

WARNING

This question paper **MUST** be returned with your answer book at the end of the examination,
otherwise marks will be lost.

Write your Examination Number here: 



Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2014

Business – Higher Level (400 marks)

THURSDAY 12 JUNE 2014 - MORNING 9.30-12.30

CANDIDATES ARE REQUIRED TO ANSWER:

(A) Eight questions from SECTION 1

AND

(B) The Applied Business Question in SECTION 2

AND

(C) 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.

Q.	Mark
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
Total	

Please note allocation of marks per question.

Calculators may be used.

Make and Model of calculator used:

REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK YOU USE FOR ANSWERING SECTIONS 2 AND 3

SECTION 1
(80 marks)
SHORT ANSWER QUESTIONS

This section is compulsory. Answer eight questions. Each question carries 10 marks.

Remember to return this question paper with your answer book.

1. Outline **two** benefits of local business for a local community.

(i) _____

(ii) _____

2. Column 1 is a list of *business terms*. Column 2 is a list of *possible explanations* for these business terms. (*One explanation does not refer to any of the business terms.*)

Column 1 – Business Terms	Column 2 – Explanations
1. Idea Generation	A. It involves developing a sample or 'mock-up' of a product.
2. Concept Development	B. Brainstorming is one of the methods used.
3. Product Launch	C. Is carried out to assess if a product has profit potential.
4. Prototype Development	D. The product is made available to the market.
5. Feasibility Study	E. Unworkable ideas are dropped.
	F. A unique selling point (USP) is identified.

Match the two lists by placing the letter of the correct explanation under the relevant number below.

1.	2.	3.	4.	5.

3. “The goal of the *World Trade Organisation (WTO)* is to reduce protectionism and allow free trade.” Illustrate your understanding of the underlined term.

4. Outline **two** rights of a 'Data Subject' under the terms of the Data Protection Acts, 1988 and 2003.

(i) _____

(ii) _____

5. (a) Explain the term 'interest rate'.

(b) Outline **two** possible economic impacts of low interest rates for Irish businesses.

(i) _____

(ii) _____

6. In the context of business, what do the following letters stand for?
Write your answers in the spaces provided.

FDI	
HRM	
USC	
ECB	
CGT	

7. (a) Name **one** leadership style. _____

(b) Illustrate how a manager adopting **this** leadership style might manage the process of change in a business.

8. Outline **two** functions of the Labour Relations Commission.

(i) _____

(ii) _____

9. Illustrate the difference between a ‘strategic alliance’ and a ‘takeover’ as methods of business expansion.

10. The following information is supplied by Canon Ltd.
- Forecasted Output (Sales) 60,000 units
 - Fixed Costs €48,000
 - Selling price per unit €5
 - Variable Costs per unit €2

(Show your workings)

Using the information provided **calculate** the following:

(a) Total Revenue at forecasted output
 (b) Total Costs of production at forecasted output
 (c) Profit at forecasted output
 (d) Breakeven point (BEP) **in units**

(Answer in the Answer Box below)

Answer Box

	Workings	Answer
(a) Total Revenue at forecasted output		€
(b) Total Costs of Production at forecasted output		€
(c) Profit at forecasted output		€
(d) Breakeven point (BEP) in units (It is not necessary to draw a break-even chart)		Units

REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK YOU USE FOR ANSWERING SECTIONS 2 AND 3

SECTION 2

(80 marks)

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

APPLIED BUSINESS QUESTION

Atlantic Surf

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



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

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

- (A) Illustrate what it means to be an entrepreneur with reference to *Atlantic Surf*. (20 marks)
- (B) 'For a contract to be legally enforceable **certain essential elements** must exist.'
Discuss this statement with reference to the rental of the premises by Shay Doherty for *Atlantic Surf*. (30 marks)
- (C) Evaluate the effectiveness of the systems of management control in operation at *Atlantic Surf*. (30 marks)

(80 marks)

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 / Business Environment

People in Business

Question 1

(A)

The purpose of the Industrial Relations Act 1990 is to put in place an improved framework for the conduct of industrial relations and the resolution of disputes.

- (i) Outline **three** factors that can lead to industrial disputes in business.
- (ii) Discuss **two** types of official industrial action available to employees involved in an industrial dispute with employers. (25 marks)

(B) Describe the role of any **two** 'Interest Groups' in business. (15 marks)

- (C) Outline a **consumer's legal rights** under the terms of the *Sale of Goods and Supply of Services Act 1980*, with reference to any **three** of the following:
- (i) Merchantable Quality
 - (ii) Guarantees
 - (iii) Signs limiting consumer rights
 - (iv) Unsolicited Goods. (20 marks)
- (60 marks)**

Domestic Environment

Question 2

(A) Outline the opportunities **and** challenges for the Irish economy of the privatisation of state owned enterprises. (20 marks)

(B) '*There are currently over 315 active franchise systems in Ireland, employing more than 42,000 people.*' (The Irish Franchise Association, 2013)

Outline the reasons why a person who wishes to open a business might choose the franchise model of business. (20 marks)

(C) Discuss the current role of the Industrial Development Authority (IDA Ireland) **and** Enterprise Ireland in the development of the Irish economy. (20 marks)

(60 marks)

International Environment

Question 3

- (A) (i) Explain the term ‘global business’.
(ii) Discuss the effects of ‘globalisation’ on the Irish economy. Provide examples to illustrate your answer. (20 marks)
- (B) Describe the legislative process within the European Union. (20 marks)
- (C) Evaluate the impact that any **two** of the following EU policies have on Irish businesses:
- (i) European Monetary Union (EMU)
 - (ii) European Union Competition Policy
 - (iii) European Social Charter.
- (20 marks)
(60 marks)

SECTION 3

Part 2

Enterprise

Managing

Question 4

- (A) Describe the functions of the different meetings held by limited companies. (20 marks)
- (B) Outline how developments in technology have benefited business communications. (20 marks)
- (C) Read the information supplied and answer the question which follows.

3 Dimension Ltd offers competitive salaries to its employees and a benefits programme that includes healthcare insurance. It is committed to providing a safe and healthy work environment. It holds weekly team meetings, enhancing the workers' sense of belonging. It recognises and rewards staff achievement and provides opportunities for staff to develop new skills and experience new challenges.

Outline the different stages in Maslow's hierarchy of needs **and** illustrate how 3 Dimension Ltd applies this theory to motivate its employees.

(20 marks)
(60 marks)

Managing

Question 5

- (A) Outline the stages in a 'recruitment and selection' process, using the following headings:
- (i) Internal and External Recruitment
 - (ii) Job Description and Person Specification
 - (iii) Job Interview.
- (25 marks)
- (B) The following figures are taken from the final accounts of Flame Ltd for 2013.

Flame Ltd	2013
	€
Authorised Share Capital	900,000
Issued Share Capital	450,000
Long Term Loan	200,000
Retained Earnings	150,000

- (i) Explain the term 'Debt/Equity Ratio'.
 - (ii) Calculate the Debt/Equity Ratio for 2013. **Show your workings.**
 - (iii) Discuss the importance of the Debt/Equity Ratio when deciding on new sources of finance for Flame Ltd. (20 marks)
- (C) Explain what it means to be 'underinsured' **and** outline **one** possible effect of being underinsured on a business. (15 marks)
- (60 marks)

Managing /Business in Action

Question 6

(A) Read the information supplied and answer the questions which follow.

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.

- (i) Name the type of production process used by Sarah.
 - (ii) Outline **two** challenges for Sarah of this type of production process.
 - (iii) Discuss **two** implications for Sarah of changing to another type of production process. (25 marks)
- (B) Outline **three** factors that Sarah's bank may consider when assessing her bank loan application. (15 marks)
- (C) (i) Explain the term 'short-term finance'.
- (ii) Outline **two** sources of short-term finance Sarah may consider to meet her working capital needs. (20 marks)
- (60 marks)**

Business in Action

Question 7

(A) Read the information supplied and answer the questions which follow.

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. *Goodbuys*, a leading supermarket chain, has agreed to stock the range, while wholesalers will distribute them to small independent shops.

- Evaluate the role of advertising **and** sales promotion as elements of the promotional mix at Sensible Foods Ltd. (25 marks)
- (B) (i) Describe **two** factors Sensible Foods Ltd should consider when choosing a suitable channel of distribution for its products.
- (ii) Outline **one** positive and **one** negative implication for Sensible Foods Ltd of using a leading supermarket chain such as *Goodbuys* to sell its products. (20 marks)
- (C) Discuss **three** challenges facing business start-ups. (15 marks)
- (60 marks)**

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