



Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE 2009

MARKING SCHEME

BUSINESS

HIGHER LEVEL



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Leaving Certificate Examination 2009

Higher Level

Business

Marking Scheme and Support Notes for use with the Marking Scheme

In considering the marking scheme the following points should be noted:

- The support notes presented are not exclusive or definitive.
- They are support notes and not model or suggested answers.
- 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.

**LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2009
MARKING SCHEME**

SECTION 1 (80 Marks)

This is a compulsory section.

Answer eight questions. Each question carries 10 marks.

Question	Scheme	
1	(a) 5 Marks (3+2) (b) 5 Marks (3+2)	10
2	6 Marks – Format of Memo 2@ 2 Marks	10
3	(a) 6 Marks (3+3) (b) 4 Marks (3+1)	10
4	(a) 5 Marks (3+2) (b) 5 Marks (3+2)	10
5	(a) 4 Marks (2+2) (b) 2@ 3 Marks (1 +2)	10
6	(a) Definition 4 Marks (b) 2@ 3 Marks (1 +2)	10
7	Enterprise 5 Marks (3+2) Management 5 Marks (3+2)	10
8	(a) 4 Marks (2+2) (b) 2 @ 3 Marks (1+2)	10
9	Job 5 Marks (3+2) Batch 5 Marks (3+2) Examples required	10
10	(a) 6 Marks (3+3) (b) (i) 2 Marks (ii) 2 Marks	10
Section 1	Available Marks	80

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)	Role of Interest Groups and example	4+4+2 Marks	10
(B)	Discuss how consumers benefit from the existence of competitive relationship between producers	3 @ 5 Marks (2+3)	15
(C)	(i) Explain the term "Employment discrimination" as set out in Act Four distinct grounds under which discrimination is outlawed (ii) Role of DEI Evaluation required	12 Marks (8+4) 8 Marks (4 @ 2 Marks) 10 Marks (2@ 5 Marks (2+3)) 5 Marks (2+3)	35
	Available Marks		60

Domestic Environment

Question 2

(A)	Franchising as a form of ownership for a new enterprise – Evaluation required	3@ 5 Marks (2+3) 5 Marks (2+3)	20
(B)	Social responsibilities of business to various stakeholders.	4 @ 5 Marks (1+2 +2)	20
(C)	Government use of tax system to create positive climate for business	4 @ 5 marks (2+3)	20
	Available Marks		60

International Environment

Question 3

(A)	3 Opportunities, 2 Challenges, or vice versa. Evaluation required.	5 @ 5 Marks (2+3) 5 Marks (2+3)	30
(B)	(i) Explain the term “Global Marketing” Name two Global Businesses (ii) Marketing Challenges in global markets Product, price, promotion, place Examples required	6 Marks (3+3) 4 Marks (2+2) 3 P’s 7 Marks (2+3+2) 7 Marks (2+3+2) 6 Marks (2+2+2)	30
Available Marks			60

Part 2

Enterprise

Managing

Question 4

(A)	Explain ‘delegation’ Benefits of delegation for a manager	5 Marks (2+3) 3 @ 5 Marks (2 +3)	20
(B)	Theory X – implications for business	4 @ 5 Marks (2 +3)	20
(C)	Rights of Data Subjects Obligations of Data Controllers	2 @ 5 Marks (2+3) 2 @ 5 Marks (2+3)	20
Available Marks			60

Business in Action/Managing

Question 5

(A)	<p>(i) Explain the term 'Business Alliance'</p> <p>(ii) Advantages of an alliance as a form of business expansion – Illustration required.</p>	<p>5 Marks (2+3)</p> <p>3 @ 5 Marks (2+3)</p>	20
(B)	<p>Debt and Equity Capital as sources of finance for business expansion</p> <p>Evaluation required</p>	<p>15 Marks (3 @ 5 Marks (2+ 3))</p> <p>5 Marks (2+ 3)</p>	20
(C)	<p>(i) Debt/Equity 2006/2007</p> <p>(ii) Comment on the significance of the trend for existing shareholders</p>	<p>Formula 2 Marks</p> <p>2 Calculations @ 5 Marks (1+2+2)</p> <p>2 Comments @ 4 Marks (2+2)</p>	20
	Available Marks		60

Business in Action/Managing

Question 6

(A)	Illustrate how developments in ICT have impacted on business Illustration required	2@ 7 Marks 2+3+2 1@ 6 Marks 2+2+2	20
(B)	TQM Benefits to a manufacturing business	4 @ 5 Marks (2+3)	20
(C)	Cash flow (i) Benefits (ii) Suggestions for improvement (Reference to purchase of equipment a compulsory point)	2 @ 5 Marks (2+3) 2 @ 5 Marks (2+3)	20
Available Marks			60

Business in Action

Question 7

(A)	Stages in the Product Development Process. Link to Olympian Ltd	6 @ 3 Marks (1+2) 2 Marks	20
(B)	(i) Explain Market Segmentation – Reference to Olympian Ltd. (ii) Benefits of Market Segmentation	5 Marks (2+3) 5 Marks (2+3) 2 @ 5 Marks (2+3)	20
(C)	Factors to be considered when deciding selling price	4 @ 5 Marks (2+ 3)	20
Available Marks			60

SECTION 1

(80 marks)

SHORT ANSWER QUESTIONS

Support notes

1. Distinguish between the following taxation forms: Form P45 and Form P60.

(a) Form P45 is:

Issued by an employer to an employee **on the cessation of employment**. The form provides details of the amount of Gross Pay, Tax and PRSI paid by the employee up to the date of leaving employment. The Form P45 will be **required** by the employee when:

- (i) Entering new employment – the new employer will require the form P45 to calculate the correct amount of tax payable
- (ii) Claiming social welfare benefits or a tax refund.

(b) Form P60 is:

Issued by an employer to an employee **after the end of the financial /tax (calendar) year**. The Form P60 shows Gross Pay, Income Tax and PRSI paid by the employee in the specified financial year. The Form P60 will be **required** by the employee when:

- (i) Claiming refund on overpaid tax – employees should check their Form P60 against their Tax Credits to ensure they have not been overtaxed.
- (ii) Claiming refund on PRSI contributions overpaid (in excess of pay ceiling).
- (iii) Claiming refund on Health contribution where income was below the relevant threshold.

2. Using today's date draft a memorandum (memo) from Peter Murphy, Marketing Manager, to Mary O'Brien, Managing Director of a retail business outlining two different sales promotion incentives to encourage sales.

MEMO

To: Mary O'Brien, Managing Director

Subject: Sales Promotion Incentives

From: Peter Murphy, Marketing Manager

Date: 9th June 2009

Memo to include outline of **two** sales promotion incentives to encourage sales.
Sales promotion incentives are short term marketing techniques designed to increase sales of a product

Signature: Peter Murphy,
Marketing Manager

3. Distinguish between ‘Public Liability’ and ‘Fidelity Guarantee’ as types of insurance.

(a) Public Liability Insurance is:

Insurance cover for the business which protects the business against claims by members of the public for injury or loss resulting either from an accident on the business premises or the actions (or inactions through negligence) of the business.

(b) Fidelity Guarantee Insurance is:

Insurance cover for the business which protects the business against financial losses, as a result of theft or fraud by an employee.

4. Explain ‘desk research’ and ‘field research’. Use an example of each to support your answer.

(a) Desk Research is:

Research based on **secondary sources of information** i.e. research that has already been conducted by others. Internal and external sources of information may be used in desk research.

Example: The total number of cars sold in the first quarter of 2009 can be found through the research conducted and published by the CSO or Society of the Irish Motor Industry (SIMI).

Internal Sources of Information: Company Reports, Management Accounts, Marketing Plan, Company Strategy, Customer Feedback etc

External Sources of Information: Websites (e.g. for financial information www.finfacts.ie, Irish Finance Portal), Reports from state agencies (e.g. CSO, Enterprise Ireland, ESRI, FÁS), business publications and newspapers, IMI, Trade Associations (e.g. Society of Irish Motor Industry), Industry experts etc.

(b) Field Research is:

Research based on **primary sources of information**. Field research (primary research) seeks to discover new detailed information about the target market. Market research methods used may include:

Example: Car dealership checking satisfaction rating of customer purchasing new car in relation to car and experience of dealership may use questionnaire

- (i) Questionnaires
- (ii) Observation
- (iii) Sampling
- (iv) Personal Interviews etc.

5. (a) Explain the term ‘community development.’

Community Development is:

A voluntary or professional effort to support and develop the social and economic activity of a local community for the benefit of the community
e.g. Leader Programmes, local partnership programmes, Local club/society etc.

(b) Describe two benefits of community development.

- (i) Creates employment and thereby increases spending in the local economy
- (ii) Spin off jobs e.g. transport, education
- (iii) Promotes an enterprise culture/encourages new ideas/new businesses in community
- (iv) Empowers local community and generates a sense of pride within the community
- (v) Creates confidence/community spirit in the community/growth and prosperity in local area.

6. Define the ‘secondary sector’ and outline two current trends affecting this sector in Ireland.

The secondary sector includes Manufacturing, Agribusiness and Construction businesses - that manufacture products from the materials produced by the primary sector (Agriculture, Forestry, Fishing and Mining).

Takes raw materials, processes raw materials and produces finished goods.

Example: Kerry Group – Food Products.

Current Trends:

- (i) Decline in employment in Secondary Sector – downsizing and closures have resulted in an increase in unemployment, particularly in relation to Manufacturing and Construction
- (ii) Increased competition- challenge faced by Agribusiness Sector in food market from foreign retailers i.e... Lidl and Aldi
- (iii) Increased wage rates in Ireland over the past few years has resulted in loss of competitiveness – relocation of some manufacturing businesses to low cost economies etc

7. Illustrate the difference between ‘enterprise’ and ‘management’.

To be enterprising is to have the ability to generate new ideas, to identify an opportunity and to have the confidence, motivation and determination to take the risk to turn the idea into reality – to act as agents of change.

Example: Bill Cullen, Chairman and owner of Renault Ireland

Management is the process of getting objectives and activities completed efficiently and effectively with and through other people. The key activities of management include planning, organising and controlling.

Example: Declan Kidney, Irish Rugby Coach

8. (a) Explain the legal term ‘consideration’.

Consideration means that some advantage or benefit must move from one party of the contract to the other party.

Consideration refers to what changes hands (is exchanged) between buyer and seller e.g. the purchase of a CD for €20 from your local music shop. The buyer gives €20 to the seller and in return gets a CD.

Consideration may refer to money or goods of any value exchanged between parties. It is a necessary prerequisite for a valid contract.

(b) Outline two other elements of a legally binding contract.

Outline two of the following (sentence required):

- (i) Agreement (Offer and Acceptance)
- (ii) Intention to Contract
- (iii) Capacity to Contract
- (iv) Legality of Form
- (v) Legality of Purpose
- (vi) Consent to contract

9. Contrast job production and batch production, giving one appropriate example in each case.

Job Production

Refers to the production of a single customised product e.g. a bespoke oak kitchen, wedding dress etc.

Batch Production

Refers to the production of certain quantities of identical products at the same time/in one production run e.g. loaves of brown bread, school textbooks etc.

10. (a) Explain the role of the Council of Ministers in EU decision- making.

The Council of Ministers must adopt all legislation before it becomes law (key decision-making body of the EU). The Council of Ministers is comprised of ministers from governments of each EU member state. The topics on the agenda determine which minister attends.

Most decisions are made by majority voting. However, unanimous agreement is required for certain issues such as taxation, launching new common policies, allowing new countries to join the EU etc.

(b) Name two other EU decision- making institutions.

- (i) European Commission
- (ii) European Parliament
- (iii) European Court of Justice
- (iv) European Council
- (v) European Court of Auditors

SECTION 2
(80 marks)
Applied Business Question

Compulsory question based on Units 1, 2 and 3

Renewable Energy Solutions (RES) Ltd

- (A) **Illustrate, using examples from the above text, four enterprising characteristics/skills shown by Liam.**

Liam is a **risk taker**. Successful entrepreneurs are not afraid of failing or taking risks. Liam has seen an opportunity in the market for a new product/service, and is prepared to take the chance to set up his own business. He is taking both a personal and a financial risk in setting up RES Ltd.

Link to Text

With twenty years experience in the heating and plumbing supplies business and with no opportunity for promotion he decided to start his own business.

Liam is **innovative/creative**. Entrepreneurs are good at coming up with new ideas and recognising opportunities as they present themselves. They are constantly looking for new ideas and ways of improving what they do.

Liam identified an opportunity to introduce solar panels to the Irish market and set up his own business, RES Ltd. Despite the downturn in the economy and the challenges currently facing RES Ltd. Liam still sees opportunities for the growth of his business. He recognises the growing interest in and demand for more cost efficient and environmentally friendly heating products and systems. He views the BER regulations positively, believing that the BER may provide his business with more opportunities.

Link to Text

Liam identified a niche in the market for an Irish supplier of solar panels.

He believes that the governments new BER regulations combined with the increasing demand for more cost effective and environmentally friendly heating systems will provide opportunities for his business.

Liam is **confident/positive**. Entrepreneurs have a strong sense of self-belief and conviction about their own business ideas. Liam recognised a business opportunity and believed that his twenty years experience in the heating and plumbing business provided him with the necessary skills and expertise to develop the idea into RES Ltd. His confidence in his business idea convinced others to invest in the business.

Link to Text

Impressed with Liam's knowledge and belief in his product, Liam's bank manager and a number of private investors were happy to provide the necessary finance.

Liam is resilient/determined. Despite the downturn in the economy Liam has no intention of giving up. Liam is now looking for other opportunities to sustain RES Ltd. He views the introduction of the BER positively and believes the BER will present more opportunities for RES Ltd.

Link to Text

Liam is confident that the demand for green energy sources in Ireland will increase again.

Liam is **decisive**. Entrepreneurs have the ability to make quick and clear decisions so as not to miss opportunities. Liam identified a business opportunity when at a Trade Fair in Germany and decided to set up his own business. Currently, he recognises that the downturn is posing challenges (**realism**) for RES Ltd and he has decided to implement a 10% pay cut for all staff with immediate effect. He believes that swift action is necessary to protect the future of RES Ltd and he believes he has made the best decision for the future of RES Ltd and his employees.

Link to Text

He decided to start his own business.

Liam has e-mailed all staff informing them that action will have to be taken swiftly if business is to survive an economic downturn – necessary to implement a 10% pay cut with immediate effect.

Liam is **self motivated/ determined**. Entrepreneurs thrive on the challenge to succeed. Liam recognised a business opportunity and set up his own business. Despite the downturn in the economy and the challenges currently facing RES Ltd. Liam still sees opportunities for the growth of his business. He is determined to secure the future of RES Ltd and has he believes taken the best possible action swiftly to ensure this.

Link to Text

With no opportunity for promotion he decided to set up his own business.

(B) Discuss three types of management control that you would recommend Liam put in place to secure the future of (RES) Ltd.

(i) Stock Control

This is the monitoring of stock levels to ensure that there is enough stock to meet demand while keeping stock holding costs to a minimum. Establishing the optimum stock level reduces the costs associated with being over-stocked or under-stocked.

Benefits of effective stock control

- Ensures adequate stock levels to satisfy customer demand thus avoiding potential loss of sales
- Assists future sales and profits
- Minimises storage costs, while making effective use of storage space available
- Identifies slow moving stock
- Reduces risk of stock going out of date/becoming obsolete/goods being damaged/stolen
- Aids working capital management – less money tied up in stock
- Reduces insurance costs

Link to Text

Rising stock levels in the warehouse are also causing problems.

(ii) Quality Control

This is the process of checking the quality standard of the goods or services provided by a business to ensure they are up to required standards/meet expectations of the market. The quality of the goods and services provided is fundamental to the business reputation. Poor quality goods and services will result in loss of customers and sales.

Benefits of Quality Control

- Consistent quality – enhances the reputation of the business, helps maintain customers and wins new customers
- Reduces costs associated with faulty goods e.g. returns, refunds, court cases, damage to reputation of business, loss of customers etc.

Link to Text

A number of customers have recently returned solar panels, as a result of damage caused while in storage in the warehouse or in transit.

(iii) Credit Control

Cash flow is critical for business success. Credit control monitors:

- Debtors receiving credit/setting of credit limits
- Period of credit given
- Payments received on accounts of debtors

It involves checking credit worthiness of customers, setting credit limits and periods, deciding penalties for late payments in an effort to avoid or minimise bad debts. Goods are sold on credit and payment is not made until a future date. A trade debtor is created, leading to the possible risk of bad debts. The business will incur costs in the administration of credit accounts e.g. invoices, credit notes etc. Cash flow/liquidity will be adversely affected where credit control is not strictly monitored.

Benefits of Credit Control

- Firm controls amount of goods sold on credit
- Firm controls to whom goods are sold on credit – credit worthiness of potential customers is checked
- Debtors pay debts on time
- Reduces risk of bad debts
- Reduces cost of credit e.g. interest/administration etc
- Assists Cash Flow Management

Link to Text

Cash flow is tight and Liam is particularly concerned by the fact that two of his largest customers have not paid their bills on time.

(iv) Financial Control/Budgetary Control

The preparation of budgets is critical to both effective cost control and to financial planning. The preparation of a cash budget identifies:

- Timing and amount of Cash Inflows/Revenues
- Timing and amount of Cash Outflows/Expenses
- Periods where there may be a net Cash Outflow

This information highlights potential cash flow problems, thereby assisting management to plan, control and make decisions in relation to the financial management of the business.

Link to Text

Cash flow is tight.

In addition, the company is finding it difficult to raise short- term finance due to the current credit squeeze.

- (C) (i) Describe, using the above text, one possible non-legislative and one legislative solution for the industrial relations problem facing (RES) Ltd.**

Non-legislative

Negotiation/Discussion/Third Parties

Liam could meet with the Shop Steward/workers to discuss his concerns and try to reach an agreement in relation to the proposed pay cut. Alternatively, the shop steward may invoke the Grievance Procedure whereby:

- Shop Steward makes an official complaint in writing in relation to the proposed 10% pay cut.
- Liam must respond and meet with the Shop Steward within a specified period of time of the grievance procedure being invoked.
- If the Shop Steward is dissatisfied with the outcome of the meeting with Liam s/he may either:
 - request the intervention of Head Office in negotiations
 - or**
 - opt to pursue a legislative route to try and solve the conflict.

Legislative

The Labour Relations Commission

The Labour Relations Commission offers a conciliation service to solve disputes. This is where the parties to the dispute can meet with the help of a third party to sort out their differences.

The LRC can appoint an industrial relations officer to try and resolve the dispute between Liam and his employees at RES Ltd. The officer tries to get the two parties

to come to an agreement using conciliation. The process involves a series of meetings with all parties involved in the dispute. A settlement occurs when both parties come to agreement or where they accept a proposal for settlement that the Industrial Relations Officer puts to them. The recommendation is not legally binding and can be rejected by either side. It can be appealed to the Labour Court.

Reference to Text

The staff contacted their trade union to express their concerns about the proposed pay cuts. A trade union meeting has been organised to discuss staff concerns and agree a response to the pay cut proposed by Liam.

(ii) In your view how should Liam have dealt with the issue to lessen the likelihood of an industrial relations conflict?

Liam has chosen the wrong medium to communicate a significant change in terms and conditions of employment to his employees. Effective communication reduces conflict, builds self-confidence and enhances personal and working relationships.

A face-to-face meeting with the employees would have:

- Afforded staff with a sense of dignity, respect and inclusion in decisions affecting their future and the future of their families
- Allowed Liam to present to employees the current financial position and challenges faced by RES Ltd
- Facilitated a recognition by employees of the impact of the downturn on RES Ltd
- Provided an opportunity to discuss and explore possible alternative courses of action rather than an immediate 10% pay cut
- Motivated staff for the long term etc.

Reference to Text

He has sent an e-mail to staff to inform them that it will be necessary to implement a 10% pay cut, with immediate effect for all workers.

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

(Support Notes)

Question 1

(A) **Outline, using an example, the role of interest groups in the business world.**

An interest group is an organisation which represents the common viewpoint, objectives and goals of a particular group e.g. role of IBEC (representing employers) and ICTU (representing affiliated trade unions) in recent negotiations with Government in relation to government budgetary policy, IFA, ISME etc An interest group seeks to influence decisions and policy affecting its members, through various actions including negotiation, lobbying, boycotting and possibly legal action.

Interest groups may or may not succeed in achieving their desired objectives.

Example:

The Construction Industry Federation (CIF) actively represents and serves over 3,000 members covering businesses in all areas of the Irish construction industry through a network of 13 Branches in 3 Regions throughout Ireland and through its 37 Sectoral Associations. The CIF engages with Government, professional groups, business groups and the social partners on their members' behalf. CIF monitors issues and trends, initiates proposals and acts in its members' interests at local, national and EU levels.

(from <http://www.cif.ie/asp/section.asp?s=1>)

(B) **Discuss how consumers may benefit from the existence of a competitive relationship between producers.**

A competitive relationship between producers in the same line of business means each is pursuing different objectives in an effort to achieve particular objectives at the expense of the other (win-lose relationship). This is beneficial for the consumer as every business must work hard to satisfy customer needs.

Examples:

Producers in the same line of business may compete on prices of goods and services, quality, sales, recruitment of labour etc.

Customer will benefit from:

- Improved quality
- Improved customer Service
- Better choice of products
- Better value for money

(C) (i) **Explain the term ‘employment discrimination’ as set out in the Employment Equality Act 1998.**

Discrimination is described as the treatment of a person in a less favourable way than another person is, has been or would be treated (in a comparable situation on any of the nine grounds).

List four distinct grounds under which discrimination is outlawed under the Act.

Grounds under which discrimination is outlawed

- Gender
- Marital Status
- Family Status
- Sexual Orientation
- Religion
- Age
- Disability
- Race
- Member of Traveller Community

(ii) **Evaluate the role of the Director of Equality Investigations in resolving complaints of discrimination in the workplace.**

Director of Equality Investigations

Complaints of discrimination/breaches of equality legislation may be reported to and investigated by the Director of Equality Investigation/Director of Equality Tribunal, who issues a decision. The DEI may elect to either:

- Refer the complaint to an **Equality Mediator**, who facilitates both parties to reach a mutually acceptable agreement.

OR

- Refer the complaint for consideration and decision to an **Equality Officer**. While the decision of the Equality Officer in relation to the complaint is binding, it may be appealed by either party to the Labour Court.

The office of the DEI is effective as both the Equality Office and the Equality Mediator assist in achieving a resolution to complaints of discrimination.

Equality Officers can order compensation and/or a specified course of action.

Decisions are binding and enforceable through the Circuit Court. All decisions may be appealed to the Labour Court within 42 days. In equal pay cases, the DEI may order equal pay and arrears in respect of a period not exceeding 3 years preceding the reference of the case.

Services are accessible to all and are free of charge. Complainants are not required to be formally represented.

Decisions provide a strong foundation of case law to assist in the elimination of unlawful discrimination/ power to direct that practices shown to be discriminatory should cease.

Decisions are made available to the widest possible audience to foster an awareness of what constitutes discrimination and to help prevent future discrimination.
(The Office of the Director of Equality Investigations- Strategy Statement 2001-2003)

Question 2

(A) Evaluate ‘Franchising’ as a form of business ownership for a new enterprise.

Franchising provides a start up 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 franchisor's trade name and business system. It is important that the start up business considering franchising consider the following:

- Researching the market to identify suitable franchise opportunities
- As in all start-up business it is advisable to prepare a business plan
- Consider the proposed agreement from franchisor – what are the terms and conditions, will the agreement be financially viable.

Benefits of franchising for a new enterprise

- Business name is well known, already established in the market
- Low risk – business model is proven
- Lower costs – marketing, training, product development – franchisee benefits from economies of scale
- Faster start up – support provided in start up by franchisor

Note: The demerits of franchising as a form of business ownership for a new enterprise also acceptable.

**(B) “Business is not only about doing things right, it is also about doing the right things.”
Discuss the social responsibilities that a business has to its various stakeholders.**

Business has an obligation to act ethically, in its interaction with its various stakeholders and the wider community alike. All business practice with shareholders, employees, customers, government, suppliers and the general public should be guided by the principles of honesty, equity, transparency and environmental consciousness.

Social Responsibilities to Shareholders/Investors

- To act in accordance with the Memorandum and Articles of Association
- Provide a fair return on the investment by shareholders
- Avoid excessive payments to senior management
- To present a true and fair view of the financial performance and standing of the business, maintain proper set of accounts

Social Responsibility to Customers

- Fair and honest advertising
- Abide by health and safety regulations – products must be safe. Any suspected safety issues with a product should warrant a product recall.
- Goods must be of merchantable quality, match their description, fit for purpose etc.
- Uphold the right of the customer to complain and to investigate such complaints

Social Responsibility to Employees

- Adhere to Employment Law, Health and Safety Regulations etc
- Pay a fair wage to all employees
- Provide a safe working environment
- Treat employees with dignity and respect
- Provide equal opportunities for promotion, pay etc to all employees

Social Responsibility to Government

- Adhere to all relevant legislation – Equality Act, Company Law etc.
- Pay taxes due – VAT, Income tax, Corporation Tax
- Co-operate with government offices e.g. EPA

Social Responsibility to General Public

- To be environmentally conscious – to implement environmentally friendly business practices
- Produce safe products
- To treat all employees fairly – avoiding exploitation or discrimination

Social Responsibility to Suppliers

- Follow tendering procedures where applicable – treat all suppliers fairly
- Pay amounts agreed within timeframe agreed

(C) Discuss how the Irish Government could use the tax system to create a positive climate for business in Ireland. Use examples to illustrate your answer.

The Irish economy is currently in recession. The collapse of the construction sector and the consequent demise of the Irish banking system has had major ramifications for the Irish economy domestically and internationally.

Recent changes in the Irish Economy

- Rising Unemployment – forecasts indicate that unemployment will be 10% of the Labour Force by the end of 2009
- Collapse of the construction sector
- Collapse of the banking system – government guarantee, nationalisation of banks etc
- Decline in credit rating for Ireland and the associated higher interest rate charged on borrowings
- Worsening government finances – government need to reduce spending by €2 billion in 2009
- Decline in consumer spending and confidence – VAT, PAYE, Stamp Duty, Capital Gains taxes

- 38% of income earners pay no tax while half of all income tax paid is by top 6.5% of earners
- Difficulty in accessing credit for both personal and business customers
- VAT differential between UK, Northern Ireland and Republic has resulted in more imports – HB Dennis Motor Company and Sterling BMW now selling imported UK cars in Ireland
- Relocation of Dell and other multi-nationals to low cost economies etc

The Irish Government needs to stimulate growth in the economy to reverse the current decline.

Use of tax system to create a positive climate for business

- **PAYE** – Reduction in PAYE rates should increase spending power and stimulate demand for goods and services.
- **PAYE** - An increase in PAYE rates could provide opportunities to reduce rates/water charges and fund business supports e.g. grants or reduction in PRSI (cost of employment)
- **Corporation Tax** – A reduction in Corporation Tax may improve company profits, and the ability to fund future growth of the business
- **Stamp Duty** – Changes may re-stimulate demand in the construction sector
- **Tax Credits** – An increase in tax credits may stimulate demand for goods and services
- **VAT/Excise Duties** – Reduction in VAT, reduces cost of goods and services, stimulates demand – makes Irish economy more competitive
- **Tax Incentive Schemes** – Promote the establishment and expansion of business

Question 3

(A) Evaluate the opportunities and challenges for Irish business in the EU Market.

The Single European Act was passed in 1987 to provide full and open competition in both the goods and labour market within the EU. The EU market presents both opportunities and challenges for Irish business

Opportunities in EU Market for Irish business

- Free access to EU Market for Irish exports – EU market is third largest in the world.
- Free movement of services, labour and capital – Irish construction sector benefited hugely from availability of Polish and other EU workers during the boom years. Business may also source best investment/borrowing opportunities in EU.
- Harmonisation of Tax rates – reduces price differentials and competition.
- Lower transport /distribution costs – free movement of goods/less administration.
- Irish businesses are eligible to tender for government contracts in EU states. Public Procurement.
- Eligibility of Ireland to receive Structural Funds – improved infrastructure in Ireland e.g. roadways have benefited business.
- Business risks are reduced because of reduced dependence on the Irish (domestic) market.
- Economies of scale are made possible by the creation of a huge EU market. This should increase the competitiveness of business.
- Product life cycles should be longer. Research and Development costs should be lower.
- EU-wide registration and protection of trade marks, patents and copyright.

Challenges in EU market for Irish business

- Ireland is a small island economy on the periphery of Europe.
- Increased competition from other EU countries.
- EU companies are eligible to tender for Irish contracts.
- Ireland has a high labour cost – some multi-nationals e.g. Dell have transferred production to lower cost economies e.g. Poland.
- Irish business must comply with EU law.

(B) (i) Explain the term ‘Global Marketing’ and name two global businesses.

A global business sells the same, undifferentiated product worldwide. Global marketing uses the same or an adapted marketing mix (product, price, place, promotion) throughout the world to build a global brand.

Examples: Coca Cola, Dell, Nike, Toyota, Microsoft, Intel, HP, Google, Nokia

**(ii) “A business involved in global markets faces additional marketing challenges.”
Discuss these challenges, using examples to support your answer.**

Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) it is impossible to launch identical marketing plans worldwide. It is common for business to adapt the marketing mix to reflect the local language, cultural, geographic, or economic differences.

Elements of the Global Marketing Mix

Global Price

- Reflective of the respective cost of living in different countries/sun cream in Spain
- Recognises the cost of production, distribution, marketing, transportation etc
- Includes tariffs/customs duties
- Local price levels

Global Place

Global channels of distribution are necessary to implement an adapted global marketing mix. Channels include:

- Selling directly to customers
- Use of agents – independent person who will act on behalf of the firm, generally receiving a commission on sales
- Forming a strategic alliance with a foreign company to produce and/or market products
Partners work together for mutual benefit

Global Promotion

Differences in legislation, language and culture need to be recognised in the choice of promotion – internet, trade fair etc. Slogan wording needs to be checked, to avoid confusion and misunderstanding.

Example:

Pepsi's "Come alive with the Pepsi Generation" translates into "Pepsi brings your ancestors back from the grave", in Chinese.

Global Product

The element of the marketing mix that companies try not to change. The global business aims to sell an undifferentiated product in all markets, to develop a unique selling point and global brand and to benefit from economies of scale.

- Product may need to be adjusted to reflect technical/legal requirements e.g. left hand drive car etc.
- Packaging may need to be changed to cater for the needs of the local market e.g. recyclable materials.

SECTION 3

Part 2

Enterprise

Question 4

(A) (i) Explain the term ‘delegation’.

Delegation involves the assignment of authority to another person, generally from a manager to a subordinate, to undertake a specific work task or project. Successful delegation requires that the manager articulate the following clearly to the subordinate:

- Details including deadline of the assigned task/project
- The extent of the authority delegated, including reporting requirements to the manager

The manager must also ensure that the person to whom the task/project has been delegated has the necessary skills and competencies, and is provided with the necessary resources to complete the task/project.

The ultimate responsibility for the task /project remains with the manager.

(ii) Describe the benefits of delegation for a manager.

- More efficient completion of tasks or projects, as manager is not required to do all the work.
- Task/project may be completed to a higher standard due to level of personal accountability provided by delegation.
- Increased employee motivation from job enrichment/ improved staff morale/better work.

- Managers can prioritise tasks that need their attention, thereby having more time for the completion of these tasks and for managing i.e. planning etc.
- Higher skilled workforce will provide greater flexibility for manager.
- May improve work-life balance for the manager- better distribution of work.

(B) Analyse the implications for a business of a manager adopting a Theory X approach to managing.

Theory X Manager believes that workers:

- are lazy and that they dislike work
- lack ambition, and will avoid taking responsibility
- dislike and are reluctant to accept change in the workplace
- are motivated by money – will not be possible to provide extra pay in current economic climate to motivate workers

The Theory X Manager adapts an Autocratic approach to management - supervising workers closely, offering incentives or using sanctions to ensure employee co-operation and conformity.

Characteristics/Implications of a Theory X Manager may include:

- Manager keeps control/ possible conflict between management and employees.
- Little trust/employees less likely to use their own initiative.
- No consultation when making decisions/lower productivity and lower quality
- Little delegation/fewer opportunities for employee promotions.

(C) “There is often a legal requirement for members of the public to hand over their personal information to public bodies.”

Provisions of the Data Protection Act 1988

The Data Protection Act was introduced to provide rights and responsibilities in relation to the storage of computerised data:

(i) The Rights of Data Subjects

- Right of Access – person has right to receive copy of data held electronically relating to him/her, within 40 days of lodging a written request
- Right of Correction – person has right to correction of errors/inaccurate information.
- Right to Compensation – person has entitlement to be compensated for loss as a result of inaccurate information held. The person also has the right to complain to the Data Protection Commissioner where a data controller is suspected to be in breach of the act.
- Right of Removal- person has the right to have their name removed from direct marketing lists.

(ii) The Obligations of Data Controllers

- To keep the data secure – data must be protected against unauthorised access.
- To update the information – data should be accurate and updated periodically
- To use the data for the purpose intended- information should only be used for the specific purpose provided

- To obtain the information fairly and openly.
- To keep a register of data kept.
- To provide a copy of data held electronically within 40 days of receiving a written request from a person

Business in Action / Managing

Question 5

(A) (i) Explain the term ‘business alliance’.

A business alliance is an agreement between two or more businesses to pool resources and/or expertise to work together over a specified period of time or to complete a specified project, while all parties maintain their separate identities.

The partners benefit from the sharing of:

- complementary expertise/skills
- business networks
- increased resources etc.

Example: The TCD / UCD Innovation Alliance is a partnership which will work with the education sector, the State and its agencies and the business and venture capital communities to develop a world-class ecosystem for innovation that will drive enterprise development and the creation of sustainable high value jobs.

(http://www.ucd.ie/news/2009/03FEB09/110309_innovation.html)

(ii) Illustrate the advantages of an alliance as a form of business expansion.

- Cost effective method of expansion – resources are shared and associated costs divided between partners.
- Reduces risks associated with expansion for each partner as risks are shared
- Resources/expertise can be ‘recruited’ through alliance – lack of resources or expertise does not need to be an obstacle to expansion
- Provides access to an extended business network and market etc.

Examples: Oneworld Airlines Alliance, Postbank

(B) Evaluate Debt and Equity Capital as sources of finance for business expansion.

Equity capital = Ordinary Share Capital + Reserves

Adequate investment by the owners makes it easier for the company to borrow money to finance expansion.

Debt Capital = Preference Shares + Long Term Debt

Debt and Equity Finance may be compared as follows:

	Equity Capital	Debt Capital
Control	The issue of shares may dilute control of the business.	Debt capital used to finance the business will not impact on control of the business.
Interest Repayments/Dividends	None – There is no obligation to ordinary shareholders. However, if dividends are routinely small or not paid, this may adversely affect share price.	Fixed Interest repayments must be made e.g. Debentures Fixed Dividends e.g. 8% Preference Shares
Risk	Low – the business is lowly geared. The business has no long-term debt and no interest repayments. Business less likely to become bankrupt, as fewer creditors.	High – the business is highly geared. Fixed interest repayments on debt capital must be made regardless of profitability. Increased risk of bankruptcy – more creditors, who may seek to have business wound up and assets liquidated to pay debts.
Collateral	No security required	Security is required for Debt Capital.
Tax Implications	Dividends to ordinary shareholders are not tax deductible.	Interest repayments are tax deductible.

Generally, companies will use a combination of both Debt and Equity Capital to finance their business. The ratio between Debt Capital and Equity Capital is referred to as gearing (Low/High).

Equity capital is low risk and does not require security. However, current loss of confidence in the stock market is a challenge to raising equity capital.

Debt capital is high risk – interest must be repaid irrespective of profitability. Current economic climate poses challenges in accessing credit and maintaining profit margins.

- (C) (i) Using the figures given below calculate the Debt/Equity ratio of SES Ltd for the years 2006 and 2007. (Show your workings)

	2006	2007
Long Term Loans	300,000	364,000
Ordinary Share Capital	450,000	450,000
Retained Earnings	50,000	70,000

The Debt Equity Ratio provides an indication of the financial structure/gearing of the business. The debt equity ratio is calculated as follows:

Formula Debt Capital: Equity Capital

	2006	2007
Debt/Equity Ratio	300,000: 500,000 0.6:1	364,000 :520,000 0.7:1

- (ii) Comment on the significance of the trend in the Debt/Equity ratio over the two years for the existing shareholders.

The Debt Equity ratio in 2006 was 0.6:1 while the Debt Equity Ratio for 2007 has increased to 0.7:1. This may be a worrying trend for the existing shareholders.

Significance of the trend for existing shareholders:

- Higher interest repayments may reduce profits.
- Where profit levels are falling, the payment of dividends to ordinary shareholders will be adversely affected
- Reduction in dividends may lead ordinary shareholders to sell shares – the increased supply of shares on the market will reduce the market price of shares
- In a period of high profitability a deterioration in the debt equity ratio may result in a higher return to shareholders , if interest charges are lower than the Return on Investment

Question 6

(A) Illustrate how the following developments in Information and Communications Technology (ICT) have impacted on business.

(i) Electronic Data Interchange (EDI)

EDI is an automated method of processing transactions between suppliers and customers e.g. ordering of stock, invoicing, payment etc. EDI is dependent on the supplier and customer having access to compatible EDI software.

Impact of EDI

- Faster method of processing transactions
- Cost effective method of processing transactions –labour costs, stationery/office expenses, overheads, time required all reduced
- Stock levels may be reduced as automated processing ensures speedier stock re-order/fulfillment of order – more effective stock control system leading to reduced stock holding costs e.g. insurance, storage etc.
- Scope for human error is reduced as transactions are automated
- Installation and training costs of installing EDI

(ii) World Wide Web and Internet

The internet is the global network of computers facilitating the transmission of data and communication between users. All computer users who are networked to the Internet (through an ISP) can access information via the World Wide Web - using the website address e.g. The **Irish Times may be accessed at www.irishtimes.com** or through a search engine e.g. www.google.ie. Users may also communicate with each other via e-mail. Broadband is the fastest means of internet access.

The internet has both a personal (social) and a business use.

Social Networking website Bebo is a popular method of communication where registered users are allowed to share photos, music, blogs etc.

The internet has also had a profound effect on how we conduct business, facilitating e-business – both B2B (business to business) and B2C (Business to consumer).

Impact of the Internet and WWW on business

- Facilities e-business – both B2B and B2C
- Faster, more cost effective method of communication – consumers can communicate directly with business and vice versa
- A website may be an effective marketing tool – internet provides access to a worldwide market
- Business can conduct market research via their website –e.g. www.amazon.com profiles the interests of its users, and reminds users each time they log on to the Amazon website of any new books etc which may be of interest to them
- Customer relationship management supported through on-line customer support services and on-line market research

- Business may provide an online support service to customers e.g. Dell
- Increases scope for flexible working conditions e.g. teleworking
- Reduced overheads/labour costs where employees telework
- E-mail provides a written record of all communication
- Retailers moving to on-line operations e.g. Next
- Risk of credit card fraud and hacking of website for on-line business operations
- Installation and training costs

(iii) Video-conferencing

A meeting between two or more people from different locations, facilitated by the use of video conferencing technology (telephone line, monitor and camera are needed in each location). Participants organise the seating in the meeting room so that all participants at the meeting may see each other. The conference call is dialed to the remote location, the chair of the meeting checks that all participants can be seen and heard and the meeting then commences.

Impact of Video-Conferencing

- Meeting can be conducted in real time from two different locations/parts of the world
- Fast, easy to set up video conference call
- Cost effective – avoids necessity to travel, saving both travel time and cost
- Environmentally friendly – reduces air miles
- May provide opportunities for more regular meetings – as cost is minimized
- Installation and training costs

(B) Discuss the benefits of Total Quality Management ‘TQM’ to a manufacturing business.

TQM is a process which tries to ensure **quality** in all aspects of a firm’s operations. TQM puts the efforts of the firm into meeting the present and future needs of its customers. Employees are given responsibility to ensure that the products meet the requirements of consumer. Quality assurance and teamwork are central to the TQM approach.

3 basic principles of TQM are:

- 1) Focus on Customers
- 2) Continuous Improvement
- 3) Teamwork (Total Company Involvement).

The benefits of TQM to a manufacturing business

- Improved Quality There should be an improvement in the quality of products produced.
- Reduction in Cost: There will be less waste.
- Meet the Requirements of Legislation; Sale of Goods and Supply of Services Act 1980.
- Workers are better motivated: Because they see management are committed to quality.
- Job satisfaction: Workers feel a sense of achievement.
- Increased Sales: The firm will develop a reputation for providing quality goods which will increase sales.

- (C) In September 2008, Buttercup Garden Centre prepared the following Cash Flow Forecast.

Cash Flow Forecast of Buttercup Garden Centre – October to December 2008				
	October	November	December	Total
	€	€	€	
Receipts				
Cash Sales	12,500	9,500	10,000	32,000
Credit Sales	2,000	1,500	3,500	7,000
Total Receipts	<u>14,500</u>	<u>11,000</u>	<u>13,500</u>	<u>39,000</u>
Payments				
Cash Purchases	1,000	2,500	4,000	7,500
Credit Purchases	5,000	2,000	1,000	8,000
Wages	6,000	6,000	7,500	19,500
Equipment	12,000	-	-	12,000
Total Payments	<u>24,000</u>	<u>10,500</u>	<u>12,500</u>	<u>47,000</u>
Net Cash	(9,500)	500	1,000	(8,000)
Opening Cash	3,000	(6,500)	(6,000)	3000
Closing Cash	(6,500)	(6,000)	(5,000)	(5,000)

- (i) Explain the benefits to Buttercup Garden Centre of preparing a Cash Flow Forecast.

- Identifying the timing and sources of cash inflows
- Identifying the timing and sources of cash outflows
- Establishing Net Inflows/Outflows – business can then plan effectively to meet cash shortages/or alternatively consider their options in relation to a large cash surplus
- Provides a benchmark against which actual performance can be compared, aiding financial control
- Access to finance from financial institutions

- (ii) Based on the information provided above, outline how Buttercup Garden Centre could improve the Cash Flow position of its business.

A. Purchase of Equipment – Capital Expenditure

Buttercup Garden Centre plans to purchase and pay for equipment out of Cash Flow in October 2008. Equipment is an item of capital expenditure and will most probably be used in the business over a period of a number of years. Buttercup should consider taking out a medium term loan to pay for the equipment – this would ease their Cash Flow position considerably, and provide access to badly needed cash.

B. Access to Credit/Bank Overdraft

Buttercup Garden Centre will need to negotiate a bank overdraft with its local bank. If trade continues as per the month of December, and there are no changes in overheads or other unforeseen expenses it will take at least another five months to clear the forecasted deficit of €5000.

C. Credit Control

Information provided in the Cash Flow forecast for Buttercup Garden Centre shows that:

- Cash Sales are expected to decrease, while the level of Credit Sales is expected to increase over the three-month budgeted period.
- Cash purchases are expected to increase, while Credit Purchases are expected to decrease over the three-month period.

Both sales and purchases forecasts are putting pressure on Cash Flow, and the availability of cash. Buttercup needs to review its credit policy – decrease cash purchases if possible and increase Cash Sales.

D. Control of Overheads

Wages increase from €6000 to €7500 (a 25% increase) from October to December, yet sales fall in the same period. Buttercup Garden Centre needs to review and control the amount of money spent on wages.

Business in Action

Question 7

(A) Outline the stages involved in the development process of the Hoodie Tracksuits.

Idea Generation: Initial ideas for the new product are thought up. It may take the form of brain-storming.

Product Screening: The ideas are vetted and the impractical and unworkable ideas are eliminated, leaving the most likely one for further examination and development.

Concept Development: This involves turning the idea into an actual product or service that will appeal to customers. A unique selling point (USP) is identified which will distinguish it from other products.

Feasibility Study: This is carried out to assess if a product is viable. It looks at whether it can be produced technically and will it be profitable. It answers question like:

- What demand is there
- What will it cost
- Can the business afford it.

Prototype Development: This is a sample or model of a product. It is produced to see if a product can be made and what materials are required to make it. It can be used to test the product to see what improvements can be made. Samples of the tracksuit can be produced.

Test Marketing: The product is tested on a sample of consumers before going into full production.

Production and Launch: The product is put into production and introduced to the market. The firm will select a suitable marketing strategy to persuade consumers to buy the product.

- (B) (i) **Explain the term ‘Market Segmentation’, illustrating your answer with reference to Olympian Ltd.**

Market segmentation involves dividing up the market into **clearly identifiable sections**, which have **common characteristics**. It allows a firm to identify who their target market is. Olympian may segment the overall market for tracksuits either by demographic or physiological methods. The **teenage market** has been identified as a **target market** for the Hoodie Tracksuit – this market may be further segmented e.g. males and females, sporty and non-sporty types to help develop and support an effective marketing strategy.

- (ii) **Outline two benefits to Olympian Ltd of segmenting the market.**

- Marketing strategy will focus on the customers who are most likely to buy the Hoodie Tracksuit
- Cost effective use of resources – avoids markets which will not be profitable
- May give Olympian Ltd a competitive advantage in the Hoodie Tracksuit market
- Olympian Ltd will have the opportunity to build loyal relationships with its customers from a young age – potential for development of future products etc
- Market segmentation provides information to help Olympian decide on the most appropriate marketing strategy to use for marketing the tracksuits e.g. Radio, T.V. etc.

- (C) **Describe the factors that the Marketing Manager of Olympian Ltd should consider when deciding on the selling price of their new range of Hoodie Tracksuits.**

The factors which should be taken into account when deciding on the selling price include:

Costs: The price should cover the firm’s costs (production, marketing, distribution etc) and include a profit margin/Cost plus pricing.

Competitors Prices: Competition is very intense in the sportswear industry and this will influence the price to be charged/Going rate pricing.

Type of Product: As the firm is selling branded tracksuits the price is likely to be high to reflect this/ Premium Pricing.

Stage of Product Life Cycle: As the products are new and at the introductory stage a high price is suitable to help recover costs/Price skimming.

Consumers: The type of buyers will determine the price which can be charged. The target market has been identified as the teenage market.

END



Coimisiún na Scrúduithe Stáit

Marcanna Breise as ucht freagairt trí Ghaeilge

Léiríonn an tábla thíos an méid marcanna breise ar chóir a bhronnadh ar iarrthóirí a ghnóthaíonn thar 75% d'iomlán na marcanna.

N.B. Ba chóir marcanna de réir an ghnáthráta a bhronnadh ar iarrthóirí nach ngnóthaíonn thar 75% d'iomlán na marcanna. Ba chóir freisin an marc bónais sin a shlánú síos.

Tábla A

Bain úsáid as an tábla seo i gcás na hábhair a leanas:

Business – Higher Level & Ordinary Level **Iomlán: 400 Gnathráta: 10%**

Bain úsáid as an ngnáthráta i gcás marcanna suas go 300. Thar an marc sin, féach an tábla thíos.

Bunmharc	Marc Bónais
301 - 303	29
304 - 306	28
307 - 310	27
311 - 313	26
314 - 316	25
317 - 320	24
321 - 323	23
324 - 326	22
327 - 330	21
331 - 333	20
334 - 336	19
337 - 340	18
341 - 343	17
344 - 346	16
347 - 350	15

Bunmharc	Marc Bónais
351 - 353	14
354 - 356	13
357 - 360	12
361 - 363	11
364 - 366	10
367 - 370	9
371 - 373	8
374 - 376	7
377 - 380	6
381 - 383	5
384 - 386	4
387 - 390	3
391 - 393	2
394 - 396	1
397 - 400	0

