



Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE 2008

MARKING SCHEME

BUSINESS

HIGHER LEVEL



Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE 2008

MARKING SCHEME

BUSINESS

HIGHER LEVEL

Leaving Certificate Examination 2008

Higher Level

Business

Marking Scheme and Support Notes for use with the Marking Scheme

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

- The support notes presented are not exclusive or definitive and alternative valid answers are acceptable;
- 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 on the examination paper. Requirements may therefore vary from year to year.

**LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2008
MARKING SCHEME**

SECTION 1 (80 Marks)

This is a compulsory section

Answer 8 questions. Each question carries 10 marks.

Question	Scheme	
1	(a) 6 marks (b) 4 marks (2 + 2)	10
2	5+5 marks (3 + 2)	10
3	5+5 marks (3 + 2)	10
4	(a) 6 marks (b) 4 marks (2 + 2)	10
5	5 @ 2 marks each	10
6	5+5 marks (3 + 2)	10
7	(a) 6 marks (b) 4 marks (2 + 2)	10
8	(a) 2 @ 3 marks each (b) 2 @ 2 marks each	10
9	5 @ 2 marks each	10
10	(a) 6 marks (b) 4 marks	10
Section 1	Available Marks	80

SECTION 2 (80 Marks)

Applied Business Question (Units 5, 6 and 7)

This is a compulsory question

Fruit First Ltd

(A)	Evaluate Elements of the Marketing Mix. Must be linked to Text of ABQ	4 Elements @ 6 marks each (2+2+2) (State, Explain, Link) Evaluation @ 6 marks	30
(B)	Discuss the benefits to local and national economy. Must be linked to Text of ABQ 2 National / 2 Local benefits	4 Points at 7+6+6+6 marks (3+2+2) and (2+2+2) (State, Discuss, Link)	25
(C)	Analyse the opportunities and challenges on entering International Markets. Must be linked to Text of ABQ 2 Opportunities/ 2 Challenges Appropriate Recommendation	4 Points at 5 marks each (2+2+1) (State, Analyse, Link) 1 @ 5 marks (2+3)	25
	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)	Competitive Co-operative Examples	8 + 7 marks 5 (2+3)+ 3 and 5(2+3) +2	15
(B)	Breaches of Sale of Goods Act Remedies	3 @ 5 (2+3) 2 @ 5 (2+3)	25
(C)	Role Labour Court (Evaluation required)	4 @ 5 marks (2+3)	20
	Available Marks		60

Domestic / International Environment

Question 2

(A)	Transnational Company (Explain) Reasons for Development in Ireland	5 marks (2+ 3) 3@ 5 (2+3)	20
(B)	Environmentally Responsible Businesses	4 @ 5 marks (2+3)	20
(C)	Case For or Against Privatisation Evaluation/example required	3 @ 5 marks (2+3) and 1 @ 5 marks	20
	Available Marks		60

Domestic / International Environment

Question 3

(A)	Single European Market	5 @ 5 (2+3)	25
(B)	2 EU Institutions (functions)	10 marks 2 @ 5 (2+3) 10 marks 2 @ 5 (2+3)	20
(C)	Directive and Regulation Example of one/ purpose	2@ 5 (2+3) 5 marks (2+3)	15
	Available Marks		60

**Part 2
Enterprise**

Enterprise / Managing

Question 4

(A)	3 Characteristics and Examples	3 @ 5 (3+2)	15
(B)	Barriers to Communication Methods to Overcome 2 barriers	3 @ 5 (2+3) 2 @ 5 (2+3)	25
(C)	Types of Control: Stock Control Credit Control Examples and Evaluation required	10 marks [(5+5)(2+3)] 10 marks [(5+5)(2+3)]	20
	Available Marks		60

Managing

Question 5

(A)	3 Human Resource Management Functions explained Analyse benefits of 2 Functions	3 @ 5 (3+2) 2 @ 5 (3+2)	25
(B)	Methods of Reward	3 @ 5 (2+3)	15
(C)	Managing Change (2 strategies) Description and Examples	2 @ 10(3+4+3)	20
	Available Marks		60

Business in Action

Question 6

(A)	Finance and Taxation Discuss and give examples	2 @ 10 [(5 + 5) (2+3)]	20
(B)	'Risk management'-explain term 3 Methods to reduce risk with examples	1 @ 5(2+3) 3 @ 5(2+3)	20
(C)	Impact of new technologies on Business Opportunities with examples	4 @ 5 (2+3)	20
	Available Marks		60

Business in Action

Question 7

(A)	Business Plan –Benefits	3 @5 (2+3)	15
(B)(i)	Break Even Analysis Illustrate	Chart showing the following: FC 2 marks TC 2 marks TR 2 marks BEP 5 marks Forecasted Profit 5 marks Margin of Safety 5 marks Output in units 2 marks Cost and revenue 2 marks (Calculations only : BEP (4 marks) Profit(4 marks) Margin Of Safety (4marks))	25
(B)(ii)	Margin of Safety-explanation	5 marks	5
(C)	Feasibility Study Prototype Development Evaluation required	8 marks (5+3) 7 marks (5+2)	15
	Available Marks		60

SECTION 1

SHORT ANSWER QUESTIONS

(Support Notes)

1. (a) Intrapreneurship means engaging in entrepreneurial activities from inside an organisation and turning them into profitable activities/.An intrapreneur works for a business or organisation and comes up with new ideas/new ways of solving problems/ ways of saving money/ways of increasing revenue.

(b) Two relevant examples required.

New work methods, new production process, new organisational techniques etc.

2. An offer is a promise by the person making the offer to be bound by the contract, if the offer is accepted properly.

An Invitation to Treat is only an invitation for someone to make an offer, which can be either accepted or rejected. Goods on display are only inviting customers to make an offer. They can do so by bringing the goods to the checkout and offering to buy them.

3. Working Capital: Short term source of finance. It is used for the day-to-day running/immediate debts of the business.

Working Capital is financed out of short term sources of finance, e.g. bank overdrafts, because both debtors and stocks turn into cash in the short term.

Equity Capital: Long term source of finance. Permanent Capital of a company used to finance permanent assets of a business. The benefit for companies of using equity capital as a long-term source of finance is that there is no commitment to the equity shareholders that they will receive a dividend each year.

4. Open Economy

(a) An open economy is one in which people including businesses can trade in goods and services (i.e. Importing and Exporting) and borrow and lend in world financial markets. A measure of a country's openness is the fraction of GDP devoted to imports and exports.

(b) Fuels economic growth/Creates employment/Earns foreign currency for the country/Generates extra revenue for the government/Essential raw materials and finished goods can be imported/Improved standard of living/Wider choice and lower prices for consumers.

5. Agenda of an AGM of a Private Limited Company:
 1. Minutes of the 200x AGM
 2. Matters Arising from the Minutes
 3. Chairperson's Report
 4. Auditors report and accounts
 5. Declaration of Dividend
 6. Appointment of Auditors
 7. Election/reappointment of Directors
 8. Motions
 9. A.O.B.

6. Strategic Planning/ Corporate: Strategic plans are developed over the long term. Emphasis is on growth/improvements in the organisation. Drawn up by top management.

Examples - Entry into foreign markets/Product diversification/ Changing the structure of the business/ Increase in the Market share.

Tactical Planning/Functional: Short term, specific plans. Tend to relate to a particular function of a business. Drawn up by senior management.

Examples -New advertising campaign/a new branch of the business/ a changed stock control system.

7. Source of Finance
A Medium term sources of finance for the purchase of a delivery van required:

Hire-Purchase:

- a. No security is required.
- b. Easier to obtain than other sources of finance.
- c. Same consumer rights as a cash purchaser.

Medium Term Loan:

- a. The interest on the loan is tax deductible and large amounts of finance may be raised.
- b. May be flexibility in the amount and timing of payments/can be arranged to suit ability to pay.

8. (a) Benefits of community Initiatives in the development of a local community (outline required)
 - Direct employment
 - Spin-off jobs e.g. transport, education, entertainment.
 - Opportunities for personal and skills development e.g. youth training, apprenticeship training, training for the long term unemployed etc.
 - Growth and prosperity in the local area. .
 - Improved physical appearance of the area/tidy towns.

- (b) FAS-Any two functions
- Training of skilled personnel for industry,
 - Apprenticeships, Mentoring.
 - Recruitment service to Job seekers
 - Community Enterprise Programme-Advice on business start-ups/training/recruitment and selection of staff/grants for feasibility studies etc

OR

CEBs (County Enterprise Boards) –Any two functions

- Information and advice on setting up/expanding small businesses
- Provides Grants for capital costs/employment/feasibility
- Mentoring programmes
- Helps with training.

9. Employment Discrimination

Any 5 of the 9 grounds as follows:

- 1 Gender
- 2 Marital Status
- 3 Family Status
- 4 Sexual orientation
- 5 Religious Belief
- 6 Age
- 7 Disability
- 8 Race
- 9 Membership of the Travelling community

10. (a) Insurance Claim Calculation

$$\frac{\text{Value insured} \times \text{Loss}}{\text{Value of House}} = \text{Compensation}$$

House Value €350,000. House Insured for €300,000 or 6/7ths. of its value
Partial Loss €3,000 x 6/7 = €4,000 (compensation)

- (b) Principle of Indemnity.

SECTION 2 (80 marks)

Applied Business Question

(Support Notes)

Compulsory question based on Units 5, 6 and 7.

(A) Evaluate the elements of the marketing mix

- **Product**

The physical good or service provided

The product is made up of the detailed characteristics of the good/service on offer, e.g. its distinctive features, its form, shape and colour. It includes any relevant information on the item for the customer such as its quality, after-sales service, guarantees, brand name and image etc. Green image is a unique selling point (USP).

Possible links to text include:

Crushed Fruit Drink

Local Supplier: Traceability

Healthy Image: Fitness Centres

- **Price**

Price is what one pays for a product. It is also the representation of the value of the product to the buyer. The price of a product on the market will be determined by the Product's Unique Properties, the cost of manufacture, the competition, target market etc. If the particular product is aimed at the luxury end or segment (niche) of the market then the price set may be high and vice versa.

Possible links to text include:

Mary's focus on producing a quality product has allowed her command a higher price than her competitors

- **Promotion**

Promotion is concerned with letting existing and possible future customers know about the products on offer in order to increase sales. The essential promotional techniques (methods) are advertising, sales promotion, public relations (sponsorship), and personal selling.

Possible links to text include:

Development of a green image for the business

Brand association with National Healthy Heart Day

Attractively designed cartons

Supplying samples to local shops

- **Place**

Firms must use the most suitable and cost-effective way of distributing their products. The promotion and sale of the enterprise's products is the primary focus and to help with this, channels of distribution such as agents or distributors are used. The channel of distribution used in the case of Fruit First Ltd is the manufacturer to the retailer to consumer. It is a perishable good which needs to get to the market quickly. The business needs to stay close to the consumers to see where trends are going.

Possible links to text include:

Vans deliver the products to the retail outlets, nutrition Centres and Fitness Centres nationwide.

Distribute in foreign markets through leading food retailer chains.

Evaluation/judgement of the overall marketing mix

Right product/right place/right time-it is a growing market. Trends which have influenced the growth of this market i.e. healthy living, on-the-go consumer/consumer demand for fresh healthy food-to-go.

- Leading Irish supplier of smoothies
- Potential to grow the business
- Profits approaching €million
- Provides the product nationwide

or

Evaluation of the individual elements of the marketing mix

- **Price** the pricing strategy operating in Ireland may not operate in the UK as there may be more competition there.
- **Product** there is a commitment to R & D and this will ensure that the product will evolve. The product life cycle should be considered.
- **Promotion** the promotion strategies include the supply of samples and the association with the 'National Healthy Heart Day'. Fruit First may have to develop their promotion mix further to include advertising, other sales promotion techniques.
- **Place** with the proposed expansion to the UK there may be channel of distribution problems.

(B) The benefits of Fruit First Ltd for the local and national economy (discuss):

Employment

Enterprises create jobs directly, with many of the employees drawn from the local community. Jobs are also created indirectly in supplier firms and those firms supplying services.

Possible links to text include:

The business employs thirty full time workers
Fruit First vans deliver the products

Increased Business Activity /Local Suppliers

There is increased business activity in the local area leading to more money in circulation for the benefit of other businesses. Business activity is sustained by reinvestment of surpluses in the business.

Possible links to text include:

Sources fresh fruit locally
Invest in larger premises doubling its production capacity.

Attracts Other Firms / Enterprises

Successful enterprises bring a sense of confidence to the local area which encourages a spirit of enterprise, leading to other entrepreneurs setting up businesses locally. Examples: Construction Industry, Transport/Distribution, Agriculture/horticulture, and Administration/Insurance/Banking.

Possible links to text include:

Construction industry- Invest in Large Premises doubling its production capacity
Transport and Distribution - fruit first vans
Agriculture/Horticulture-Sources fresh fruit locally
Attractively designed cartons supplied by a local firm

Government Revenue

The government receives extra revenue from VAT on the sale of goods and extra income tax from the increased number of people employed. It is also a profitable company paying corporations profits tax.

Possible links to text include:

Leading Irish supplier of smoothies (High sales)
Sources fresh fruit from abroad (Customs duty)
Profits are approaching €1 million (Corporations Profits Tax).
30 full-time employees (Income tax).

Foreign trade/Increased exports/imports

If products are produced here and sold abroad they bring foreign currency into the country. This foreign currency can in turn be used to pay for imports.

Favourable Balance of Trade/Balance of Payments.

Trade provides opportunities to develop good relationships with other countries.

Possible links to text include:

*Mary has begun developing an Export strategy
Sources fresh fruit from abroad*

Government Policy

The business focus on a green and healthy image is in line with the government environmental/social policy.

Possible links to text include:

Annual investment in R&D has lead to a widening of the product range and development of a green image for the business

(C) The opportunities for Fruit First Ltd in international markets (analyse):

Access to bigger Markets

Export markets provide a larger potential market for a firm and provide an opportunity to increase sales and profits.

Possible links to text include:

To sell to the UK and subsequently the wider EU market

Economies of Scale

An economy of scale reduces cost per unit as a firm increases in size i.e. reductions in costs that come from buying, producing and selling in large quantities.

Possible links to text include

While recognising the high cost base in Ireland

Reduced Risk

By diversifying into a new market a firm is spreading its risk making it less dependent on one market.

Possible links to text include

As the leading Irish supplier of smoothies further expansion in the Irish market is unlikely

New Ideas

The firm may come into contact with new ideas, new products and new technologies which may lead to greater benefits in the future.

Possible links to text include

Is in discussion with a leading food retaining chain

Large investment in R&D annually-annual investment in R&D has lead to a widening of the product range

Other opportunities include:

Membership of the Single European Market/ Green Ireland (positive image)/Trading Language-English

The challenges facing Fruit First Ltd are:

Competition

The UK and the EU markets are much larger than Ireland and there is likely to be large well established firms operating in those markets thereby providing more competition for Fruit First Ltd.

Possible links to text include

Leading Irish supplier of smoothies.....small Irish market

Investment in R & D. Product development and the widening of the product range have helped it to keep ahead of competitors in Ireland.

Currency

The UK is not a member of the Single Currency and sterling may go up or down in value relative to the Euro. Fluctuating exchange rates can lead to exchange rate losses for Irish firms. A falling value of sterling damages the competitiveness of Irish exports.

Possible links to text include

UK food retailer/Fluctuating exchange rate

High cost base in Ireland

Language

Selling abroad often involves selling through a foreign language. This will affect aspects of the business including documentation, labelling, advertising etc. This will apply to most countries across Europe.

Possible link to text

Considering entering the wider EU market.

Costs

Ireland is an island and there are additional costs involved in distributing goods to export markets. The nature of the product itself also affects the costs. This product has a short shelf life.

Possible links to text include

Large investment

Perishable nature of the product

Supplying shops throughout the UK

Other challenges include:

Different customs and culture (i.e. product adaptation to local tastes)/Government Policies/ Receiving payment/ Developing an image/appeal for the product in International markets.

(C) Any appropriate recommendation:

(i) Start in the UK market- Have the language/familiarity with culture/good trade links/close to the Irish market (i.e. low transport costs) etc.

OR

(ii) Begin in the wider EU market as there are no exchange rate difficulties/ may become a market leader in some of the newer EU countries/benefits of SEM Membership etc.

OR

(iii) Arrange for the production by contract i.e. pay an EU producer to produce the product in a mainland EU country.

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

Competitive and Co-operative relationship (describe with examples):

(A) Competitive Relationship

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

Examples:

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

Co-operative Relationship

A co-operative relationship exists where joint action or effort is required so that producers work together to everyone's benefit/towards a common goal/act in a mutually beneficial manner.

Examples:

Producers in the same line of business sometimes get together and co-operate with each other to protect their specific industry against an outside threat/to encourage economic development and to create jobs for the benefit of the community/ two producers may get together to lobby government to solve problems of mutual interest.

(B) (i) Sale of Goods and Supply of Services Act 1980.

Retailers in breach (Illustrate):

Goods

- Merchantable Quality
- Fit for the Purpose
- Correspond to the Description
- Correspond to the sample
- Ownership and Quiet Possession

Services

All services are provided on certain implied terms as follows:

- Supplier has the necessary skill to provide the service;
- Service provided with due skill and diligence and any materials used sound and fit for the purpose;
- Goods supplied as part of the service will be of merchantable quality.

Other provisions include:

- Guarantees
- Renting or Buying
- Motor Vehicles
- Spare Parts
- Unsolicited goods (Inertia Selling)

Candidates are required to illustrate the circumstances where retailers of goods/services would be in breach of the Act, in relation to any of the above provisions.

(B) (ii) Remedies for breaches of the Act

The remedy will depend on the seriousness of the fault, when the fault happened and how soon after purchase the consumer made the complaint.

- A full refund: If goods are not of merchantable quality/have major fault from the very beginning and the consumer acts within a reasonable time of the sale it is likely that the goods can be rejected by the buyer and a full refund will be provided.
- A partial refund, repair or replacement if the consumer has used the product/delayed in acting/there is an implied acceptance of the product. Any remedy must be completed without significant inconvenience to the consumer.

(C)The role of Labour Court (evaluate):

- The Labour Court investigates industrial dispute and issues recommendations for their settlement.
- The Labour Court must only investigate a dispute if it receives a report from the LRC that nothing more can be done to solve the dispute.
- If the LRC is unwilling to investigate the dispute or if the Labour Court and the LRC agree that exceptional circumstances warrant its intervention.
- Investigates, at the request of the Minister for Enterprise Trade and Employment, trade disputes affecting the public interest, or conducts an enquiry into a trade dispute of special importance and reports on its findings.
- If both sides to a dispute request the intervention of the Labour Court and agree to be bound by its recommendations then the Labour Court recommendation is binding on both sides.
- Establishes Joint Labour Committees which produce employment regulation orders enforceable in law.
- Registers, varies and interprets employment agreements.
- Registers Joint Industrial Councils.
- Interprets codes of practice.
- Acts as a court of appeal.

Evaluation/judgement on role of Labour Court

- Very effective dispute resolution mechanism. The Labour Court has intervened and solved seemingly intractable disputes e.g. public transport disputes
- The Labour Court has resolved disputes that the LRC has failed to resolve
- Draws its authority from its voluntary participation of the parties involved in a dispute. Less formal than a court of law.
- The Labour Court has the respect and confidence of all parties in IR. Its recommendations are not binding on either party but carry the moral authority.

Question 2

(A)

(i) **Transnational Company** –has its controlling head quarters in one country and branches in many other countries/ operate on a world-wide scale.

A transnational produces or markets goods in more than one country/ it treats the world as a single marketplace and may move operations from one country to another in response to changing market conditions.

(A)

(ii) **Reasons for the development of transnational companies in Ireland:**

- Transport Improvements. The availability of faster and cheaper methods of air and sea travel has made it easier to supply markets world-wide.
- Improved Tele-Communications. Improvements in communications have made it easier for firms to send and receive information.
- Larger Markets. Many companies find that their home market does not offer the necessary scope for expansion. By selling to or setting up operations overseas they can maximise sales and can spread business risk/saturated home market.
- Economies of Scale. Expanding abroad allows firms to achieve economies of scale and thereby lower costs per unit. This enables them to compete more effectively with larger competitors.
- Removal of Trade Barriers. The removal of trade barriers has opened up international markets. The World Trade Organisation (WTO) has facilitated agreements between countries eliminating or reducing barriers and freeing up international trade. Can locate a division in Ireland and sell products into the EU member states
- Financial incentives from government agencies.
- Taxation advantage in Ireland. 12.5% corporation tax rate

Reasons why Transnational Companies locate in Ireland

- Skilled labour force.
- High Productivity.
- English speaking.
- European Union access.
- Government Grants.
- Low corporation taxation regime.
- Centralised Partnership agreements/Social partners.
- Political and Economic stability.

(B) How can businesses in Ireland become more environmentally responsible? (illustrate):

- Raise awareness by including an environmental policy statement in the mission statement of the enterprise/regular environmental audits.
- Educate the enterprise's employees in environmental awareness, e.g. through awards/responsible management.
- Environmental Impact Assessment for new developments.
- Invest in machinery that reduces discharges into the environment. Minimise the use of chemical products dispersed into the environment.
- Reduce pollution air/water by burning less fossil fuels/buy only energy efficient equipment.
- Control pollution (i.e. air and water) by implementing cleaner policies, e.g. replace cfc's with cleaner alternatives.
- Develop environmentally acceptable disposal methods/encourage sorting systems for paper, clothing etc. Recycle whenever possible.
- Encourage transport sharing schemes.
- Arrange for tree planting schemes on land owned by the business.
- Product design/waste packaging/raw materials/durable products.
- Consult with local community groups and environmental bodies to ensure consensus/Environmental Consulting Committee.
- Access raw materials locally/reduced transport costs and emissions.

(C) **Privatisation** is the selling off of state owned enterprises to the private sector. The arguments in favour of privatisation of commercial state enterprises (evaluate using examples):

- **Government Revenue:** Selling of a state enterprise provides the government with a large sum of money e.g. Aer Lingus.
- **Reduced Expenditure:** The sale of a loss making enterprise means it will no longer have to be subsidised on a yearly basis by the government/less borrowing required by government/money available for other services.
- **Efficiency:** State owned enterprises are often perceived as being inefficient because they can rely on government funding and have little competition. Private firms are driven by a profit motive and should therefore be more efficiently run.
- **Access to Finance:** Privatised firms are able to take out loans and shares and generally have greater access to sources of finance than state enterprise. This makes it easier to fund expansion.
- **Industrial Relations:** With greater job security employees in state enterprises are more likely to take part in industrial action in pursuit of pay claims, better working conditions etc. than those in the private sector.
- **Competition:** The elimination of a state monopoly can lead to open market competition and can lead to greater choice and lower prices for consumers e.g. Eircom.

OR

The arguments against privatisation of commercial state enterprises (evaluate using examples):

- **Loss of state assets:** The state protects industries of strategic interest to the country e.g. transport network, the country's energy supplies for industry and domestic purposes, water supply, communications systems, the economic infrastructure of the country etc
- **Increased Unemployment:** There may be a loss of jobs through rationalisation of services, leading to higher social welfare spending.
- **Social Commitments:** Non-profit making essential services may be discontinued by the private business in an effort to reduce costs e.g. the postal and telecommunications service, electricity, gas and water services to remote areas, etc.
- **Loss of Control /Costs to state:** The shares of privatised firms may end up with foreign investors/There may be high costs involved in preparing a company for privatisation.
- **Profit Motive/increased prices:** Privatised companies must maximise returns to the shareholders and this could result in increased prices for consumers.

Question 3

(A) The Impact of the Single European Market (SEM) on Irish Business
(discuss):

- Free trade between member states. The elimination of barriers or tariffs allows the free movement of goods/services throughout the European Union/pressure on Irish businesses to become more competitive/foreign goods may squeeze out local producers.
- Free movement of capital. Firms can move capital from one country to another/Individuals can invest in shares in companies throughout Europe.
- Free movement of people. European citizens are allowed to move freely between member states/Labour coming into and going out of Ireland/May lead to competition for local jobs by non-nationals/scarcity of skilled staff in Ireland as they may move to other countries.
- Larger markets could result in greater production runs, resulting in economies of scale and possible lowering of costs/Open borders allow firms to expand.
- Common external tariffs. The EU has a common system of barriers on goods imported from outside the EU/Protection of Irish Industry.
- Public procurement. Governments are required to put public contracts up for tender from firms throughout the European Union. Could result in the loss of large contracts for Irish firms.
- Documentation simplified. The introduction of a single administrative document has eliminated a vast number of administrative forms/lowering of administration costs.

(B) The EU Institutions (explain functions):

(i) European Parliament

- Directly elected by EU citizens
- Democratic deficit-neither initiates nor passes legislation on its own
- Discusses proposed new laws and proposes amendments
- Approves the annual EU budget and monitors spending
- Vets members of the European Commission
- Supervisory powers

(ii) Council of Ministers

- Ministers from each member state
- Main decision making body of the EU
- They decide on legislation
- They set objectives for the EU

(iii) European Commission

- Drafts proposals for new laws
- Must act in the best interests of the EU and independently of member states
- Implement laws/enforces existing legislation
- Executive body of EU
- Managing the EU budget
- Implements agreed policies of the EU
- Represents the EU internationally

(C) EU Directive and Regulation (distinguish and example/describe purpose of one):

Directive is a legal instrument to implement and enforce EU law in member states. It obliges member states to change their national laws, to allow for EU rules, within a time limit/deadline. It is binding only as to the results to be achieved, while leaving within prescribed limits the choice of means to be employed to the member states.

Examples: The General Product Safety Directive, Product Liability Directive, Misleading Advertising Directive. Directives on company law, Directive on Health and Safety at Work, Directive on Unfair Commercial Practices, the 'Nitrates' directive, the Waste Electrical and Electronic Equipment Directive.

EU Regulation

Regulation is a legislative act of the EU which becomes immediately enforceable as law in all member states simultaneously. EU institutions can enforce a regulation throughout the EU. They take precedence over national laws. They are self-executing and do not require any implementing measures.

Examples:

Commission Regulation 1828/2006. Laying down general provisions on the European Regional Development Fund the European Social Fund and the Cohesion Fund.
Regulation 275/94 on single (sole) member private limited liability company formation etc.

Part 2

(Support Notes)

Question 4.

(A) Entrepreneur's Characteristics (discuss with examples):

Decisive: Entrepreneurs have the ability to make quick and clear decisions so as not to miss opportunities/ the issue of timing is crucial (e.g. decisiveness when dealing with suppliers and contractors). They take full personal responsibility for the actions and decisions they make.

Creative: Entrepreneurs are good at coming up with new ideas or new ways of doing things/ 'thinking outside the box'. They expand their minds to what is beyond the ordinary through research and the collection of data/ ability to see things in new ways. They are prepared not only to be different but tend to have a vision of the future.
Example: Dyson vacuum cleaner/ Dyson Airblade-fast hygienic hand dryer- dries hands in 10 seconds and is 83% more energy efficient than conventional hand dryers.

Take Risks: Successful entrepreneurs are not afraid of failing/they embrace failure as a learning experience. They take both financial risk and personal reputation risks but try to minimise both, given the circumstances of each case. They take measured/calculated risk which provides a reasonable and challenging chance of success. They take chances when opportunity strikes.

Example: Eddie O'Connor founder of clean energy company Airtricity (now investing €30 million into a new renewable energy business).

(B) The barriers to effective communication in a business and methods to overcome barriers (describe and suggest methods of overcoming two barriers):

Language

If the language is too technical or too difficult for the audience to understand then the message may be misinterpreted.

Need to choose language appropriate to the audience. Short clear sentences, visual supports etc.

Wrong Medium

The medium chosen must be appropriate to the message been given.

A letter would be more appropriate than an e-mail if terminating employment.

‘Texting’ may be inappropriate for formal communications/medium chosen might be too slow for any action to occur.

Using e media when personal communication is the most appropriate.

Not Listening

If the intended recipient is not listening when a verbal message is being communicated the information will not be received correctly.

Synopsise, Summarise, Review, and Repeat the message.

Timing (Wrong timing/inadequate amount of time)

Communications takes place with a purpose in mind. If the message is sent too late the recipient may not be able to act on the information.

Plan the process. Enough time must be given to read/listen, understand, and respond to the message. Reduce speed in the interest of understanding.

No Feedback

The sender may be looking for feedback in order to take further action, e.g. the sales manager may require information from the production manager before taking an order from a customer.

Build in a feedback mechanism into the process e.g. a specific time slot for feedback / questionnaire etc.

Relationships between people/Credibility Trust

A lack of trust between the parties acts as a barrier to effective communication.

Build long term ethical relationships to ensure a trusting relationship exists.

Use communications training to overcome all the barriers.

Information Overload. Too much information given / Main points may be lost. Reduce the volume of information so that issues can be dealt with effectively.

(C) Stock Control (evaluation /examples required):

This is the monitoring of stock levels to ensure that there is enough stock to meet demand while keeping costs to a minimum/stocks are at optimum levels. Every business should carry the minimum amount of stock.

Benefits:

- The firm will not lose sales.
- It will also help future sales and profits.
- The firm will not be under utilising storage space.
- Money (Cash) will not be tied up in having too much stock
- No Shortages of raw materials for production.
- The firm will identify which goods are selling, which goods are subject to deterioration, obsolescence and shrinkage (theft).
- Less insurance costs

Credit Control (evaluation /examples required)

Means controlling the amount of credit, the payment period given to customers and ensuring that payments are made on time. It involves checking credit worthiness of customers, setting credit limits and periods, deciding penalties for late payments, reducing bad debts. Goods are sold and payment is not made until some time into the future. A trade debtor is created, leading to possible risk of bad debts. There will be an increase in administrative expenses to the business eg. invoices, credit notes, etc.

There will be shortages of cash because the business is not getting paid by customers on time.

Benefits:

- Firm controls the amount of goods sold on credit.
- Debtors pay debts on time.
- Bad debts are kept to a minimum.
- The credit worthiness of potential customers is checked in advance.
- Good credit control will ensure that maximum cash is collected from debtors.
- Firms will not have to rely on bank overdrafts to deal with cash shortages.

Question 5

(A) Performance Appraisal (explain and analyse benefits of two functions):

Performance Appraisal is the process of reviewing the performance of an employee. Performance appraisal of staff in an organisation requires the Human Resource Manager to form a judgement on a person's work by reviewing the quality of the work, the progress the person has made or the capability of the person.

Benefits of Performance Appraisal:

- Determines suitable pay levels.
- Provide for succession in the organisation by selecting suitable candidates for promotion to posts of responsibility.
- Monitors and controls the recruitment, selection and training and development policies and practices of the organisation.
- Feedback is received on how people are doing their work and weak areas are identified so that performance can be improved/Quality Assurance.
- Provides for two-way communication and clarification of objectives. This helps motivate the employees for the future.
- Evaluates the effectiveness of the selection and training programmes.

Training and Development

Training involves supplying the skills, knowledge and attitudes needed by employees to do their jobs better. On arrival new staff receives induction training, on-the-job training, and off-the-job training.

Staff development involves preparing the employees to take on more responsibility and new challenges in the workforce.

Benefits of Training and Development:

- Better quality service to customers, resulting in fewer complaints and returns.
- Improved quality of production.
- Staff is better cared for and well motivated. /Less industrial relations problems.
- Lower labour turnover rates due to high staff morale/ good reputation of the firm and thereby attracting quality staff.
- Flexible and adaptable labour force allowing for changes to take place/ new work methods and technologies are facilitated.

Employer and Employee Relationships

The quality of the relationship that exists between employers and employees determines the quality of industrial relations between the parties. The implementation of the various health, safety and welfare regulations in the workplace together with interest in, and support for, the social and recreational needs of employees, e.g. sport and social clubs, has a very positive effect on employee morale.

High morale in the organisation can be achieved by:

- Open Communications;
- Valuing employees;
- Teamwork.

Benefits:

- Employees are motivated to work to the best of their ability.
- All personnel are working towards the same goal.
- Flexibility is increased.
- Lines of communication are open and clear.

(B) Different methods of reward (outline):

It is the function of the HRM to negotiate the remuneration package employees are to receive. Employees may receive both monetary and non-monetary rewards.

- **Monetary rewards: Wages and salaries:** Pay may be calculated by the flat rate, time rate, piece rate, commission or bonus schemes.
- **The Time Rate/ Piece Rate:** With a time rate, payments are made of a fixed amount per hour for a fixed number of hours per week. If the employee works more than the fixed number of hours overtime is paid at different rates above the minimum e.g. time and a half or double time/ Piece Rate relates the payment for each unit produced or job completed, the more units produced, the more is earned.
- A **bonus** is a sum of money paid to employees for reaching a certain target, e.g. for producing units above an agreed limit.
- **Commission** is a type of piece rate where payment is made according to value of the amount sold, e.g. payments to a sales person (10%) in proportion to the level of sales achieved. It has the advantage of directly encouraging sales.
- **Fringe benefits** would include 'benefits in kind' given to employees in the form of goods or services rather than money. Monetary examples include profit-sharing schemes, sick pay entitlements, subsidised medical insurance, pension schemes, etc. and non-monetary examples include meal/lunch vouchers, company cars etc.
- **Profit-related pay** is an overall scheme where some of the organisation's profit is paid to employees on an agreed basis, e.g. based on position held. It is paid to motivate the employees to increase the profit by reducing costs and/or increasing output and thus their own earnings.
- **Employee Share Ownership Scheme.** Shares in the business may be given to employees instead of cash bonuses, maintaining employee interest in the job. Share option schemes give employees an option to buy shares in a company at a specified price.
- **Job promotion to a more responsible /senior level in the organisation.**

(C) Strategies to manage change (describe and provide examples):

- Senior Management commitment to the change process.
- Consultation with trade unions and employee representatives regarding the proposed changes/involve all in the decision making process.
- Effective Communication between all parties throughout the change process. This will reduce uncertainty and tensions.
- Adequate funding for the proposed changes/ funding of new technologies and staff involvement/training.

- Negotiation – remuneration packages, productivity agreements, changes in work practices etc.
- Employee Empowerment/training/job rotation/job enlargement etc.
- Change in management style from ‘controller’ to ‘facilitator’.
- Funding/Rewards- Adequate funding for the change process/remuneration packages for staff.

Question 6

Managing a business is similar to managing a household in the areas of finance and taxation.

(discuss and give examples):

Finance

The household needs money for the purchase of a house, car and other expenses such as the children’s education, family holidays, etc. The business needs working capital to finance operational expenses, and long term finance for capital items etc. Both must raise suitable sources of finance.

Short term: Bank Overdraft, creditors, accrued expenses

Medium term: Medium Term Loan / Hire Purchase

Long Term: Mortgages/share capital.

Commenting on the following:

- Where the finances come from;
- Where the money goes/ Keeping Records;
- When they receive and spend money i.e. their cash flow/ Budgetary Planning etc.

Taxation

Households and businesses must pay taxes to the State. Income tax/PRSI and VAT is common to both. Businesses must pay VAT on purchases, capital gains tax on capital gains and corporation tax on the profits earned if the business is a company. Both must fill forms, claim Tax Credits and register with the Revenue.

- Value Added Tax. VAT is a tax on consumer spending. It is chargeable when a business sells goods or services to a customer.
- Income tax is direct tax levied on all income earners in the state who earn income above a certain amount. PAYE applies where wage payments are made to employees by an employer.
- PRSI is the name given to a system of collecting social insurance contributions from employees and employers. The money goes into a fund which pays for social insurance benefits and pensions.

(B) Risk Management

(i) Explain the term 'risk management'.

A planned approach to the handling of the risk that the individual or business is exposed to is known as risk management.

It involves:

- The identification of all possible risks e.g. the risk of fire, employer negligence, etc.
- Identifying the causes of loss eg. personal injury, legal liability, etc.
- Measuring the risk/likelihood of the event occurring.
- Management of the costs/calculate the costs of the methods of protecting from loss.

(ii) Methods to reduce risks (illustrate):

- Insurance: Transfer the risk to an insurance company for a premium where the company will make good any loss suffered.
- Safe Procedures: The manner/act of doing something strictly laid out and adhered to/handling and working with hazards /stringent monitoring procedures.
- Health and Safety Statements: Regulations, identification of hazards, etc.
- Training of personnel in health and safety. Drills, courses of action and medical training. Provision of safety equipment, protective clothing and training in same.
- Ensure that designers, suppliers and manufacturers' products are used in accordance with safety requirements.
- Appoint Health and Safety representatives in the work force. Report safety issues.
- Install Security systems. Alarms, fire, Security etc.
- Regular safety inspections/audits. Investment in new, replacement, upgraded equipment.

(C) **The Impact of New Technologies on Business Opportunities** (illustrate):

- The increased use of technology in production allows for the **standardisation of production**, resulting in increased output/productivity and reduced costs.
- Applications such as computer aided design (CAD) make the design process easier and increase productivity. Computer aided manufacture (CAM) where all equipment can be computer controlled and computer integrated manufacturing (CIM) which involves total integrated control of the production from design to delivery, all add to the **efficiency of production**/fewer repetitive tasks.
- **New job opportunities** are created in service industries like hotel, catering and tourism businesses, and health and education service providers.
- **New products:** Some new products owe their existence and success to technology e.g. reserving seats on airlines and making hotel reservations from any part of the world at any time.
- **Research facilities with information** on businesses, people, countries, products, in the world at the touch of a button.
- **Spans of control can be widened.** Ability to monitor larger groups or groups which are geographically apart.
- **Organisation size can be reduced:** Fewer employees needed/lower costs and increases in efficiency.
- **Communications:** Staff can be equipped with laptops, mobile phones and e-mail links which enable instant communication leading to increased business efficiency/global communications.
- **Tele-Working:** With the use of broadband it is not necessary for employees to work together in the same building. This leads to savings on office costs and allows a business to hold on to staff who may prefer to work from home.
- **Marketing:** Many businesses now use the internet to market their goods and services. By creating a website a large number of potential customers can be reached at minimal cost/e-marketing/e-selling.
- **E-business:** Many business functions can be carried out using the internet e.g. E.D.I. Electronic Data Interchange where goods can be ordered automatically from a supplier when stocks go below a certain level.
- **Training:** In many occupations the training of workers can be done by or with the help of computers and the different software packages available.
- **New business methods:** Home banking; home insurance quotes; video conferencing; home offices.

Question 7

(A) A business plan (Outline benefits for a new business):

- **Guide to Future Action:** Having a plan provides a focus for the business and guides the actions of individuals.
- **Viability:** In preparing a business plan all aspects of a business are analysed. A S.W.O.T. analysis may be carried out. Any problem areas can be identified and steps taken to deal with them.
- **Finance:** It can be used when seeking finance for a business venture/ Grants from various bodies.
- **Assessing Performance:** It provides a benchmark against which performance can be measured/Targets set. If not reached then actions to fix the problem can be implemented.

(B) (i) Break Even Chart (illustrate)

SP = €15

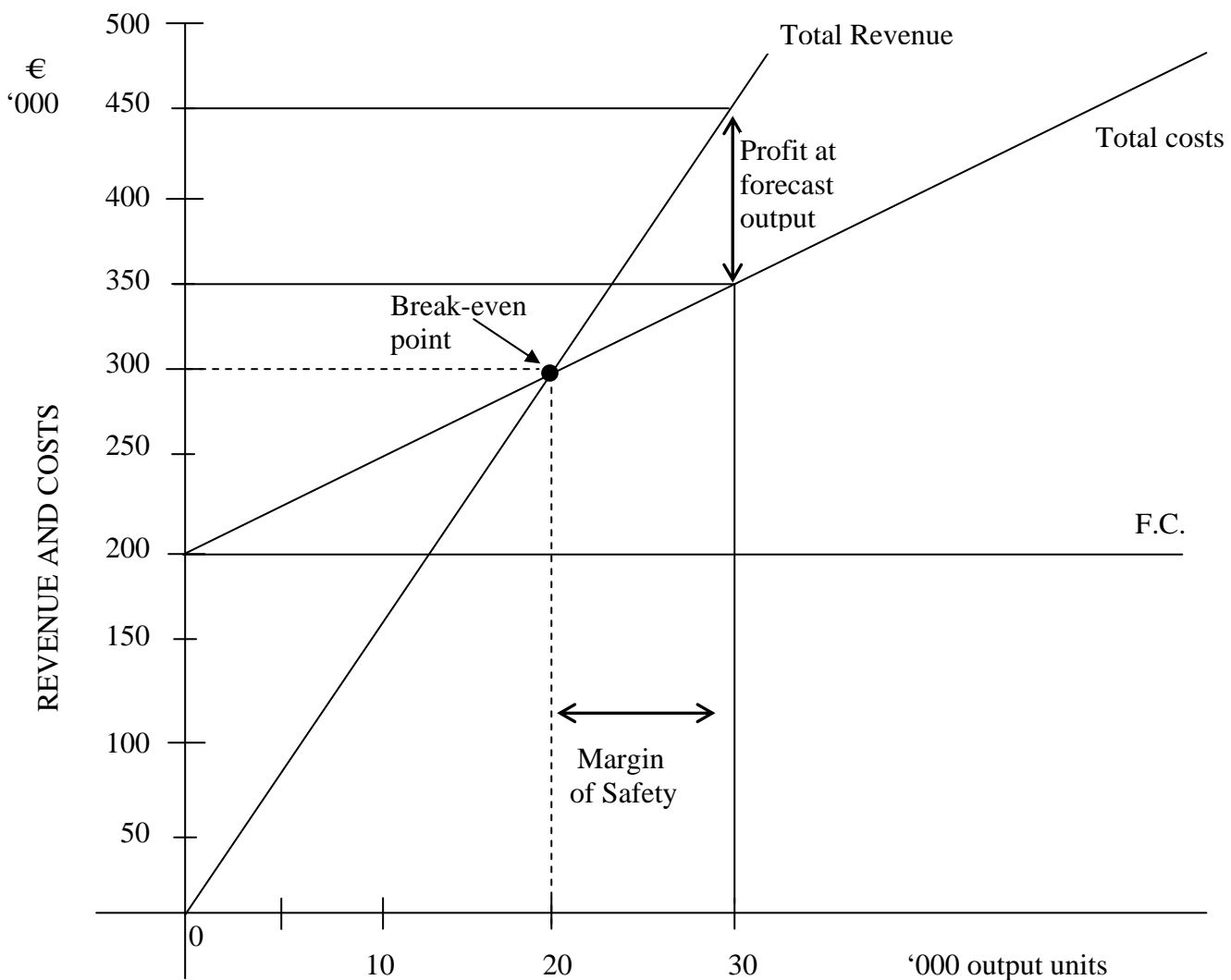
VC = €5

contribution per unit = €15 - €5 = €10

$$\text{Break-even point} = \frac{\text{Total fixed costs}}{\text{Contribution per unit}}$$

$$= \frac{200,000}{10} = 20,000 \text{ units}$$

Units	S/P	V/costs	F/Costs	T/Costs	Revenue	Profit
0	15	0	200,000	200,000	0	0
20,000	15	100,000	200,000	300,000	300,000	0
30,000	15	150,000	200,000	350,000	450,000	100,000



- (a) Break-even point 20,000 units €300,000
- (b) Profit at forecast output €100,000
- (c) Margin of Safety 10,000 units

(ii) **Margin of Safety:** How far estimated sales can fall before the firm becomes loss making.

(C) **Feasibility Study** (evaluate for a new product):

This is a study carried out to assess the commercial and technical viability of a product. It looks at whether it can be produced technically and if it will be profitable/financially feasible and marketable. It answers questions like:

- Is there a demand?
- Can the business actually manufacture it?
- What will it cost/profitability?
- Can the business afford it?

Prototype Development (evaluate for new product):

A prototype is a sample/mock up or model of a product. The product concept is turned into a physical 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/adjustments can be made if required.

