



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2019

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 2019

MARKING SCHEME

BUSINESS

HIGHER LEVEL

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

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

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

LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2019
MARKING SCHEME

SECTION 1
(80 Marks)

This is a compulsory section.

Answer 8 questions. Each question carries 10 marks.

Question	Scheme	Marks
1.	3,2,2,2,1	10
2.	(2+2) (2+1) (2+1)	10
3.	3,2,2,2,1	10
4.	3,2,2,2,1	10
5.	4(3+1), 6(3+3)	10
6.	6(3+3), 4(2+2)	10
7.	2, 4(4@1), 2, 2	10
8.	4, 3, 3	10
9.	4, 3, 3	10
10.	4(4@1), 3(3@1), 3	10
Section 1	Available Marks	80

**SECTION 2
(80 Marks)
Oatfield Lodge Wedding Venue**

Applied Business Question (Units 1,2,3)			Max Mark
This is a compulsory question.			
(A)	(i) Explain the term entrepreneur. (ii) Outline the benefits for Emma Daly of becoming an entrepreneur.	(3+3) 2@7 (2+3+2) State, Explain, Link	20 marks
(B)	Evaluate the management activities involved in the operation of Oatfield Lodge Wedding Venue.	3@8 (3+2+3) Activity, Explain, Link, Evaluation: Planning 1 mark Organising 1 mark Controlling 4 marks	30 marks
(C)	Do you think Oatfield Lodge, as a service provider , has complied with the terms of the Sale of Goods and Supply of Services Act 1980? Explain your answer, using your knowledge of the law and referring to the text of the ABQ	No 3 marks 3@9 (3+3+3) Point of law, Explanation, Link	30 marks
Section 2	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 / Business Environment

Question 1			Max Mark
People in Business			
(A)	Explain each of the following terms in relation to the law of contract, providing an example in each case. Capacity to Contract Consideration Legality of Form Consent to Contract	4@5 (3+2)	20
(B)	(i) Outline three reasons, other than pay , for an industrial dispute. (ii) Discuss the procedures which must be followed before official industrial action can take place.	3@5(2+3) 4,3,3	25
(C)	Evaluate the Small Claims Procedure for resolving conflict.	4@3 Evaluation: (0,1,3)	15
Available Marks			60

Question 2			Max Mark
Domestic Environment			
(A)	(i) Discuss the importance for a business being environmentally responsible. (ii) Outline two measures, other than the measure outlined above, a business could consider in its effort to become more environmentally responsible.	3@5(2+3) 2@5 (2+3)	25
(B)	Outline the impact of the following economic variables on Irish businesses Inflation rate Interest rate Employment rate	7(4+3), 7 (4+3), 6 (3+3)	20
(C)	Explain the reasons why the Irish government encourages entrepreneurship in Ireland.	3@5(2+3)	15
	Available Marks		60

Question 3			Max Mark
International Environment			
(A)	Evaluate the role of the EU institutions in the decision making process of the European Union	Commission (3+3+3) Parliament (3+3) Council (3+3) Evaluation (0,2,4)	25
(B)	Explain the reasons why an Irish business may choose to trade with other businesses in the Eurozone .	8(4+4), 7(4+3)	15
(C)	Discuss the benefits and challenges for an Irish natural skincare business when trading in the global market.	7(4+3), 7 (4+3), 6(3+3) At least 1 of each required.	20
Available Marks			60

Section 3

Part 2

Enterprise

Question 4			Max Mark
Managing			
(A)	<p>(i) Discuss the importance for a business of effective communication.</p> <p>(ii) Illustrate two barriers that a manager has to overcome to communicate effectively with staff, providing a different example in each case.</p>	<p>2@5(2+3)</p> <p>2@5(2+2+1)</p>	20
(B)	Outline the different stages in Maslow's hierarchy of needs theory and illustrate how Hexagon Solutions applies this theory to motivate its employees.	5@4 (1+2+1).	20
(C)	<p>(i) Describe two leadership styles.</p> <p>(ii) Outline the factors that influence the leadership style adopted by business managers. Provide examples to support your answer.</p>	<p>2@5(2+2+1)</p> <p>2@5(2+2+1)</p>	20
Available Marks			60

Question 5			Max Mark
Managing/Business in Action			
(A)	Outline the effects a decrease in sales revenue will have on a business.	8(4+4), 7(4+3)	15
(B)	<p>(i) Explain what is meant by a liquidity problem in a business.</p> <p>(ii) Calculate the Current ratio and the Acid test ratio for BioMed Ltd for 2017 and 2018. Show your workings.</p> <p>(iii) Analyse the significance of the trends for the liquidity of BioMed Ltd.</p>	<p>3 marks</p> <p>16@1</p> <p>(2+2+2)</p>	25
(C)	Describe two distinct situations requiring short-term finance for a start-up business and explain the most appropriate source of short-term finance in each situation.	2@10 (4 +3+3)	20
Available Marks			60

Question 6			Max
Managing /Business in Action			Mark
(A)	<p>(i) Explain the term unique selling point (USP) and provide an example to support your answer.</p> <p>(ii) Illustrate the new product development stages of Feasibility Study, Prototype Development and Test Marketing with reference to the Fitbit fitness watches.</p>	<p>5(3+2)</p> <p>3@5 (3+2)</p>	20
(B)	<p>(i) Outline the benefits and risks of a strategic alliance as a method of business expansion.</p> <p>(ii) Explain one other method of business expansion.</p>	<p>3@5 (2+3)</p> <p>2+4+4</p>	25
(C)	Discuss the reasons why management carry out performance appraisal.	3@5(2+3)	15
Available Marks			60

Question 7 Business in Action			Max Marks
(A)	(i) Explain the factors that should be considered before deciding on the price to charge consumers for a product.	3@6(3+3)	25
	(ii) Outline a pricing strategy best suited to the introductory stage of Intezz and explain the reason for your choice.	(3+2+2)	
(B)	(i) Describe the role of Public Relations (PR) in a business.	(3+2)	20
	(ii) Discuss the methods Beveraton could consider to develop good PR, providing examples to support your answer.	3@5(2+2+1)	
(C)	Discuss the factors the marketing manager of Intezz should consider when designing the packaging for the brand.	3@5(2+3)	15
Available marks			60

SECTION 1

Question	Possible Response	Max Mark										
1.	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr> <td style="width: 20%; text-align: center;">1</td> <td style="width: 20%; text-align: center;">2</td> <td style="width: 20%; text-align: center;">3</td> <td style="width: 20%; text-align: center;">4</td> <td style="width: 20%; text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">F</td> <td style="text-align: center;">C</td> <td style="text-align: center;">E</td> <td style="text-align: center;">B</td> <td style="text-align: center;">D</td> </tr> </table>	1	2	3	4	5	F	C	E	B	D	10
1	2	3	4	5								
F	C	E	B	D								

Question	Possible Response	Max Mark
2.	<p>Name the three categories of industry and give an example of occupation in each:</p> <p>(i) Primary Example: Farmer</p> <p>(ii) Secondary Example: Builder/Factory production worker</p> <p>(iii) Tertiary Example: Banker</p>	10

Question	Possible Response	Max Mark										
3.	<table border="1" style="margin: auto; border-collapse: collapse;"> <tr> <td style="width: 20%;">PAYE</td> <td>Pay as You Earn</td> </tr> <tr> <td>USC</td> <td>Universal Social Charge</td> </tr> <tr> <td>PRSI</td> <td>Pay Related Social Insurance</td> </tr> <tr> <td>DIRT</td> <td>Deposit Interest Retention Tax</td> </tr> <tr> <td>CGT</td> <td>Capital Gains Tax</td> </tr> </table>	PAYE	Pay as You Earn	USC	Universal Social Charge	PRSI	Pay Related Social Insurance	DIRT	Deposit Interest Retention Tax	CGT	Capital Gains Tax	10
PAYE	Pay as You Earn											
USC	Universal Social Charge											
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DIRT	Deposit Interest Retention Tax											
CGT	Capital Gains Tax											

Question	Possible Response	Max Mark
4.	<p>Circle the correct option in the case of each of the following statements.</p> <p>(i) Inflation is the increase / decrease in the cost of living over a period of time.</p> <p>(ii) Bank interest rates for Eurozone members are set by the Single European Market / European Central Bank.</p> <p>(iii) When the Euro € increases in value against the US dollar \$, the price of Irish exports in the US increases / decreases.</p>	10

			<p>(iv) A decrease in PAYE leads to more /less disposable income for an employee.</p> <p>(v) An increase in employment should lead to more /less revenue for the Irish government.</p>	
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Question		Possible Response	Max Mark
5	(i)	<p>Explain the term national minimum wage.</p> <p>The legal minimum hourly payment to an employee set by government.</p>	10
	(ii)	<p>Describe one possible economic impact on Irish business of the increase in the national minimum wage.</p> <ul style="list-style-type: none"> • Profits of business may decrease due to higher costs. • Increased costs may result in redundancies. The increased hourly rate of hiring employees may force the business to reduce staff numbers. • Further Wage Claims. Other sections of the labour force may seek a pay rise in response to an increase in minimum wage, increasing costs. • Increase prices may result in loss of trade. Increased wage costs are passed on to consumers as higher prices. • FDI may not be attracted to Ireland. Higher wage costs will mean Ireland is not as competitive. 	

Question		Possible Response	Max Mark
6.		<p>Outline two problems which could arise in a business which has too wide a span of control.</p> <ul style="list-style-type: none"> • Errors made because of a lack of supervision. Mistakes may occur as managers cannot adequately supervise employees /employees may make decisions they are not trained to make. / Complex and detailed work may not be completed correctly. • Poor morale. Less personal contact with employees/may lack guidance and become frustrated. • Management Burnout. The manager may become overwhelmed due to work overload resulting in poor decision making/may make snap decisions /management have less time for planning 	10

		<ul style="list-style-type: none"> • Poor Reporting Structures. Poor communication could result in problems not being reported on time resulting in serious difficulties. 	
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Question		Possible Response	Max Mark
7.	(i)	REST OF EU ②	10
	(ii)	(122 - 79) = €43bn surplus ① ① ① ①	
	(iii)	COFFEE or WINE ②	
	(iv)	Climate – Ireland does not have the climate to grow coffee beans/grapes. ②	

Question		Possible Response	Max Mark
8.		<p>Explain the term niche market and provide an example to support your answer.</p> <p>A small specialised segment of a larger market for a product or service. It is a specialised market with only a few suppliers.</p> <ul style="list-style-type: none"> • Wheelchair accessible vehicles. • Organic foods/ Free Range poultry. • Speciality 'Free From' foods – Vegan/lactose free/gluten free/food items for diabetics. • Specialist types of clothing / footwear. • Wedding shoes. 	10

Question		Possible Response	Max Mark
9.		<p>Illustrate your understanding of a co-operative relationship between an entrepreneur and an investor.</p> <p>A relationship where two parties work together to achieve a common goal. It is a win-win relationship.</p> <p>The investor provides the capital necessary for the entrepreneur to use to develop a new product/service and make a return on investment</p>	10

Question		Possible Response	Max Mark
10.	(i)	A = Fixed Costs B = Total Costs C = Total Revenue D = Break Even Point	10
	(ii)	$270,000 - 240,000 = €30,000$	
	(iii)	<p>Limitations of Break-Even Analysis</p> <ul style="list-style-type: none"> • The selling price is assumed to be constant regardless of output. • Breakeven analysis assumes that all stock is sold. • Fixed Costs will only remain constant over a small range of output and assumed constant on chart. • Profits are a function of not only output, but also of other factors like technological change, improvement in management, etc., which are overlooked in this analysis. 	

SECTION 2

- (A) (i) Explain the term entrepreneur.
 (ii) Outline the benefits for Emma Daly of becoming an entrepreneur.

(20)

Question		Possible Response	Max Mark
A	(i)	An entrepreneur is a person who does something new (spot a gap in the market) and is willing to take a personal and financial risk. The entrepreneur starts up a business to bring a product /service to market to make a profit/gain.	6

Question		Possible Response	Max Mark
A	(ii)	<p><u>Internal Freedom/Independence/Own Boss</u> The entrepreneur gains a sense of freedom from being their own boss/control over their own lives. Emma became frustrated with the limitations of working for other people.</p> <p><u>Risk taker</u> Some people are excited from taking risks; they are prepared to take calculated risks in pursuit of business success; seizing opportunities and doing something new. In 2015 she resigned her job to go into business with her husband. She and her husband converted an old barn into a marriage and wedding reception venue and some stables were converted into apartments for guests.</p> <p><u>Innovative/Creative</u> Having identified a gap in the market the entrepreneur gains satisfaction from doing something new and bringing it to market. Inspired by her own wedding, Emma realised there was potential to start a business providing an alternative wedding venue.</p> <p><u>Profit/Financial return</u> The financial gain from running her own business. As business grows earning potential can grow also. In 2018 the business reported a profit of €100,000</p>	14

- (B) Evaluate the **management activities** involved in the operation of Oatfield Lodge Wedding Venue.

Question	Possible Response	Max Mark
B	<p><u>Planning</u></p> <ul style="list-style-type: none"> The setting down of goals; and policies on how they are to be achieved. <i>Emma's long-term goal is to become the number one alternative wedding venue in Ireland where people can get married, have a reception and stay after the event</i> <p><i>She meets all the couples a year in advance of their marriage and discusses different options with them.</i></p> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> Mission statements set out the vision of the business. <i>Emma's long-term goal is to become the number one alternative wedding venue in Ireland where people can get married, have a reception and stay after the event.</i> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> Plans can be strategic (long term), <i>Emma's long-term goal is to become the number one alternative wedding venue in Ireland where people can get married, host a party and stay after the event</i> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> Plans can be tactical (short term/current operation of the business). Plans can be operational. <i>From this initial meeting Emma decides the timeline for achieving a unique and personal wedding experience</i> <p style="text-align: center;">OR</p> <ul style="list-style-type: none"> Manpower planning (matching human resources with the needs of a project) would be very important for a business like Oatfield. <i>The business has six full-time staff, and it hires part-time staff as needed based on the size of the event.</i> <p>Evaluation</p>	10

			<p><u>Organising</u></p> <p>Organising is the process of combining human and physical resources to achieve a goal. Bring people and resources together to implement plans or policies. The arrangement of resources is called an organisational structure. Good organisation should result in more efficiency and making the best use of resources.</p> <p>A line/functional structure divides the business into its main functions and groups employees of similar skill sets together in departments.</p> <p>Chain of command/Span of control/delegation</p> <p><i>A separate supervisor oversees the work of the catering, bar, and housekeeping teams.</i></p> <p>A matrix structure is a team-based structure which allows for projects to be undertaken by a cross section of employees from several different departments.</p> <p><i>For the wedding reception, part-time staff are divided into teams and briefed on their roles.</i></p> <p>Evaluation</p>	
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Question	Possible Response	Max Mark
B	<p><u>Control</u></p> <ul style="list-style-type: none"> • The management activity of ensuring that goals are met. • It compares the actual outcome with the intended outcome to see if it is in line with the targets set and examines reasons for any variance between the two. • Corrective action must be taken to meet the targets so that the business achieves its objectives. • There are four areas in a business where control is important. They are finance, quality, stock and credit. • Quality Control is concerned with setting and maintaining high standards. <p><i>She must operate within the couples' agreed budget.</i></p> <p style="text-align: center;">OR</p> <p><i>Emma must also ensure a top quality service is provided.</i></p> <p style="text-align: center;">OR</p> <p><i>Oatfield Lodge was recently crowned Top Wedding Venue in Leinster</i></p> <p style="text-align: center;">OR</p> <p><i>As the number of bookings continues to rise Emma is under increasing pressure to meet the couples' requirements and operate within the budgets agreed.</i></p> <p style="text-align: center;">OR</p> <p><i>Emma is currently carrying out an assessment of practices and procedures with the full-time staff, in order to take corrective action and avoid any further reputational damage.</i></p> <p>Evaluation</p>	

- (C) Do you think Oatfield Lodge, as a service provider, has complied with the terms of the Sale of Goods and Supply of Services Act 1980?
 Explain your answer, using your knowledge of the law **and** referring to the text of the ABQ.

Question	Possible Response	Max Mark
C	<p>NO.</p> <p><u>All services should be provided with due care and diligence.</u> Every effort should be made to ensure the service delivery is of good quality.</p> <p><i>For a recent wedding Emma realised that she had underestimated the scope of the work and left herself extremely short on time.</i></p> <p style="text-align: center;">OR</p> <p><i>As a result the menus were rushed, and the incorrect date was printed on them.</i></p> <p><u>The materials used will be sound and that goods supplied with the service will be of merchantable quality</u> All materials must be of good quality and fit for purpose taking into account their price and durability.</p> <p><i>In addition, the couple complained that the flowers used to decorate the venue were not fresh.</i></p> <p><u>The supplier should have the necessary skill to provide the service.</u> The person providing the service should be qualified to do so.</p> <p><i>It turned out that Emma had employed a local college student with an interest in photography, rather than a professional photographer to take the photographs.</i></p>	30

SECTION 3

Question 1

(A) Explain each of the following terms in relation to the law of contract providing an example in **each** case:

Capacity to Contract Consideration Legality of Form Consent to contract

Question		Possible Response	Max Mark
1	A	<p>Capacity to contract All natural persons (human beings) and legal/corporate persons, such as companies, have the legal right (able to) (capable of) to enter freely into a contract. <i>Example required for full marks</i> The following generally do not have the capacity to contract: - - Infants (those under 18 years of age) except in certain cases e.g. necessities - Persons under the influence of drink or drugs - Insane persons - Bankrupt persons - Diplomats. - Companies operating outside their powers/ Ultra Vires.</p> <p>Consideration This refers to the exchange of value in a contract. Each party in a contract must give something of value to the other party. So long as consideration exists, a court of law will not question its adequacy, provided it is of some value. Consideration is usually some monetary payment, but it could also be something valuable exchanged as part of the contract. <i>Example required for full marks</i></p> <p>Legality of form Certain contracts, to be considered legal, must be drawn up in a particular manner. Some contracts must be in writing if they are to be legally valid. <i>Example required for full marks</i></p> <p>Consent to contract Both parties must enter the contract on their own free will. They must agree to the contract without undue influence. If there is no choice, there is no consent. Consent must be honest and voluntary. <i>Example required for full marks</i></p>	20

(B)

(i) Outline **three** reasons, **other than pay**, for an industrial dispute.

Question			Possible Response	Max Mark
1	B	(i)	<ul style="list-style-type: none">• Working Conditions. Failure by management to provide safe working conditions, safe equipment, proper hygiene and adequate heating can lead to industrial disputes. Changes to working conditions may also cause a dispute/ holidays, breaks, rotas etc.• Unfair Dismissal. Membership of a trade union, religious or political opinions, legal proceedings against the employer, race, colour, sexual orientation, membership of a travelling community, pregnancy, availing of maternity leave, making a protected disclosure.• New Technology/ New work practices. Workers may resist the introduction of new technology if they believe that the employer has not provided adequate training or financial reward for their increased productivity.• Unfair Selection for Redundancy. If workers feel that unfair procedures for selection are being used or if redundancy payments are not adequate.• Trade Union Recognition.• Equality / Discrimination in the workplace• Demarcation.	15

(ii) Discuss the procedures which must be followed before official industrial action can take place.

Question			Possible Response	Max Mark
1	B	(ii)	<p>Secret Ballot</p> <p>There is a requirement for Trade Unions to conduct a secret ballot of their members prior to engaging in industrial action and the majority of members must support the action.</p> <p>The following are good practice procedures that should be followed in a Secret Ballot:</p> <ul style="list-style-type: none"> • the majority must answer yes to the question, and this question cannot cover both types of action, it must be specific. • All members of a union who it is reasonable to believe will be called upon to take industrial action must be entitled to vote. • the union must take reasonable steps to ensure that all members can vote without interference or constraint, and members are given a fair opportunity to vote. • voters should be asked if they are prepared to take part in a strike or action short of a strike, whichever is relevant • the union shall take reasonable steps to ensure that every member entitled to vote in the ballot votes without interference from, or constraint imposed by, the union or any of its members, officials or employees and, so far as is reasonably possible, that such members shall be given a fair opportunity of voting; • where the outcome of a secret ballot conducted by a trade union which is affiliated to the Irish Congress of Trade Unions or, in the case of ballots by more than one such trade union, an aggregate majority of all the votes cast, is in favour of supporting a strike organised by another trade union, a decision to take such supportive action shall not be implemented unless the action has been sanctioned by the Irish Congress of Trade Unions. <p>Detailed notice must be given to the employer</p> <p>One week's notice</p> <p>The Act provides that where a secret ballot favours industrial action a period of not less than one week's notice should be given to the employer. The employer shall not be entitled to apply to any court for an injunction restraining the strike or other industrial action.</p>	10

(C) Evaluate the Small Claims Procedure for resolving conflict.

Question		Possible Response	Max Mark
1	C	<p>Inexpensive The application fee is €25 which you send along with your application form to a district court clerk, called the Small Claims Registrar. The fee is non-refundable. Online application system</p> <p>Limited Compensation You can only use the Small Claims procedure if your claim is for €2,000 or less.</p> <p>No Solicitor is required Person can represent themselves.</p> <p>Certain types of cases The small claims procedure doesn't deal with debts, personal injuries or breaches of leasing agreements. It also does not deal with most claims about private rental properties.</p> <p>Evaluation Consumers in Ireland can make cross-borders claims of up to €5,000 against businesses in other EU countries (except Denmark) through the European Small Claims procedure.</p> <p>Cut-off value very low and should be raised from its current level.</p>	15

Question 2

(A) (i) Discuss the importance for a business of being environmentally responsible.

Question			Possible Response	Max Mark
2	A	(i)	<p>Reduced impact on the environment. use products that reduce your reliance on non-renewable natural resources (e.g. rainwater tanks, solar hot water systems), use products that are made from recycled material (e.g. office supplies made from recycled plastic, furniture made from recycled rubber) look at all your business activities to see if you can do anything differently (e.g. reducing air travel by holding conference calls instead of interstate meetings).</p> <p>Cost savings from reducing waste</p> <ul style="list-style-type: none"> •avoid using materials unnecessarily/use of recycled materials can reduce costs •reduce paper needs by asking staff to print double-sided •reuse by encouraging staff to use scrap paper for message-taking instead of purchasing message pads •recycle by shredding excess paper - you could recycle this commercially or invite staff to take it home for their compost or mulch heaps. <p>As companies move towards recycling and reducing the amount of materials going to landfill they can be rewarded by having less waste and therefore reduced expense when paying for waste.</p> <p>Good practice can attract new customers</p> <p>Promoting environmentally friendly methods can set the business apart from competitors and attract new customers who want to buy products and services from an environmentally friendly business.</p> <p>Good PR for the business and can improve the image of the business/ May be a business USP/ May encourage customer loyalty as consumers are becoming more environmentally conscious.</p> <p>Improve sustainability</p> <p>Reducing the environmental impact of the business will improve the sustainability of the business. If you are less dependent on natural resources than your competitors and have ways to deal with rising costs due to climate change, your business will have a greater chance of long-term success</p>	15

		<p>Focusing more on your environmental impacts can help to attract and retain staff.</p> <p>May attract Investors</p> <p>Increase business ability to comply with regulation.</p>	
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(ii) Outline **two** measures, other than the measures outlined above, a business could consider to become more environmentally responsible.

Question			Possible Response	Max Mark
2	A	(ii)	<p>Environmental Audits Independent studies of how the business impacts the environment. This makes the business more environmentally aware so they can reduce negative environmental impacts.</p> <p>Review of business processes to reduce pollution.</p> <p>Recycling Recycling packaging and waste will help to reduce negative environmental impacts</p> <p>Limit packaging</p> <p>Source Sustainable raw materials/use local suppliers and so reduce carbon footprint.</p> <p>Training of employees to be more environmentally aware.</p> <p>Compliance with environmental laws</p> <p>Energy use</p> <p>Car pooling</p>	10

(B) Outline the impact of the following economic variables on Irish businesses:

Inflation rate Interest rate Employment rate

Question		Possible Response	Max Mark
2	B	<p><u>Inflation rate</u> Increasing inflation rates can lead to:</p> <ul style="list-style-type: none"> • Reduced Spending by consumers/Fall in real income level. • Cost of borrowing increasing. • Risks of wage inflation. • Business competitiveness decreases. <p><u>Interest rate</u> High interest rates impact on business by:</p> <ul style="list-style-type: none"> • Increasing the cost of capital, making it harder to expand. • Increasing the cost of short-term finance making it difficult to stay liquid and pay suppliers on time. • Reducing profits due to higher interest changes and falling sales revenue. • High interest rates reduce disposable income of consumers and leads to a reduction in consumer spending. <p><u>Employment rate</u> Increasing employment rate leads to:</p> <ul style="list-style-type: none"> • Consumers have more income, leading to higher demand for income goods/services. • Increased upward pressure on wages / salaries. • Harder to recruit or expand without offering better worker packages – potentially affects ability to increase capacity. • Greater sense of job security and motivation in the workforce if the business is doing well. 	20

(C) Outline reasons why the Irish government encourages entrepreneurship in Ireland.

Question		Possible Response	Max Mark
2	C	<ul style="list-style-type: none"> • Employment. More enterprises will result in more jobs provided by Irish owned companies. These jobs can be more stable than footloose industries. • Taxation. The increase in jobs together with business activity will increase taxation yield which government may use to invest in infrastructure. • Exports will increase as home-produced products are sold abroad/ new markets. Imports may decrease. Import Substitution/ Balance of Payments may decrease. • Spin off effects. An enterprise culture will be developed where more local people are inspired to become entrepreneurs. • Reduce Social Welfare. Increased employment opportunities will reduce reliance on social welfare. • Economic Growth • New businesses are created • Community development • Enterprise Ireland/ LEO's • Overreliance on FDI 	15

Question 3

(A) Evaluate the role of the EU institutions in the decision-making process of the European Union.

Question		Possible Response	Max Mark
3	A	<p>The European Commission is the executive body of the EU. It is the body responsible for proposing legislation etc. Once legislation is passed by the Council of the European Union and Parliament, it is the Commission's responsibility to ensure it is implemented etc. Regulations/Directives/Decisions.</p> <p>The European Parliament discusses proposals and puts forward amendments to legislation. It has co-decision powers (joint law making powers) that is on an equal footing with the Council of the European Union in the vast majority of areas. It establishes/approves the EU budget together with the Council of the European Union.</p> <p>The Council of the European Union decides on legislation drafted by the European Commission and discussed by the European Parliament. It is the main decision-making body of the EU.</p> <p>Evaluation</p>	25

(B) *In January 2019 the euro celebrated its 20th anniversary.*

Explain the reasons why an Irish business may choose to trade with other businesses in the **Eurozone**.

Question		Possible Response	Max Mark
3	B	<ul style="list-style-type: none">• With the single currency, the Euro, the cost of converting currencies is removed. This reduces costs and increases profits for Irish businesses.• The increased price transparency will make it easier to compare prices in different countries. Enable businesses to source cheaper raw materials.• As Irish businesses are more conscious of competition they will also be more efficient.• The uncertainty caused by exchange rates will be removed. This brings stability to Irish businesses, greater confidence and allows them more time to concentrate on innovation.	15

(C) Discuss the benefits **and** challenges for an Irish natural skincare business when trading in the global market.

Question		Possible Response	Max Mark
3	C	<p>Benefits</p> <ul style="list-style-type: none"> • Sales revenue increase. Ireland has a small population, Asia and Europe have large populations therefore selling to these areas could have a positive effect on sales and profits. • Greater Economies of Scale-cost benefits of large scale production/Producing and selling in bulk will reduce unit costs resulting in increased sales and profits. • Niche Markets can exist in different countries i.e. luxury Irish skincare products. Target certain markets. • The business may acquire ideas from other markets and existing competition. <p>Challenges</p> <ul style="list-style-type: none"> • Competition levels will be high so only the most efficient businesses will survive/ Intense international rivalry is far more challenging than competing in an indigenous market alone. • There will be a lot of red tape for selling a cosmetic product to foreign markets even within the EU. Staff may need to be retrained for this and costs may rise. • Social and cultural differences. Different types of skin types/alterations to product to reflect this. • Difficulty getting goods delivered in a fast and reliable manner can be an arduous task when operating across different regions of the world. Stock can be damaged and breakdowns in communication often hamper business success. • Challenging to create awareness of your brand on a global scale which in turn will allow for repeat purchasing, customer loyalty. • Must have an online presence capable of dealing with international trade/ecommerce. Vulnerable to hacking. • Brexit. 	20

Question 4

(A) *A Chief Financial Officer (CFO) in a business needs exceptional communication skills and needs to adapt his communication style and message to different stakeholders.*

(i) Discuss the importance for a business of effective communication.

Question			Possible Response	Max Mark
4	A	(i)	<ul style="list-style-type: none"> • Productivity increases. Instructions are understood by all employees and deadlines are clearly communicated to employees resulting in an increased productivity. • Better industrial relations. Clear communication and openness to listening to others mean that any dispute between stakeholders in a business can be resolved before it becomes a critical issue. Grievance procedures are available to all employees. • Intrapreneurship encouraged. New ideas flow easily and can be developed quickly in a business with effective communication. • Team Approach. In modern business a matrix structure is applied where employees work on projects in teams. For teams to be effective, members must be able to communicate clearly and objectively to each other. • Clear goals can be established. It is easier to plan with employees and agree individual targets for them. This will help to motivate the employees. • Greater trust among Staff • Better decision making 	10

(ii) Illustrate **two** barriers that a manager has to overcome to communicate effectively with staff, providing a different example in **each** case.

Question			Possible Response	Max Mark
4	A	(ii)	<ul style="list-style-type: none"> • Language the use of jargon/over-complicated, unfamiliar and /or technical terms. <ul style="list-style-type: none"> ○ <i>Need to choose language appropriate to the audience. Short clear sentences, visual supports.</i> • The medium chosen must be appropriate to the message been given. The medium should match the formality of the communication. <ul style="list-style-type: none"> ○ <i>Ensure the medium is correct considering the need for feedback (telephone call) and proof that the recipient has received the message.</i> • Timing (Wrong time/inadequate amount of time). <ul style="list-style-type: none"> ○ <i>Messages must be delivered at the correct time. Emails outside work may not be read. Messages which arrive near the close of business may be ignored.</i> • Unclear Organisational Structure. If the structure of the organisation is too hierarchal it may lead to distortions and the message not being transferred correctly. <ul style="list-style-type: none"> ○ <i>Ensure the message is delivered directly to the recipient.</i> • Information Overload. Too much information being transferred at once will result in confusion. Too much detail can overwhelm the audience. <ul style="list-style-type: none"> ○ <i>Messages should be clear and concise.</i> • Lack of feedback. This will result in queries not being answered and confusion among receivers. <ul style="list-style-type: none"> ○ <i>Build in a feedback mechanism into the process.</i> • A lack of trust between the parties acts as a barrier to effective communication. <ul style="list-style-type: none"> ○ <i>Build long term ethical relationships to ensure a trusting relationship exists. Use communications training to overcome all the barriers.</i> • Physical barriers • Types of issue/problem involved 	10

(B) Read the information supplied and answer the questions which follows.

Hexagon Solutions is a global software design company operating in Dublin.



It offers competitive salaries and long-term contracts of employment to all employees. A team structure exists in the business where employees from all over the world work together on innovative projects. Staff ideas are accepted, and innovation rewarded. Hexagon supports employees who take on further studies.

Outline the different stages in Maslow’s hierarchy of needs theory **and** illustrate how Hexagon Solutions applies this theory to motivate its employees.

Question		Possible Response	Max Mark
4	B	<p><u>Physical Needs</u> Need for food, water, clothing and shelter. It offers competitive salaries to all employees</p> <p><u>Safety Needs</u> The need for certainty and physical safety. Long- term contracts of employment to all employees</p> <p><u>Social Needs</u> The need for interaction with other human beings. A team structure exists in the business where employees from all over the world work together on innovative projects</p> <p><u>Esteem Needs</u> The need to have your performance recognised by others. Staff ideas are accepted, and innovation rewarded.</p> <p><u>Self-Actualisation</u> This need is met when an employee reaches their full potential. Hexagon supports employees who take on further studies.</p>	20

(C)

(i) Describe **two** leadership styles.

Question		Possible Response	Max Mark
4	C	(i) <ul style="list-style-type: none">• Autocratic The leader gives instructions to subordinates. S/he makes decision without consulting with anyone. Example: A product recall or an emergency in store. <u>Characteristics</u><ul style="list-style-type: none">• The leader gives instructions to subordinates.• Decision making is not shared/no consultation.• Little room for employee innovation.• Democratic The leader involves the employees in the decision making process. S/he listen to the views of others and may facilitate consensus of the team. Leadership generates a sense of belonging but it is still centrally controlled by the manager/ Capitalise on the skills and talents of employees by letting them share their views rather than expecting them to conform. <u>Characteristics</u><ul style="list-style-type: none">• The leader shares decision making with subordinates.• They listen to the views of employees /collaborative/keep employees informed of changes so they feel part of the retail outlet.• Leadership generates a sense of belonging but is still centrally controlled by the manager.• Teamwork-fosters an atmosphere that values information sharing/greater openness.• Requires trust between manager and employees.• Laissez faire (Free reign) Leadership involvement is minimised/Very highly skilled employees (such as middle managers) may make their own decisions and there is no requirement for central coordination. <u>Characteristics</u><ul style="list-style-type: none">• Very highly skilled employees/experts (such as middle managers).• This involves allowing subordinates to set their own goals and achieve them without interference of management.• Requires employees who are very engaged with their work.	10

- (ii) Outline the factors that influence the leadership style adopted by business managers. Provide examples to support your answer.

Question			Possible Response	Max Mark
4	C	(ii)	<ul style="list-style-type: none"> • Instant/quick decisions where there is no need for input on the decision or where the decision wouldn't change as result of employee input autocratic style would be appropriate. • Type of Employees. The amount of direction needed by employees will need to be considered. Assembly line staff more suited to an autocratic style. • Time. If an outcome is needed fast, a more autocratic form of leadership may be required. • Complexity of the task/Skills of employees. A more complicated task will require more detailed instruction and supervision. However, if the skill set is high, employees may require a leader to be a facilitator to allow them to figure out the task themselves. • Corporate Culture. The culture of the organisation will also influence the leadership style expected by the manager. • Span of Control 	10

Question 5

(A) Outline the effects a decrease in sales revenue has on a business.

Question		Possible Response	Max Mark
5	A	<ul style="list-style-type: none">• Reduction in profits• Restructuring of costs required• Employee numbers may have to be reduced• Sales Promotions may need to be increased• Identify alternative suppliers• Product modifications• Market Research – new markets required.• Price of Shares/Stock Exchange/Investors	15

(B) The figures in the table below were taken from the final accounts of BioMed Ltd.

	2017	2018
Current Assets (including closing stock)	40,000	62,500
Current Liabilities	20,000	25,000
Closing Stock	10,000	42,500

(i) Explain what is meant by a **liquidity problem** in a business.

Question			Possible Response	Max Mark
5	B	(i)	A Liquidity problem refers to the inability of a business to raise funds to pay short term debts as they fall due.	3

(ii) Calculate the Current ratio **and** the Acid test ratio for BioMed Ltd for 2017 **and** 2018. **Show your workings.**

Question			Possible Response	Max Mark	
5	B	(ii)	Current Ratio CA/CL ① <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> 2017 $40,000:20,000 = 2:1$ ① ① ① </div> <div style="text-align: center;"> 2018 $62,500:25,000 = 2.5:1$ ① ① ① </div> </div>	7m	16 marks
			Acid Test CA-Stock/CL ① <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> 2017 $40,000-10,000:20,000 = 1.5:1$ ① ① ① ① </div> <div style="text-align: center;"> 2018 $62,500-42,500:25,000 = 0.8:1$ ① ① ① ① </div> </div>	9m	

(iii) Analyse the significance of the trends for the liquidity of BioMed Ltd.

Question			Possible Response	Max Mark
5	B	(iii)	<ul style="list-style-type: none"> The current ratio increased from 2:1 to 2.5:1. This is above the ideal ratio of 2:1. The acid test has decreased from 1.5:1 to 0.8:1 This is below the ideal of 1:1. The business is carrying too much stock in its current assets. This may result in a difficulty in raising cash to pay short term debts, as stock can take time to sell. 	6

- (C) Describe **two** distinct situations requiring **short-term** finance for a start-up business **and** explain the most appropriate sources of short-term finance in **each** situation.

Question		Possible Response	Max Mark
5	C	<ul style="list-style-type: none"> • Paying for stock. <u>Trade Credit</u> may be used to pay for stock. The new business will have to negotiate terms with its suppliers. This gives the business time to sell the stock before paying for it. • Paying for wages/first month's rent/deposit <u>Bank Overdraft</u> may be acquired to pay wages during the first month. A facility on current account where the account holder can withdraw more than is in the account. Subject to limit and acceptance. Interest payable on the reducing balance. • Utilities <u>Accruals</u> (unpaid expenses) may be used to pay for utilities. The utilities are used during a month but do not have to be paid until the end of the month. This money can be used for other purposes during the month. 	20

Question 6

(A)

- (i) Explain the term unique selling point (USP) **and** provide an example to support your answer.

Question			Possible Response	Max Mark
6	A	(i)	<p>A feature of the product/service which sets it apart from similar products/services and from its competitors. What you have that the competitors don't. The USP is valued by a customer and attracts them to the product.</p> <p>Example required</p>	5

- (ii) Illustrate the new product development stages of Feasibility Study, Prototype Development and Test Marketing with reference to the Fitbit fitness watch.

Question			Possible Response	Max Mark
6	A	(ii)	<p>Feasibility Study This is an investigation to see if a product is profitable and possible. It identifies whether the idea should be produced. Feasibility can be assessed as marketing feasibility or financial feasibility. Reference: <i>Fitbit had to be manufactured in a way that the technology was affordable to sell. It also had to be possible to do all the functions promised.</i></p> <p>Prototype Development This is a 'mock-up' original of a product. It is manufactured to see any flaws in the original design and to see if the product can be made. The prototype also allows the product to be changed/updated. Characteristics, difficulties and costs of production can be identified. Reference: <i>Fitbit was shown to be working at Prototype stage, but also was manufactured to look sleek and professional with its black screen and black/coloured straps.</i></p> <p>Test Marketing This involves releasing the product to a small proportion of the market and obtaining their feedback. This allows the product to be improved before full launch. Reference: <i>Fitbit may have been released to a section of the market to see their opinion, i.e. bigger graphics required.</i></p>	15

(B)

- (i) Outline the benefits **and** risks of a strategic alliance as a method of business expansion.

Question			Possible Response	Max Mark
6	B	(i)	<p>Benefits</p> <ul style="list-style-type: none">• It is a voluntary agreement.• Each party remains a separate legal entity.• Skills and risks are shared so both parties gain.• Access to an established network of suppliers and distributors.• It is a quick low-cost way to expand into foreign markets.• The partners benefit from the sharing of business networks.• Increased resources. <p>Risks</p> <ul style="list-style-type: none">• Corporate secrets/competitive advantages can be lost.• Alliances may not be equal. One side may contribute more than another.• Alliances are temporary so careful change. management is needed to ensure that full- time staff are not alienated as they will be relied on when the alliance is over.	15 At least 1 of each required

(ii) Explain **one** other method of business expansion.

Question			Possible Response	Max Mark
6	B	(ii)	<p>Mergers Two business join together and create a new legal entity. Not only does the firm acquire new capacity, experience and skills quickly but it also acquires more consumer demand quickly (market share increases immediately).</p> <p>Acquisitions One business purchases a controlling stake (51% or more of voting shares) in another business and 'acquires' it. Acquisitions are often hostile and can go against the wishes of the existing owner.</p> <p>Franchising It is a form of expansion which requires, low capital investment by the franchisor as the capital used to expand the business comes from franchisees. Very suitable/popular in the current economic climate as a form of expansion.</p> <p>Licensing Exporting/finding a new market Diversification Organic Growth</p>	10

(C) Explain the reasons why management carry out performance appraisal.

Question		Possible Response	Max Mark
6	C	<ul style="list-style-type: none"> • To review the progress of employees in order to determine the appropriate reward. • Goals can be set for future performance and these targets can be agreed by employees. • Decide on suitable wages for employees or discuss the possibility of a pay rise. • To provide employees with feedback so their productivity can increase. • To improve staff motivation by recognising staff achievements and giving appropriate award. • To assess employee's potential for promotion or a bonus or extension of a contract. • Management obtain feedback from employees on what resources they require/training, retraining needs or additional supports. • To measure employee output against a standard. 	15

Question 7

- (A) (i) Discuss the factors that should be considered before deciding on the price to charge consumers for a product.

Question			Possible Response	Max Mark
7	A	(i)	<ul style="list-style-type: none"> • Production costs • Demand in the marketplace • Competition • Consumer Expectations/Image of product • Taxation (tariffs, import charges) • Product Positioning • Stage of Product Life Cycle • Legal Restrictions • Target Market 	18

- (ii) Outline the pricing strategy best suited to the **introductory stage** of Intezz drink and **explain** the reason for your choice.

Question			Possible Response	Max Mark
7	A	(ii)	<ul style="list-style-type: none"> • Penetration Pricing. The business competes for a large share of the market using price. The business wishes/tries to capture as much market share as possible. This would be suitable if Intezz is being targeted at the 'lunch box' / mass market. • Skimming. The business charges a high price to 'cream off' the premium section of the market. This would be suitable if the product is to be aimed at the high end of the market such as gyms, professional athletes. 	7

(B) (i) Describe the role of public relations (PR) in a business.

Question			Possible Response	Max Mark
7	B	(i)	All efforts used by a business to create and maintain good public image of the business. It aims to achieve favourable publicity and build a good corporate image for the business/ its concern is the long-term objective of promoting a favourable image of the business. Defend the reputation of the business from criticism (in times of crisis). It is not directly linked to increasing sales but rather to increasing the reputation of the business which in turn increases sales.	5

(ii) Discuss the methods Beveraton could consider to develop good PR, providing examples to illustrate your answer.

(20)

Question			Possible Response	Max Mark
7	B	(ii)	<ul style="list-style-type: none"> • Sponsorship. Financial Support in return for positive publicity. E.g. Sponsoring a football team in return for the brand name to appear on jerseys. • Celebrity endorsements/influencers The product is seen to be used by celebrities and/or endorsed on social media. This may entice the fans of the celebrities to use the product. • Press Conferences/Launch/Media/Social Media. The official launch of the product should be profiled to attract the public and create a good image of the Intezz brand. • Other PR strategies include: Annual reports; business brochures; publicity literature; promotional films /Donations to charity/ Local community relations/After-Sales Service. 	15

- (C) Discuss the factors the marketing manager of Intezz must consider when designing the packaging for the brand.

Question		Possible Response	Max Mark
7	C	<ul style="list-style-type: none"> • Promotion-Colour/design/shape to attract the customer. • Differentiation from competitors. The packaging should be different from competition indicating a unique selling point/competitive advantage. Keep it in the mind of the customer that it is available to buy. • Image/Aesthetics. It must look good using shape, size and colour. The product should have shelf appeal and stand out. • Protection- during storage and handling-Air compressed container to maintain freshness. Easy drink bottles. • Legal requirements. What information must be displayed on the packaging. E.g. Bar code for scanning, best before, ingredients, sugar content, allergens, country of origin. • Size/Convenience. The unit size will depend on the marketing plan. Is the drink aimed at lunch boxes or the Keep-fit market. • Recyclable. To be environmental conscious/ reusable bottle. • Cost 	15

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