereby keeping business costs down.</p> <p>More and more sources are available online so results can be checked for accuracy.</p> <p>Can provide information on competitors and consumer spending patterns.</p> <p>It can be a starting point to allow business to focus primary research on a particular area identified through secondary research.</p> <p><u>Disadvantages:</u> Information is also available to your competitors.</p> <p>Accuracy of information cannot be completely verified/can be difficult to find the original source.</p> <p>Information collected may be out of date.</p> <p>Information may be biased depending on who developed it.</p> <p>(ii) Illustrate one source of desk research and one source of field research that Stitch Express might use, giving a reason for your answer in each case.</p> <p>Desk: (quantitative data)</p> <p><u>CSO Statistics</u>- to determine population trends (age, sex, family structure) and forecasts/rate of pedestrian and traffic flow past business compared to that of rivals/ footfall in a location.</p> <p><u>Household budget survey</u> (CSO) would give information on household spending patterns for different types of goods.</p> <p><u>Internet</u> –could view the pricing and promotion strategies of competitors from their websites to help develop its own pricing or promotion policies.</p> <p><u>Daily sales records</u> would indicate if consumer patterns have changed and if consumers would be interested in the new service.</p>	25 marks (15m+10m)

	<p><u>Government Publications/Enterprise Ireland etc.</u></p> <p><u>Previous Market Research reports/trade association reports.</u></p> <p><u>Own previously published reports.</u></p> <p>Press (newspaper and magazine) articles - useful general information.</p> <p>Reason for your choice must be given.</p> <p>Field: (opinions and attitudes-qualitative data)</p> <p><u>Questionnaires/Surveys</u> where individuals are asked specific questions and detailed information is received about consumer's tastes, behaviours in the market place.</p> <p><u>Focus Groups</u>/selected individuals are involved in discussions about the product or service/scripted series of questions or topics.</p> <p><u>Personal Interviews</u>/provide more subjective data.</p> <p><u>Observation</u>/viewing customers in action and purchasing patterns are observed by trained staff.</p> <p>Reason for your choice must be given.</p>	
(B)	<p>Evaluate the effectiveness of sales promotion techniques Alex could consider to boost sales.</p> <p><u>Customer Loyalty programmes</u> – offering discounts, cash back, points etc. to regular customers (through key fob, customer card etc.). This will reward the loyal customers. One free dry clean for every five shirts dry cleaned.</p> <p><u>Special Offers:</u> Free gifts – adding a free gift “dry clean suit – shirt and tie cleaned for free”). May encourage the occasional customer to avail of the service more often. (Get suit cleaned every 2 weeks rather than every month) OR Buy One Get One Free/3 for price of 2 – getting 3 items dry cleaned/ altered only pay for 2 items. May increase the volume of trade for Stitch Express. OR Introductory Offer</p>	15 marks

	<p><u>Money off vouchers/coupons</u> – putting coupons in local papers and magazines for reduction in cost of dry cleaning/alteration service. May attract new customers to the service.</p> <p>Could run <u>competitions</u> on social media. Could encourage customers to share posts from Stitch Express on Facebook by offering the winners €100 worth of dry cleaning etc. This could be a reward for the loyal customers.</p> <p>Evaluation of each technique you have chosen *****</p> <p>(C) Discuss the benefits of branding as a marketing tool for business, providing examples to support your answer.</p> <p>Possible responses include:</p> <p>Having a brand name makes it easier to distinguish the product from competitor’s products/it is instantly recognisable. Can be used as a marketing tool for advertising purposes. Kelloggs is a well-known brand and they have different promotions to keep the brand name to the fore of consumer’s minds.</p> <p>It is easier to introduce new products if the brand name is already well known. Different products are released under the Kelloggs brand e.g. All-Bran Breakfast Biscuits, Coco Pops, Frosted Flakes.</p> <p>A well-known brand name can command a premium price. Kellogg’s brands command higher prices than for instance own brand labels/ premium prices can be charged. May be perceived as high quality.</p> <p>Repeat purchases as a result of branding will increase sales.</p> <p>Individual market segments can be identified and targeted with different products under the brand name. e.g. Kellogg’s Rice Krispies for kids/All-bran/ Mc Donalds childrens’ meals.</p> <p>Over time consumers become loyal to a particular brand and will not change. Consumers tend to eat the same brand each day. (Brennan’s Bread). Branding allows a company to differentiate itself from the competition and, in the process, to bond with their customers to create loyalty. “Brennan’s Bread, Today’s Bread Today”</p>	<p>20 marks</p>
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A position is created in the marketplace that is much more difficult for the competition to 'steal'. A satisfied customer may leave, but a loyal one is much less likely to. Consumers who have grown up with Kellogg's breakfast cereals will have strong associations of childhood and home. They will have developed **confidence in** the brand.

Brand names can be registered to protect the owner so that no other firm can use that name.

Some brands become so popular overtime that **the product becomes the brand** e.g. Google, hoover, biro, tippex etc.

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