



Coimisiún na Scrúduithe Stáit  
State Examinations Commission

**LEAVING CERTIFICATE 2010**

**MARKING SCHEME**

**BUSINESS**

**HIGHER LEVEL**



**LEAVING CERTIFICATE 2010**  
**BUSINESS HIGHER LEVEL**  
**MARKING SCHEME**  
**SUPPORT NOTES**

Marking Scheme and Support Notes for use with the Marking Scheme

In considering the Support Notes the following points should be noted:

- The support notes presented are not exclusive or definitive.
- They are support notes and not model or suggested answers.
- Further relevant points of information presented by candidates are marked and rewarded on their merits.
- The detail required in any answer is determined by the context and the manner in which the question is asked and by the number of marks assigned to the answer in the examination paper. Requirements may therefore vary from year to year.

**LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2010****MARKING SCHEME****SECTION 1 (80 Marks)**

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

<b>Question</b>	<b>Scheme</b>	
1	(a) 4 marks (2+2) Example required (b) 6 marks (3 (1+2)+3(1+2))	10
2	5 marks (3+2) + 5 marks(3+2)	10
3	(a) 6 marks (3+3)  (b) 2 @ 2 marks	10
4	5 @ 2 marks	10
5	(a) 4 marks (b) 3@2 marks	10
6	(i) 4 marks (2+ 2) (ii) 3marks (iii) 3 marks	10
7	(a) 5 marks(3+2) (b) 5 marks(3+2) Examples required	10
8	5 marks + 5marks (Distinguish between)	10
9	1@ 4 marks (2+2) 2@3 marks(1+2)	10
10	(a) 7marks (calculation) (b) 2+1 marks	10
<b>Section 1</b>	<b>Available Marks</b>	<b>80</b>

**SECTION 2 (80 Marks)**

**Applied Business Question (Units 2, 3 and 4)**

**This is a compulsory question  
Castlewest Hotel and Conference Centre**

(A)	(i) Explain “Intrapreneur”  (ii) Benefits (two)  Benefits must be linked to the text of the ABQ	5 marks (3+2)  8 marks (4+4) 7 marks (4+3)  (Separate relevant link for <b>each</b> point)	20 marks
(B)	Impact of Investment in technology  Must be linked to the text of the ABQ	3@10 marks each (4+4+2) Name, Impact, Link  (Separate relevant link for <b>each</b> impact)	30 marks
(C)	Management Skills  <b>Evaluation</b> (how satisfactory/effective in your opinion)	3 @ 8 marks (2+2+2+2) State, Explain, Explain, Link  (Separate relevant link for <b>each</b> skill)  6 marks or (2+2+2)	30 marks
<b>S.2</b>	<b>Available Marks</b>		<b>80 marks</b>

### **SECTION 3 (240 marks)**

Answer **four** questions from Section 3 as follows:

**One** question from Part 1, **Two** questions from Part 2 and **One** other question from either Part 1 or Part 2. All questions carry equal marks.

#### **Part 1**

##### **People in Business**

##### **Question 1**

<b>(A)</b>	(i) Impact of legislation on trade unions (ii) 2 types of official industrial action	<b>3 @ 6marks (3 + 3)</b> <b>2 @ 6 marks (3+ 3)</b>	<b>30</b>
<b>(B)</b>	(i) Small Claims Court (ii) Office of ombudsman for Public Services  (2 distinct points in <b>each</b> case)  Evaluation/judgement required in <b>each</b> case	<b>7 marks (4+3)</b> <b>7 marks (4+3)</b>  <b>6 marks (3+3)</b>	<b>20</b>
<b>(C)</b>	Capacity to contract Example required	<b>5 marks</b> <b>5 marks</b>	<b>10</b>
	<b>Available Marks</b>		<b>60</b>

##### **Domestic/International Environment**

##### **Question 2**

<b>(A)</b>	Characteristics of an environmentally conscious business. (state, explain and give <b>one</b> relevant example in each case)	<b>4 @ 5 marks (1+ 2 + 2)</b>	<b>20</b>
<b>(B)</b>	<b>Reasons</b> for change from Sole trader to Private Limited Company	<b>4 @ 5 marks (2 + 3)</b>	<b>20</b>
<b>(C)</b>	Different ways in which Irish Government affects the labour force in Ireland	<b>4@ 5 marks (2+3)</b>	<b>20</b>
	<b>Available Marks</b>		<b>60</b>

<b>Domestic/International Environment</b>
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**Question 3**

<b>(A)</b>	(i) Explain “Open Economy”  (ii) Balance of Trade Balance of Payments Examples required	<b>6 marks (3+3)</b>  <b>7marks (3+2+2)</b> <b>7marks (3+2+2)</b>	<b>20</b>
<b>(B)</b>	How <b>changing trends</b> in the international economy have <b>impacted</b> on Irish Business	<b>4 @ 5 marks (2 + 3)</b>	<b>20</b>
<b>(C)</b>	Discuss the importance for Ireland of 2 EU Policies  (2 distinct points for each EU Policy)	<b>10 marks: 5 m (2+3) + 5m(2+3)</b> <b>10 marks: 5 m (2+3) + 5m(2+3)</b>	<b>20</b>
	<b>Available Marks</b>		<b>60</b>

**Part 2**

**Enterprise/Managing**

**Question 4**

<b>(A)</b>	(i) SWOT	<b>6 marks (4+2)</b>	<b>20</b>
	(ii) SWOT analysis	<b><u>14 marks</u></b>	
	Name of a Business	<b>2 marks</b>	
	4 <u>Headings</u> : 2 appropriate points under <b>each</b> heading	<b>4@3(2+1)marks</b>	
<b>(B)</b>	Strategic Planning Tactical Planning	<b>10 marks (4+4+2)</b> <b>10 marks (4+4+2)</b>	<b>20</b>
	Examples required ( <b>one</b> of each)		
<b>(C)</b>	<b>Benefits</b> of Functional Organisational structure	<b>2 @ 5 marks (2 + 3)</b>	<b>20</b>
	Chain of Command	<b>5 marks (2 + 3)</b>	
	Span of control	<b>5 marks (2 + 3)</b>	
<b>Available Marks</b>			<b>60</b>

**Managing**

**Question 5**

<b>(A)</b>	(i) Performance appraisal	<b>5 marks (2 + 3)</b>	<b>20</b>
	(ii) <b>Benefits</b> for a <b>business</b>	<b>3 @ 5 marks (2 + 3)</b>	
<b>(B)</b>	4 Ratios	<b>4 @ 5 marks</b> <b>Ratio formula 4@2 marks</b> <b>Calculation 4@(1+1+1)</b>	<b>20</b>
<b>(C)</b>	Stakeholders		<b>20</b>
	(i) Investors/shareholders	<b>6 marks (1+2+3)</b>	
	(ii) Suppliers	<b>8 marks (1+2+5)</b>	
	(iii) Employees	<b>6 marks (1+2+3)</b>	
<b>Available Marks</b>			<b>60</b>

**Managing /Business in Action**

**Question 6**

<b>(A)</b>	Benefits and risks of franchising as a <b>method of expansion</b> (at least one of each required)	<b>3@5 marks (2+3)</b>	<b>20</b>
	Evaluation required	<b>5 marks (2+3)</b>	
<b>(B)</b>	Business Plan – benefits	<b>2@ 4 marks (2 + 2)</b>	<b>10</b>
	Reference to <b>Marie’s Pizza</b>	<b>2 marks</b>	
<b>(C)</b>	(i) <b>3</b> factors when choosing between sources of finance	<b>3@ 5 marks (2+3)</b>	<b>30</b>
	(ii) <b>2 medium</b> sources of finance	<b>8 marks (2+3+3)</b>	
	(State, explain, explain)	<b>7 marks (2+3+2)</b>	
	<b>Available Marks</b>		<b>60</b>

**Business in Action**

**Question 7**

<b>(A)</b>	<b>Reasons</b> for Market Research	<b>3 @ 5 marks (2 + 3)</b>	<b>15</b>
<b>(B)</b>	Sales Promotion	<b>7 marks (4+3)</b>	<b>20</b>
	Public Relations (2 distinct points for each)	<b>7 marks (4+3)</b>	
	Evaluation/judgement of both	<b>6 marks (3+3)</b>	
<b>(C)</b>	Benefits of Branding for the business Benefits of Branding for the consumer  (At least <b>1</b> benefit from <b>each</b> required)	<b>4 @ 5 marks (2 + 3)</b>	<b>25</b>
	Example required	<b>5 marks (2+3)</b>	
	<b>Available Marks</b>		<b>60</b>

**SECTION 1**  
**(80 Marks)**  
**SHORT ANSWER QUESTIONS**

**Support Notes**

**1. Illustrate your understanding of the term “indigenous firm”.**

- (a) An indigenous firm is an Irish/ native/ locally based business that has been **established** and is **owned/managed** by **Irish people/residents**. They produce goods and/or provide services in Ireland.

These Irish owners have a direct personal interest in the survival and growth of the firm. Its principal place of business is in Ireland.

e.g. Stira Stairs, Supermacs, Easons, Smyths Toys, Irish Times.

- (b) State **Two** benefits of promoting the development of indigenous firms for the Irish Economy.

- **Loyalty:** they are loyal and are more likely to remain in Ireland, even in times of recession. They have a loyalty to the local economy. (They are not footloose)
- **Profit Distribution:** They re-invest their profits in Ireland, and spend within the economy.
- **Local benefits:** They help other businesses in their locality and nationally, by buying raw materials and services from them. This creates ‘spin off’ business/improved infrastructure.
- **Entrepreneurship:** If they prove to be successful, indigenous firms may stimulate other entrepreneurs to set up business and this generates a culture of local industrial/service development.
- **Less dependence on foreign transnational companies:** By encouraging “internationally traded indigenous industry” Ireland lessens its dependence on foreign transnational companies to create work and wealth in the economy.
- **Foreign Trade:** Many indigenous firms are involved in the export services sector and thereby improve Ireland’s Balance of Payments.
- **Employment:** Tend to be more labour intensive than transnationals/employment may be more stable than that provided by transnationals.
- **Taxation:** Source of revenue for the Government through VAT, Corporation Tax etc

**2. Distinguish between “prototype development” and “test marketing” as stages in the development process of a new product.**

**Prototype development** is the creation of the **first working model/mock-up/sample** of a new product /producing an update/improvement of an existing product.

This cycle is the only method for refining the original design to create a fully functioning product.

**Test marketing** is a trial on a small basis during product development to determine how people respond/react to a new product or respond/react to a change in an existing product.

It can be used to see whether or not the public will buy the product, how the product may need to be adjusted to make it appealing to the public, and how members of the public interact with the product.

3. (a) Explain what is meant by the term “exchange rate”

Exchange rate is the **price** at which a currency can be **exchanged for another** i.e. the **price/value** of the currency of one country **in terms of the currency of another country**.

- (b) (i) Irish exports to the UK become more expensive/less competitive/lower profit margins if the euro increases in value relative to the Pound Sterling.  
It will be more expensive for UK customers to buy Irish beef or other Irish goods if the euro increases in value relative to the pound sterling.  
As a result sales to the UK will fall/Exports from Ireland will decrease.  
Job losses may occur/ Possible closure of firm.
- (ii) Cheaper raw materials/inputs and therefore reduction in business costs for the Irish exporting firms, who may be dependent on foreign raw material imports.
- (iii) Exporters may have to change markets/export to other EU countries

4.

1	2	3	4	5
F	A	D	C	B

5. Articles of Association

(a) The Articles of Association is the **internal 'rule book' /internal rules/regulations** that every **incorporated firm must have** and work by.

It sets out the rules and regulations governing the internal workings under which a company will operate and its relations with its shareholders.

(b)

- (i) **Capital:** The amount of share capital/The different classes of shares.
- (ii) **Regulations re Meetings:** Procedures at company meetings/Procedure/Notice for calling the company meetings etc.
- (iii) **Directors:** Powers and duties of directors/Procedures/rules for appointing and removing directors.
- (iv) **Shares:** Voting rights, Issue of shares, Transfer of shares.
- (v) **Dividends:** Declaration of Dividends, Distribution of profits.

6. (i) **Break even point in units- 4,000 units**

**Break even point in euro-€40,000**

(ii) **Profit at forecast sales- €30,000**

(iii) **Margin of safety- 6,000 units**

7. **Illustrate the difference between the insurance terms (i) Insurable interest and (ii) Indemnity.**

(a) The policy holder must benefit by the continued existence of the object and suffer by its loss. The owner of property has insurable/personal interest in the property. Insurable interest is determined by monetary (pecuniary) value.

**Example:** Everyone has an insurable interest in their own personal possessions e.g. house, but your next door neighbour would not normally have an insurable interest in your house.

(b) An insurer indemnifies the person taking out the insurance against a loss happening. There can be no profit from insurance, only recovery of the actual loss. The contract is for the reinstatement of the actual property insured, i.e. putting the claimant in the same financial position, as far as possible, as was the case prior to the accident or loss.

**Example:** A 3 year old car insured for €15,000, but with a market value of €10,000 is written off in an accident. The maximum compensation for the loss suffered is €10,000.

8. **Barriers to free trade**

**Quota:** is a **physical restriction/limit** on the **number of units of a good** that may be imported/exported. Quotas discourage imports and/or encourage sales of domestically produced goods.

**Tariff:** this is a **tax** on the **value/price** of goods imported. As a result imports will be more expensive and they will be less competitive on the domestic market.

9. **Grounds for fair dismissal.**

(i) **Incompetence on the part of the employee.** The employee lacks ability to carry out required duties (poor work performance; failure to meet set targets).

(ii) **Qualifications (misrepresentation by the employee).** Lack of formal technical or professional qualifications as appropriate for the work the employee was employed to do/misleading employer in relation to qualifications.

(iii) **Misconduct by the employee.** Improper /unacceptable behaviour by the employee e.g. theft, substance abuse, violence at work.

(iv) **Redundancy.** Due to closure, competition, decline in demand, cutbacks (fair procedures applied).

(v) **Incapability** refers to employee's attendance i.e. persistent lateness, absenteeism or extended sick leave

(vi) **Legal Reasons.** If continuation of the job was to break the law in some way e.g. if an employee's work visa expired etc.

10 (a)

Gross Pay		50,000
36,400 Taxed at 20%	7280 (1)	
(1)13,600 Taxed at 41%	5576 (1)	
Gross Tax	12856 (1)	
Less Credits	6000 (1)	
Tax Payable		6,856 (1)
Net Pay		43,144 (1)

(b) **Tax Credits**

Personal Tax credit (single, married, widowed)

PAYE Tax credit

Age Tax credit

Incapacitated Child

Dependant Relative

Blind Person etc.

## **SECTION 2 (80 Marks)**

### **Applied Business Question (Units 2, 3 and 4)**

#### **This is a compulsory question Castlewest Hotel and Conference Centre**

**(A) (i) Explain the term ‘intrapreneur’.**

An **intrapreneur** engages in **entrepreneurial activity**/comes up with new ideas **within the business** in which s/he is employed. Intrapreneurs need the freedom and resources (human and capital) to pursue their ideas.

**A (ii) Illustrate, using examples from the above text where intrapreneurship benefits the Castlewest Hotel and Conference Centre.**

**Benefits** of intrapreneurship to the Castlewest Hotel and Conference Centre include:

**1.** *Recently, Dylan Jones, the Head Chef was named “Employee of the Month” for introducing a very popular ‘Lunch to go’ menu, which has increased weekday lunch sales.*

#### **New Products/Markets identified**

Intrapreneurship results in new products/services being developed. Intrapreneurs are champions of change, looking for ways to grow and expand the business constantly, to improve the business process or product for the business in which they are employed. New product and market development is very important to ensure the **continued viability** of any/all businesses.

**2.** *She (Judy O’Brien) has also developed a voluntary suggestion scheme where staff is encouraged to come up with innovative ideas for improvements, for which they are rewarded.*

#### **Business Growth/success/profitability**

Staff through their loyalty and hard work contribute to the growth and success of the business over the years, resulting in many new procedures being introduced into the business.

**3.** *The Marketing Manager, Pat Butler, redesigned the website to include an on-line booking facility, which also provides a customer database.*

#### **Various ideas introduced result in greater productivity in the business. Many new ideas and cost cutting measures introduced result in greater profitability in the business.**

An on-line booking system will result in lower administration costs, as customers complete their own bookings on line, and increase the profit margins for the firm (fewer personnel required etc.).

**4.** *Using the hotel intranet Judy O’Brien, the Assistant Manager, provides weekly update to all staff on the hotel’s performance.*

#### **More enjoyable workplace/nurturing of in-house talent to promote innovation.**

Where staff are offered the opportunity to be intrapreneurial they are generally more productive, happier and more fulfilled in their work. They enjoy and are committed to what they do. There is greater motivation and improved industrial relations which saves time and money in the business.

**(B) Discuss the impact that investment in technology has had on Castlewest Hotel and Conference Centre. Refer to the above text in your answer.**

**Impact** from investment in technology includes the following:

**1. Marketing/Market Research/Advertising**

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. It allows for global advertising and can reach a worldwide market.

- Website can be used to **promote facilities**, services and special offers available to a **global** audience (home and abroad).
- On-line booking is easier and more convenient for customers.
- **Databases** of customers can be used for market research purposes. The internet can be used for both primary and secondary market research.

**Link to Text:**

*The Marketing Manager, Pat Butler, redesigned the website to include an on-line booking facility, which also provides a customer database.*

**2. ICT**

- ICT provides opportunities for instant communication, both internally and externally. Staff can be equipped with laptops, mobile phones and e-mail.
- The internet/intranet can be used to communicate with customers, suppliers and staff.
- Video-conferencing and audio conferencing may be used by corporate clients organising external business meetings.

**Link to Text:**

*Complimentary Wi-Fi (internet access) is available throughout the hotel, while the Conference Centre is equipped with the latest video and audio conferencing facilities.*

*Or*

*..weekly update to all staff on the hotel's performance, using the hotel intranet.*

**3. E-Business /Operational Efficiencies**

Many business functions can be carried out using the internet e.g. EDI where stocks can be ordered automatically from suppliers when supplies go below a certain level. (i.e. online stock ordering). Stock outs are avoided, while stock ordering and holding costs are kept to a minimum.

Customers can book on-line (i.e. online payments) and credit card bookings can be taken over the phone.

**Link to Text:**

*Technology is also used in the day-to-day operation of the hotel, from stock ordering to managing the hotel's accounts.*

#### **4. Competitive Advantage**

The existence of up-to-date technology in a business enables it to become more competitive than other similar businesses. Business clients may choose the more technologically advanced hotel.

**Link to Text:**

*Complimentary Wi-Fi (internet access) is available throughout the hotel, while the Conference Centre is equipped with the latest video and audio conferencing facilities.*

#### **5. Training /Staffing/ Industrial Relations**

On- going staff training is required to ensure employees and management obtain up-to-date skills and knowledge when new technology is introduced for daily tasks. Training could be provided on-the-job or off-the-job. This involves on-going costs for the business.

**Link to Text:**

*Technology is also used in the day-to-day operation of the hotel, from stock ordering to managing the hotel's accounts.*

#### **6. Customer Service**

Technology can result in better/more efficient services for customers. Websites allow bookings/hotel reservations from any part of the world at any time/ greater flexibility for customers/quicker responses (E-mail)/better value for money. Online support service can be provided to customers i.e. responding to various concerns or queries.

**Link to Text:**

*.....redesigned the website to include an on-line booking facility.*

*or*

*Complimentary Wi-Fi (internet access) is available throughout the hotel*

**NOTE: A DIFFERENT/SEPARATE link is required for each point made within part (B)**

(C) Evaluate how Mary can use her management skills to ensure the continued success of her hotel. Refer to the above text in your answer.

### Leadership

Leadership involves directing and assisting people in order to ensure work is done effectively so that objectives can be met.

Leadership allows an individual to positively influence how others behave so that they contribute voluntarily to achieving group goals.

- Mary is a **democratic leader**, adopting a **democratic and facilitative approach to managing**. She takes a **hands-on approach** to running the business and **delegates responsibility**, where appropriate. She takes decisions only after discussions with staff and customers. Shared solutions to problems are sought by democratic leaders.
- Good leadership **encourages an enterprise culture** within business. Opportunities exist for staff to put forward suggestions for improvement. These **suggestions** are **actively encouraged, rewarded and acknowledged**.
- Good leaders delegate. **Delegation** involves the **assignment of authority** and responsibility to another person, generally **from a leader to a subordinate**, to undertake a **specific work task or project**. Delegation leads to increased **employee motivation** and improved staff morale. It should **improve work-life balance** for the leader.

#### Link to Text:

..... *Despite her long working hours, she is also **president** of the local Chamber of Commerce.*

*Or*

.....*staff **encouraged** to come up with **innovative ideas** for improvements for which they are rewarded.*

*Or*

..... *The Marketing Manager, Pat Butler, redesigned the website*

*Or*

..... *Judy O'Brien, the Assistant Manager, provides a weekly update to all staff on the hotel's performance*

## Communication

Communication involves people exchanging information in order to better understand each other. New and changed work practices should be made in consultation with staff-consultation implies good two-way communication exists.

- **Mary Cullen communicates regularly** with staff, and actively encourages staff to put forward suggestions for improvements, for which they are rewarded.
- She values her staff, and recognizes the contribution that they have made to the business. She **encourages feedback** from staff and customers. This allows any confusion or misunderstandings to be resolved quickly. The **advanced ICT** allows communication to be efficient, speedy, and accurate.

### Link to Text:

*The Assistant Manager is responsible for providing a **weekly update** to all staff.*

*Or*

*She can be seen daily walking around the hotel, talking to staff and customers and getting **feedback**.*

## Motivation

Motivation involves putting factors in place that cause people to behave in certain ways. People's behaviour can be influenced by motivating them to meet their unsatisfied needs. Employee motivation is the key to achieving extraordinary results.

- **Maslow's Theory of Motivation/Mc Gregor's Theory X and Theory Y.**
- The staff at Castlewest Hotel is **motivated**, very helpful and friendly. They have seen the business expand and experienced change over the past 16 years. The hotel enjoys an excellent reputation. They are **keen to work hard** and have high levels of commitment. They get great satisfaction from their work. **A positive work atmosphere exists.**
- Employees are **empowered** and afforded a greater sense of satisfaction, through the active encouragement, recognition and **reward for** staff creativity and initiative. As a result a number of **staff initiatives** have been introduced which have benefited the business.

### Link to Text:

*Independent on-line reviews of the hotel continue to compliment the very helpful and friendly staff.*

*Or*

*Staff are encouraged to put forward suggestions for improvements for which they are rewarded.*

*Or*

*the Head Chef was named "Employee of the Month" for introducing a very popular 'Lunch to Go' menu, which has increased weekday lunch sales.*

## **Evaluation**

### **Communication**

- The hotel has invested heavily in its ICT infrastructure which provides and supports many opportunities for change. Mary and her team are well positioned to design and implement the changes necessary to secure the viability and continued success of the Castlewest Hotel and Conference Centre. An effective system of communication exists between management, staff, customers and suppliers.

### **Leadership**

- Mary is an effective and successful leader, who has used her leadership skills to foster a business climate that supports intrapreneurship. The Head Chef, Marketing Manager and Assistant Manager used their own initiative to introduce improvements in the business. Staff creativity is actively encouraged and rewarded, with the necessary freedom and resources (human and capital) provided to pursue their ideas.

### **Motivation**

- The enterprise culture within the Castlewest Hotel and Conference Centre has engendered loyalty amongst the staff. Staff is hardworking and committed to providing a professional and personal service to all clients. They are noted for their friendly and helpful nature, and they have introduced various changes and initiatives that have benefited the business.

## SECTION 3 (240 marks)

Answer four questions from Section 3 as follows:

**One** question from Part 1, **Two** questions from Part 2 and **One** other question from either Part 1 or Part 2. All questions carry equal marks.

### Part 1

#### (Support Notes) Question 1

(A) (i) **Outline the impact on trade unions of the main provisions of the Industrial Relations Act 1990**

The main provisions (any 3 required):

1. **Trade Dispute** as defined by the **Industrial Relations Act 1990** is 'any dispute between employers and workers, which is connected with the employment or non-employment or the terms or conditions of employment of any person'.

The following issues may give rise to a legitimate trade dispute: dismissal, employment policy, range of duties, trade union membership, pay and conditions, health and safety at work.

2. **Secret Ballots**

Under the provisions of the **Industrial Relations Act 1990** no strike or other industrial action can take place without a secret ballot.

All members are given a fair opportunity of voting.

The act also provides that the union should not organise or participate in industrial action without a majority of votes having been cast in favour of industrial action.

The union must make known to the members (entitled to vote) the results of a secret ballot as soon as practicable after the vote.

One week's notice of action must be given to the employer involved in a dispute.

3. **Official disputes unofficial disputes and Injunctions**

**Official dispute** is one where a union has received approval from workers in a secret ballot and is confirmed by ICTU.

**Unofficial disputes** have no ICTU or union approval and workers receive no strike pay.

According to the **Industrial Relations Act 1990** organisers of unofficial disputes do not have legal protection against being sued by their employer.

If trade union members engage in an illegal dispute then an employer can get an **injunction** (a court order restricting certain activities) against the workers involved.

4. **Picketing**

**Primary picketing.** According to the **Industrial Relations Act 1990** it is lawful for workers to picket peacefully at a place where their employer works or carries on business provided the picketing is for the purpose of peacefully communicating information.

**Secondary picketing.** The act provides that secondary picketing (i.e. picketing of an employer other than the primary employer involved in the dispute) is lawful only in situations where it is reasonable for those workers picketing to believe that the second employer was acting to frustrate the industrial action by directly assisting their employer.

## 5. Immunity

The **Industrial Relations Act 1990** states the trade unions and workers are immune from legal action/prosecution for damages or losses suffered by the employer as a result of a trade dispute. This means an employer cannot sue a trade union and its members for losses suffered as a result of a strike (provided it is an official trade dispute) and a secret ballot (members must have voted in favour of the industrial action) was held by the trade union before the strike action.

### A (ii) Describe two types of official Industrial action a trade union can undertake as part of a trade dispute.

1. Work to Rule/ Overtime Ban:
  - They only work as per their contract.
  - They follow the rules of their employment contracts to the 'letter of the law'.
2. 'Go Slow'
  - They stay on their jobs but drastically slow down the operations, sometimes making it impossible for the business to operate.
  - As they are still at work they are entitled to get paid.
3. Official Strike is organised, by unions, so as to comply with the law. It is a complete withdrawal of labour. Workers are entitled to strike pay. Certain conditions must be met in advance of any strike taking place.

### (B) Evaluate the role of each of the following in protecting consumers.

#### (i) Small Claims Court: [www.courts.ie](http://www.courts.ie)

Deals with consumer complaints relating to goods or services purchased, for private use from somebody selling them in the course of business. Maximum damages are €2,000.

(Since January 11, 2010 the Small Claims Court Service is available to businesses pursuing claims against other businesses).

Deals with consumer claims such as faulty goods, bad workmanship and minor damage to privately owned property.

- Both sides get to make their case and are encouraged to reach an agreed settlement.
- Decision made by the registrar of the court is not legally binding but is usually accepted.
- It is possible to pursue small claims through this service against product and service providers in any EU state, except Denmark.
- Appeals can be made through the District Court and heard before a judge.

## Evaluation

- It is a fast/informal and easy way for consumers to resolve disputes.
- Inexpensive method of solving disputes. Non-refundable fee of €15 payable to the district court when claim lodged /No solicitors are required.
- The process can be carried out on-line. In 2008, almost half of the 4,145 claims processed were made online.
- You will get an unbiased and fair judgement.
- In 2008, the last year for which information is available, the Small Claims Court handled 4,145 complaints, up almost a quarter on the previous year. Only 26% of the claims made were actually referred to court.

### (ii) The Ombudsman service

The Office of the ombudsman for Public Services: [www.ombudsman.ie](http://www.ombudsman.ie)

- The Office of the Ombudsman investigates complaints about the activities of Government Departments, the Health Service Executive, local authorities and An Post.
- The Office of the Ombudsman cannot investigate complaints concerning The President, The Dail, Defence Forces, Garda Siochana, Judiciary, or Prison Service.
- The Office of the ombudsman is a last resort. The Ombudsman only investigates complaints, after the person has tried to solve the problem with the public body involved/ all other avenues for solving the issue have been exhausted.
- The Ombudsman is **independent of the Government, impartial** and provides a **free service**.
- Complaints have to be made within one year. The Ombudsman, after a fair, thorough review of a complaint, decides if it is justified and if it is, makes recommendations to the public body in order to resolve the problem.
- When the Ombudsman investigates a complaint s/he can either find in favour of the person who has complained or decide that the public body complained about has in fact acted correctly. If the Ombudsman finds in favour of the person who has complained s/he can help provide a remedy for what has gone wrong. For instance s/he can ask that an apology be made, or a grant or other benefit be paid, which had been refused previously. Recommendations of the Ombudsman are not legally binding on the parties involved with the complaint

## Evaluation

Since 1984 **The Office of the Ombudsman** has helped over 70,000 people with valid complaints and advised and guided many others. The Office dealt with up to 10,000 queries from the public in 2009 and dealt with 2,800 complaints etc.

**(C) In relation to the law of contract, illustrate your understanding of *capacity to contract*.**

Capacity to contract means that all natural persons (human beings) and legal/corporate persons, such as companies, have the legal right to enter into a contract.

The contractual capacity of a company comes from its Certificate of Incorporation (separate legal entity). If the company acts beyond its legal powers it is said to be acting '**Ultra Vires**'.

The following generally have **not** 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.**

## **Question 2**

**(A) Illustrate the characteristics of an environmentally conscious business.**

### **Consultation/Advice**

Consultation with all the interested parties when developing and implementing policies that affect the environment. Consultation also involves getting the most up- to- date information on environmental issues.

### **Honesty/Openness**

The company tells the truth and is above board in all matters affecting the environment. Environmentally conscious businesses are not afraid to have their affairs examined, as they generally have nothing to hide. e.g. it does not hide industrial accidents.

### **Awareness of environmental issues/Training**

Promotes environmental issues among its employees, customers and business community and spends money on the issues. Regular communication and engagement with staff in increasing awareness and promoting positive behaviours with regard to the environment.

Example: monitoring energy usage and controlling temperatures/ creating an environmentally aware culture throughout the organisation.

*Scotland - UK retailer Marks & Spencer has signed a 40-year deal with Smartest Energy in Scotland which will lead to the company powering its Scottish stores & offices using renewable energy sources from April 2010.*

### **Openness to development of new product design/ clean manufacturing processes/ better product end-of-life solutions/recycling**

Designing products that are durable and capable of maximum possible lifespan /helping to reduce energy consumption/waste.

Using parts that can be recycled/safely disposed/ avoiding environmentally sensitive materials/ pollution prevention. Continually reducing products impact on the environment through improved recycling and reuse programmes.

Example:

*Cadbury Ireland, trialed a 100% sustainable sourced cardboard replacement for its traditional Roses tin. The tin (which was trialed at Tesco at Christmas 2009) is 45% lighter and saves 200 tonnes of steel.*

*This initiative was launched in a bid for Cadbury to reach its 24% packaging weight reduction target for seasonal and gift packaging in their 'Cadbury's Purple goes Green' strategy.*

**Sensitive to all environmental considerations in its policy making.**

Conducts environmental audits (Environmental Impact Statements) to assess the impact of their business on the environment.

**Compliant with the law**

Conducts business with integrity and complies with the environmental laws and regulations. Seeks advice from EPA to ensure compliance.

**Sustainable Development;**

The needs of future generations should be taken into account when using natural resources. Businesses should adopt an environmentally friendly approach when using natural resources. This is especially important because of the potential for climate change. Greater use could be made of wind and sunshine to create energy, and businesses should use this energy more efficiently (e.g. cfc bulbs).

**(B)**

**Outline the reasons why a business might change its organisational structure from a Sole Trader to a Private Limited Company.**

**Changing circumstances**

A sole trader might change its ownership structure to a private limited company over time to adapt to changing circumstances and market demands. Choosing a private limited company as its ownership structure can facilitate the plans that the owner may have for the organisation far into the future and the vision of where the organisation wants to be.

**Size/Expansion/Economies of Scale**

The business enterprise might wish to grow. With size comes the burden of extra specialisation where one individual cannot do all things and more people and expertise are needed, e.g. specialists in finance, marketing, production.

**Limited Liability**

The desire for the protection of limited liability is another reason for changing structure. A business person wishes to protect family members from business risks and ensure a secure future for them. Personal assets must be protected to do this. Reduced risk of personal loss. Private limited companies can now be set up with only one shareholder.

**Capital**

If more capital is needed for the development of the business, then a move from being a sole trader to a private limited company might be necessary. It is possible to raise the necessary capital through the issue of shares to other shareholders up to the amount of authorised capital stated in the Memorandum of Association.

**Finance/Borrowing**

May be easier to raise finance from financial institutions. Companies may be given higher credit ratings by suppliers of finance.

**Growth**

The expansion of the business may be better served by forming a private limited company. Mergers and acquisitions/take-overs are possible for companies.

**Continuity of existence**

It is easier to pass a company on from one generation to another or from one set of owners/shareholders to another.

**Taxation**

Low corporation tax for certain categories of companies.

**Separate Legal Entity**

A company can sue and be sued in law rather than the individuals that make up the organisation unlike the sole trader.

**(C) Discuss the different ways in which the Irish Government affects the labour force in Ireland.****As an Employer:**

The Irish government is the single largest employer, employing 250,000 public servant workers (Civil Service, State Bodies). Pay cuts of 5%-15% introduced in budget 2010 have led to industrial unrest/disputes.

Current embargo on recruitment.

**Taxation policies/Fiscal Policies:** low rates of **income tax** will result in consumers having more disposable income therefore spending more money on goods and services. This creates a demand for these goods and services leading to increased production and job creation.

**VAT & Corporation tax:** As a result of the government reducing the standard rate of VAT on goods to 21% in December 2010 and corporation tax remaining at 12.5%, more foreign companies may locate/remain in Ireland and offer employment. It also encourages Irish entrepreneurs to set up in Ireland and create jobs.

**Infrastructure:** Government investment in the country's infrastructure (building of new motorways, schools, hospitals etc.) leads to an increase in the number of workers employed in the construction industry. It encourages other businesses to operate here in Ireland and thereby increases employment.

**National agreements:** brings stability to business planning as business costs such as wages can be accurately forecasted/predicted.

**Increased spending on education/ training :** Government investments in education of the Irish labour force through training schemes, short term courses, and upskilling programmes with FÁS, will result in a more skilled, educated and employable work force.

**Grants and incentives** to foreign companies to locate in Ireland will result in foreign industry providing employment to the Irish labour force.

Supports to redundant workers in eligible companies under the European Globalisation Adjustment Fund (Dell). Employment Subsidy Scheme designed to encourage companies to retain staff during the downturn in the economy. Firms that received the subsidy were required to commit to retaining as many as 10 staff for every subsidised job.

**Information Technology:** Investment in I.T. especially in second and third level institutions has resulted in the Irish labour force having greater skills which may be required in the high tech firms ('smart economy').

**Utility charges:** Electricity costs are the second highest in Europe/local authority charges increased/new carbon tax adding to energy costs. These all affect business costs and therefore may result in reduction of the labour force.

**Legislation/Regulation:**

Industrial Relations legislation provides acceptable procedures for resolving industrial disputes.

Minimum wage/labour costs: Minimum wage rates have gone up 55% since introduced (€8.65). This may discourage firms from employing additional workers. Other legislation which impacts on the labour force includes Unfair Dismissals Act, Employment Equality Act etc.

**Entrepreneurship:**

The Irish Government encourages the development of enterprise through supports provided by CEBs, Business Innovation Centres etc.

### Question 3

- (A) (i) Explain what is meant by the term "Open Economy".  
(ii) Illustrate your understanding of the terms 'Balance of Trade' and the 'Balance of Payments'.

- (i) **Open Economy** is one in which people including businesses can **trade goods and services** (i.e. importing and exporting) and borrow and lend in world financial markets.

Ireland is a small open economy that engages in international trade/interdependent on other economies.

A measure of a country's openness is the fraction of GDP devoted to imports and exports. Nearly 80% of what is produced in Ireland is exported.

Imports and exports make up a high proportion of national income in Ireland.

An open economy offers a wider choice. Essential raw materials and finished goods can be imported/exported.

- (ii) The **Balance of Trade** is the **difference between visible exports and visible imports**. Visible exports are **physical goods** sent out of the country where money comes in e.g. Dell computers, Beef exported to UK, Lamb exported to France. Visible imports are physical goods coming in where money goes out. e.g. wine from France, leather shoes from Italy.

**Balance of Trade = Visible Exports - Visible Imports**

**Visible Exports > Visible Imports = Surplus**

**Visible Exports < Visible Imports = Deficit**

The **Balance of Payments** is the **total amount of money entering and leaving a country** during the course of a year.

OR

It includes the **Balance of Trade plus the Balance of Invisible trade**.

e.g. Invisible exports e.g. American tourists holidaying in Ireland. Invisible imports e.g. Irish people holidaying in Spain.

**Balance of Payments = Total Exports (Visible & Invisible) - Total Imports (Visible & Invisible)**

**Total Exports > Total Imports = Surplus**

**Total Exports < Total Imports = Deficit**

**(B)** Analyse how **the changing trends** in the international economy **have impacted on Irish businesses**.

**1. Currency fluctuations:** Irish exporters are being hit by the international recession and the collapse in the value of sterling. In 2009 Ireland lost 32 per cent in price competitiveness. Some of this was due to the rising euro, but much also relates to costs here rising much faster than the average of our trading partners.

**Impact:** Exporters to UK affected.

**2. Global recession:** here and internationally, the financial system remains crippled in the wake of the credit crunch and, in our case, write-offs relating to property loans.

**Impact:**

Dell, like most major companies, has been hit by the international recession and is looking for ways to make the company more competitive. It can manufacture computers more cheaply in Poland.

**3. The International Banking Crisis** has triggered a worldwide recession. Irish businesses confidence about future prospects for business has fallen. Business confidence has plunged to its lowest level since 2003.

The worldwide banking crisis has had a broad impact on Irish business as they face higher financing costs.

**Impact:**

Difficulty in getting credit e.g. Bank overdrafts and loans.

**4. Influence of Transnationals (TNCs):** Some TNCs are more powerful than the country they operate in. Ireland attracts these companies through tax incentives. (Ireland has a very low corporation tax rate of **12.5 %**.) TNCs often lobby Governments and the EU to accept their conditions of trade. This enables them to trade with fewer restrictions.

**Impact:**

There could be major consequences for the Irish economy if TNCs choose not to locate in Ireland as they are very large and employ significant numbers of workers e.g. Pfizer; Boston Scientific.

**5. Growth in globalisation:** treating the world as one single marketplace for standardised products is seen in Ireland to-day. The internet and TV has helped businesses to develop global brands by advertising and promoting them globally. e.g. Sony, McDonalds, Toyota, Coca Cola.

**Impact:** Irish firms need to compete in the world stage.

**6. The growth in Trading Blocs and Agreements:** The EU is an example of a trading bloc which allows free trade among its members. Ireland being a member can trade freely with other countries in the EU without any barriers or restrictions.

**Impact:** This offers a wider marketplace (495million) for Irish foods and services due to the growth in membership.

**7. World Trade Organisation:** is the organisation responsible for promoting fair trade between countries. It negotiates between member states by encouraging deregulation and the removal of barriers to trade.

**Impact:** This allows for huge sales opportunities abroad for Irish businesses. Ireland has been a member since 1995.

**8. Competition:** Eastern European countries like the Czech Republic, Hungary, and Slovakia have opened up their economies to market forces.

**Impact:** This presents a particular challenge for Ireland as these countries are excellent producers of agricultural products and can offer quality at a lower price to the European consumer.

**9. The European Union/Enlarging European Union:** with new countries joining the EU from Eastern Europe opportunities arise for Irish business to promote their goods and services.

**Impact:** There is a huge population in these countries with a demand for Irish products and services.

**10. Deregulation:** has increased competition in the marketplace and reduced protectionism i.e. removal of trade barriers. Irish businesses now need to be more competitive as they face competition from larger foreign companies. They need to produce top quality goods and services at competitive prices in order to survive. In Ireland deregulation allows new business to enter the marketplace and offer Irish consumers value for their money.

**Impact:** Deregulation of the **electricity** and **airline** sectors has offered choices and value for money for Irish businesses.

**11. Emerging countries / the market opportunities:** due to the growth of economies in the Pacific Rim (South Korea, China, Japan, Taiwan, Singapore, Thailand, Malaysia, Indonesia) new markets have emerged. These economies are developing rapidly (the fastest growing economic region in the world).

**Impact:** They have provided both markets and competition for Irish businesses.

**12. Technology:** The information and communications technology (ICT) sector has shown remarkable growth in recent years. ICT companies in Ireland are engaged in a range of activities; networks, software development etc.

**Impact:** E-commerce/business has enabled Irish businesses to advertise business worldwide. Developments in technology have allowed this to take place. Businesses are now in constant contact with companies around the globe.

**13. Migration:** Emigration of skilled labour "brain drain".

**Impact:** Shortage of suitable qualified employees in the future.

**(A) Discuss the importance for Ireland of any TWO of the following EU policies.**

**(2 DISTINCT POINTS FOR 2 POLICIES REQUIRED)**

**(i) European Union Competition Policy**

- It ensures that the best guarantee for the Irish consumer of getting quality goods and services is to have a number of suppliers competing for the business, i.e. the existence of competition among suppliers.
- It ensures that Irish businesses operate on a fair basis and that customers benefit.
- It restricts Irish businesses from forming anti-competitive cartels or keeping prices artificially high or preventing newcomers from entering the market.
- The commission has the power to control large mergers and takeovers.
- In doing business with smaller firms, large firms may not use their bargaining power to impose conditions which would make it difficult for their supplier or customer to do business with the large firm's competitors. The Commission can and does fine companies for all these practices.

**(ii) Common Fisheries Policy (CFP)**

- **Access to Fishing Grounds:** Access to Irish coastal waters is reserved for fishermen from local ports to a distance of 12 miles off-shore. This prevents foreign boats from over fishing the areas. The EU is allowed to define where fishing is banned or restricted and all EU boats must be licensed to fish.
- **Conservation of Irish Fish Stocks:** This policy is designed to protect fish stocks over-fishing. Young fish catches are reduced, the mesh size of nets is regulated and limits applied to different fishing seasons.
- **Monitoring Fishing Activity:** The responsibility to ensure that all rules are applied rests with each member state (Ireland in this case). The EU provides aid to Ireland for the purchase of fishery protection vessels and aircraft for the authorities.
- **Marketing of Fisheries Product:** The CFP is designed to stabilise the Irish market, guarantee steady supply of products, provide reasonable prices for the Irish consumers and support Irish fishermen.

**(iii) Common Agricultural policy (CAP)**

- Promotes a fair standard of living for farmers who have always seen their average incomes lag behind average industrial earnings.
- It stabilises agricultural markets and regulates prices so that farmers can be assured there will not be huge fluctuations in the prices they receive for their annual output.
- Irish agriculture benefits from money from the Structural Funds.
- Society also benefits in the form of a better environment.
- CAP aids the provision of safe traceable food and ensures farmers continually improve their production standards.
- CAP preserves and restores rural infrastructure and villages, supporting Ireland's tourism industry.
- Since Ireland joined the EU, Ireland has benefited from major funding, including more than €41 billion from the CAP.

## SECTION 3

### Part 2

### Enterprise

### Question 4

**(A) (i) What is meant by the term SWOT analysis?**

A management technique/strategic planning method. It is used to assess/evaluate a business in terms of strengths, weaknesses, opportunities and threats. In a SWOT analysis, strengths and weaknesses are internal factors while opportunities and threats are external factors. The aim is to maximise the potential of strengths and opportunities while minimising the impact of weaknesses and threats.

**(ii) Conduct a SWOT analysis on a business of your choice  
(include two points under each heading)**

#### **Ryanair:**

##### **Strengths:**

1. Brand name: *Ryanair through its 14 years in the market place has developed a very well recognised brand name.*
2. Internet site (94% bookings) *www.ryanair.com: Lowers the cost of bookings.*
3. High Service performance: *Punctual, high rate of flight completion.*
4. Small headquarters: *Low on overheads.*

##### **Weaknesses:**

1. Distance of some regional airports from advertised destination: *Over time customers may find this a big inconvenience.*
2. Prone to bad press

##### **Opportunities:**

1. EU enlargement: *a lot of new destinations opened up throughout the EU*
2. Economic slowdown actually helps Ryanair- *changes in corporate culture, 'steals' customers from traditional carriers as they seek lower fares in recessionary times.*

##### **Threats:**

1. Dependence on oil markets: *Fuel costs huge threat to air travel.*
2. Increase of low fare competition: *Customers are very price sensitive.*
3. Powerless to prevent introduction of duty for fuel or environmental charges/Carbon taxes/travel tax: *This would reduce its growth potential as it relies on price stimulation.*

**(B) Analyse the contributions that strategic and tactical planning can make to the successful management of a business. Use examples in your answer.**

**Strategic planning is long term**, made by **top management**. It provides a guide for where the business is going in the long run, and how it's going to get there.

- A strategic plan clearly defines the purpose of the business and establishes realistic goals that are consistent with that of the mission statement of the business.
- Management has a base from which progress can be measured (benchmarking) and they can establish a mechanism for informed change when needed.
- Strategic plans help businesses to identify acquisition opportunities.

**Strategic plans**

*Increase market share/ grow an export market/ become market leader/to enter a planned Merger- e.g. United and Continental airlines/enter new markets*

**Example**

*ESB Investment in renewable (wind) energy, strategic alliances with motor manufacturers to pilot the use of electric vehicles and is involved in the National Smart Meter rollout overseen by the Commission for Energy Regulation.*

**Tactical planning is short term** where the long-term plan is broken down into shorter more manageable short-term objectives. The tactical plan is developed by a management team who deals with getting the work done to carry out the strategic plan. They draw up a tactical plan that will deal with the “now” part of the plan. If these are achieved it helps a business to achieve its long-term goals.

Tactical plans outline a set of action items or tactics to help a business achieve a number of key objectives or goals.

Examples of a tactical plan could be adding a group of new customers in the next year, improving customer service levels through specific tactics, reducing employee turnover, or lowering operational costs.

**Tactical plans:** *Offer internet shopping/target new market segments/launch a new range of products/open new branches.*

**Example**

Some tactical plans relate to particular functions of a business **e.g. advertising**.  
*A two month advertising campaign to try to increase sales by 20%.*

**(C) Discuss the benefits of a functional organisational structure in a business. Refer to the “Chain of command” and “Span of Control” in our answer.**

In the functional organisation, each job/function becomes the focus point. Similar function-based jobs done by the employees are put together (responsibilities divided according to functions). Specialisation is centralised in each functional area and employees who are doing these specialised jobs are clustered together.

The functional areas will have personnel with varied skills, but those skills are grouped on their similarities. The people who have identical skills can be grouped easily and they can be placed in separate units. All sales people are grouped together, all production people likewise etc. Tasks are carried out more efficiently as assignments are consistent with training of each individual in his/her unit.

Employees tend to learn from each other and support each other since those with the same set of skills are grouped together.

**The chain of command is linear.** The chain of command is the line/path on which orders/instructions and decisions are passed down from top to bottom of the hierarchy and feedback is passed back up. There is a clear structure to the organisation and clear lines of authority exist. This improves co-ordination and motivation since employees know what is expected of them and when. There is accountability as someone is responsible for each section. **Instructions flow downward** along the chain of command and **accountability flows upward**. This releases top management from micromanaging operations, so that they can focus on the overall strategy of the business. It helps create a clear communication line between the top and bottom of the business. Specialisation is centralised in each functional area, thereby building up skills and expertise. Employees tend to learn from each other and give support to each other.

**A span of control** is the number of people who report directly to one manager in a hierarchy. The span may be **wide or narrow**. Its size depends on a number of factors, including the type/difficulty of the work, the quality of both the manager and staff, the service being provided, the type of product being made – products which are easy to make or deliver will need less supervision and so can have a wider span of control. The more people there are under the control of one manager, the wider the span of control. Less means a narrower span of control. It is up to each individual manager to delegate work to their subordinates in the span. Functional Organisational Structures allow for a **wide span of control**. There are “economies of scale” as **resources are used efficiently**/no duplication of resources.

## Question 5

(A) (i) Explain what is meant by the term performance appraisal.

**Performance appraisal** is reviewing the performance of the employees in business.

It is usually carried out by the Human Resource Manager to judge/assess/evaluate the employee.

The Human Resource Manager forms 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.

An interview/discussion may take place between the employee and HRM to discuss goal setting targets, expectations, problems employees may be encountering or resources needed in order to achieve targets.

(ii) Outline the benefits of performance appraisal for a business.

**Benefits for a business.**

**Opportunity to review rewards (benefits structures):** It may be used in determining pay increases or promotion. It can help a business to review & reduce the costs of reward and benefits packages such as pension schemes.

**Increased productivity:** Performance appraisals are important for staff motivation, attitude and behaviour development, communicating and fostering a positive relationship between management and staff. This leads to greater productivity from employees.

**Overtime Costs** may be reduced through increased productivity during normal time. Overlaps between departments can be highlighted which will cut down on the duplication of work.

**Retain the right staff/ identify poorly performing staff:** helps a business identify top talent and ensures that these employees are retained and guided towards reaching the businesses plans and objectives.

A business can identify employees who are not reaching their potential. Restructuring of the business may occur to remove surplus layers of management i.e. **delaying**.

**Industrial relations:** conflicts in the workplace may be highlighted through performance appraisals. This enables the business to help solve problems between management & employees and helps improve industrial relations in the workplace. It may improve loyalty to the organisation if positive rewards are given.

**Hidden strengths/delegation:** performance appraisals identify unused hidden strengths which can be used, for the good of the business. This can be achieved by developing individual skills and thus improving the overall performance of the business. It can be used to assess employees' potential for promotion.

**Delegation:** managers can decide to delegate tasks to certain employees who are performing well in the business. This will relieve pressure on managers.

**Selection and Training:** it helps a business decide if too much or too little training is being delivered in various departments of the business. e.g. they may need to reduce training in some departments that have a high staff turnover and thereby reduce business costs.

**Planning:** it makes it easier for managers to plan financially and brings stability to planning, as business costs such as wages can be accurately forecasted/predicted.

**(B) From the figures given below calculate for 2009 the following for CES Ltd.**

- (i) Net profit margin;**
- (ii) Current ratio;**
- (iii) Acid Test ratio;**
- (iv) Debt Equity ratio.**

**(i) Net Profit Margin =  $\frac{\text{Net Profit} \times 100}{\text{Sales}}$**

$$\frac{33,750}{135,000} \times \frac{100}{1}$$

$$= 25\%$$

**(ii) Current Ratio = Current Assets: Current Liabilities**

$$\frac{84,500}{65,000}$$

**1.3:1**

**(iii) Acid Test Ratio = Current Assets – Closing Stock: Current Liabilities**

$$\frac{84,500 - 39,000}{65,000}$$
$$\frac{45,500}{65,000}$$

**0.7:1**

**(iv) Debt Equity ratio = Debt: Equity/ (Ordinary share capital + Retained Earnings)**

$$\frac{192,000}{300,000 + 20,000}$$
$$\frac{192,000}{320,000}$$

**0.6 :1**

(C) **Analyse the significance of the trends over the two years for the following stakeholders:**

- (i) **Investors/ Shareholders;**
- (ii) **Suppliers;**
- (iii) **Employees.**

(i) **Investors/Shareholders**

Potential investors will be interested to see whether it is worthwhile investing money into the business. They will have particular interest the **debt: equity ratio**. This will give investors an indication of how highly / lowly geared the business is.

In this case the business had a lower debt to equity capital in 2008 (**0.4:1**) compared to 2009 (**0.6:1**).

Potential investors may be concerned that the business has increased long term debt with high interest payments.

Existing shareholders/Investors will be interested in the **Net Profit Margin**. The higher the percentage the better. Dividends payable depend on the net profit figure of the business. In this situation Investors/Shareholders may not be satisfied as there was a drop of 7% from 2008(32%) to 2009(25%).

(ii) **Suppliers**

Suppliers who have supplied goods on credit to the CES.Ltd will be interested in the businesses ability to pay for the goods. They will have particular interest in the liquidity ratios (Current ratio and Acid test ratio). **The Current ratio** will give them an idea of the businesses ability to pay its current liabilities out of its current assets. This business in 2008 had a very healthy level of working capital. It had €2 available to pay for every €1 liabilities. Maintaining this healthy working capital is essential to a businesses' cash flow. However, this was not the case in 2009 with only €1.30 available to pay for every €1 liabilities.

**The Acid test ratio** indicates a businesses ability to raise cash immediately to pay for its current liabilities. Suppliers will be interested in whether this business can pay back its debts immediately, if needed. In 2008 the business had €1.10 available immediately to pay for every €1 it owed. The situation deteriorated in 2009 with the business only having 70c available to pay for every €1 it owes. Failure to improve on this will result in the business having difficulty in buying goods on credit in the future.

(iii) **Employees**

The employees wish to know how secure their jobs are and the likelihood of them being able to negotiate a pay increase. They would be very interested in the **profitability** of the business. The drop in the NPM% diminishes their chances of obtaining a pay increase. Management could be looking at ways to reduce the wages bill.

**Profitability** would be of great concern to an employee if they own shares in the business, as they would be interested in the amount of dividend being paid out. Dividends payable depend on the net profit of the company. In this situation the business is not as profitable in 2009 as it was in 2008 with a drop of 7% in the Net profit percentage.

## Question 6

(A) Evaluate franchising (benefits and risks) **as a form of expansion** for the Pizza business.

The benefits/risks of franchising as a form of expansion (evaluate) **for the franchisor:**

### Benefits:

- 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.
- Franchising permits a **more rapid expansion**. By using the franchisees' capital, the franchisor is able to establish a large number of outlets in a short period of time. Rapid expansion can be achieved without incurring the overheads and costs associated with opening company-owned restaurants.
- An owner will be **more attentive** than a manager. This is the central point which makes franchising so attractive. Marie's Pizza, the franchisor can be assured that the person operating its restaurant will be "attending to business" as much as Marie would. By franchising the restaurant, the franchisor places the expansion of his/her business in the hands of people who are **motivated** to make it work. Having invested, in many cases, their life savings in a franchise, franchisees will strive to make the restaurant successful. Their livelihood depends on it.
- There is **strength in numbers**. The successful franchisor can command deals with various suppliers.
- The **return on investment is much higher** for a restaurant that expands through franchising. Because there is less capital employed, the franchisor's profits are generated on a much lower capital investment. Although the revenue from franchised restaurants may be less than that received from company-owned restaurants, a higher percentage of the revenue is profit.
- A franchise system requires **less management** than a company owned chain of restaurants. Hiring, training, motivating and retaining competent staffing are all functions handled by the franchisee, not the franchisor.
- There is **low risk** to the franchiser as should the franchisee not adhere to the conditions of the contract it could be cancelled.

### Risks :

- **Control** is lost over the day-to-day management of the franchise businesses.
- The **reputation** of the whole business could be affected by the actions of one franchisee /poor quality standards/staff problems
- Maintaining a **brand's integrity** through the process may be difficult.

### *Example of franchise in Ireland:*

**Supermacs** is Ireland's largest indigenous fast food restaurant group with a policy of continued expansion and growth. It now has 90 stores throughout Ireland and Northern Ireland. Pat Mc Donagh, the founder, has created a success story in the Irish restaurant industry. It has a total staff of over 2,500. It has plans to open 6 new stores in 2010.

**(B) Outline two benefits to Marie's Pizzas of preparing a Business Plan**

- **Finance/Grants:** a business plan will be required when or from government agencies. Without it, the future, and therefore the success of the business, will not be fully appreciated. No financial institution/government agency will give funds to a business without being convinced that the investment has a good chance of being recovered. Necessary to obtain/qualify for Grants.

The business plan markets **Marie's Pizzas** business and encourages potential investors.

- **Performance Measurement:** it can be used in the future to measure the performance of the business against the objectives/targets set out in the plan. By having realistic figures available they can be used as a benchmark or standard against which the operations and performance of the business can be measured.

If the standards are not reached then **Marie's Pizzas** may take actions to fix the problem.

- **Viability:** It sets out thoughtful, well presented/laid out logical steps designed to implement both short term and long term strategies over agreed time periods, e.g. one year, five years ten years etc. It plans how to get where the business wants to go over those time periods.

By planning ahead **Marie's Pizzas** can foresee difficulties and take steps to address the problems.

**(C) (i) Discuss the factors that should be considered before choosing between different sources of finance.**

- **Cost:** a business should try to obtain the cheapest source of finance available. The rate of interest is of great importance. All loans advertised by financial institutions should quote the **APR**. Close examination of the **APR** attached to each type of loan finance is needed when making the choice.
- **Purpose/Correct match:** sources of finance must be matched with uses e.g. a long term business expansion plan should not be financed by a bank overdraft. Assets which are going to last a long time are paid for with long term finance. Day-to-day expenses are financed or paid for with short term finance.
- **Amount:** large amounts of money are not available through some sources. Some sources of finance may not offer flexibility for smaller amounts.
- **Control:** issuing new voting shares in a company could lead to a change of power.. The use of loan capital will not affect voting control but financial institutions such as banks may take control of fixed assets or impose conditions as part of the loan agreement.
- **Collateral:** lenders often seek security before giving finance. This restricts the freedom of the borrower regarding what it wishes to do with these particular assets. Sometimes the borrower may not have enough assets to give as security, which can then limit the sources of finance available.
- **Risk:** a business which has less chance of making to a profit is deemed more risky than one that does. Potential sources of finance (especially external sources) takes this into account and may not lend money to higher risk businesses, unless there is some guarantee that their money will be returned.

- **Status of the business:** Private Limited (Ltd) or Public Limited (PLC) companies will find it easier to obtain finance than a sole trader as LTDs and PLCs are required to prepare much more detailed financial information, which can assist the finance raising process by the banks.
- **Availability/Credit crunch:** The effects of the credit crunch have impacted on business banking relationships. Liquidity is extremely tight at present, with banks currently exhibiting extreme caution. While banks may advertise that it is business as normal, many businesses in search of finance or renewal of existing facilities would say that this is not the case. More onerous conditions may be attached to borrowings and increased difficulty in renegotiating existing facilities may exist.

(ii) **Analyse two appropriate sources of finance for acquiring an additional delivery van at “Marie’s Pizzas”.**

### **Medium Term Loan**

- A medium term loan is obtained for a period of one to five years.
- Interest must be paid but it is tax deductible.
- The loan is repaid in agreed instalments.
- The bank may require security or personal guarantees to ensure the loan is repaid.

### **Leasing**

- This involves renting rather than purchasing the asset.
- The business will never get to own the asset.
- Payments may be offset against tax.
- No security is required.
- While it costs more than cash purchase it helps a businesses cash flow.
- The business may have an option to replace the asset if it becomes obsolete.

### **Hire Purchase**

- This is purchasing an asset in instalments and ownership passes with the final payment.
- It is expensive and carries a high rate of interest.
- No security is required but the lender may repossess the asset if you default on repayments.
- It is not as tax efficient as leasing.

## Question 7

### (A) Analyse the reasons why businesses carry out Market Research

- **Market:** it provides information about the size of the market and whether it is growing. It also provides information about the characteristics of the market (age of people in it, their income, their location)/measures brand recall, recognition.
- **Competitors:** it reveals information about competition in the market, their products, market share and their strengths and weaknesses.
- **Marketing Mix:** it helps a business decide on the marketing mix it will use to sell its products. i.e. the Product, its Price, method of Promotion and the Place where it will be sold.
- **Consumer Reaction:** businesses can find out the reasons why consumers buy a particular product and what influences their buying behaviour.
- **Reduces Risk:** market research makes it more likely that a product will succeed. It reduces the risk of the business using resources producing products, which the consumer does not want/ may explore ways to expand and develop business with a view to providing the customer with greater quality and service.
- **Sales:** it assists a business in working out the likely sales for its products.

### (B) Evaluate “Sales Promotion” and “Public Relations” as forms of Promotion.

**Sales Promotion** is the use of short-term incentives/ “GIMMICKS” to attract customers to the product or services on offer. Activities other than direct advertising are included. It adds to the attractiveness of the product. It is useful for stimulating sales by offering customers price reductions, buy one get one free, coupons, samples, prizes, free draws, in-store displays etc or any other incentives directly related to the product. It aims to attract new consumers for the product, rewarding loyal consumers and increasing buying frequency among occasional consumers.

Sales promotion techniques involve some contact between the customer and the seller. It lasts for a short period of time and may be repeated at a later date.

Evaluation required:

Sales Promotion is popular in the large multiples such as Tesco, Dunnes, Superquinn in the current climate in an effort to increase market share.

**Public Relations** is taking steps to **create a good image** for the product/service. It aims to achieve favourable publicity and build a good corporate image of the business. Public Relations is about building a relationship with the public stakeholders. It is not directly concerned with increasing sales of products.

The activities include: press releases; press conferences; TV Programmes; promotional films; sponsorship; publicity literature; donations to charity.

Sometimes you will see that in certain businesses, when dealing with certain issues, they will have a spokesperson to come out and speak about the issue. This person is usually referred to as a Public Relations Officer. The activity may be carried out by the company’s own Public Relations Officer (PRO) or by a specialist PR agency.

Public relations can pose challenges. Negative product publicity can be a nightmare for businesses e.g. Toyota recall of cars. It can lead to loss in the market share and customers losing trust in the quality of the product/service being offered.

Public Relations: can take the form of press releases where the media are given information about the company. **Sponsorship** is another form where businesses pay money so that their product name will be displayed by individuals, organisations or at particular events. e.g. The Heineken Cup. (Rugby). Vodafone ( Dublin's senior football and hurling teams).

Evaluation required.

(C) **Many businesses spend large sums of money developing a brand name. Illustrate the benefits of branding for the consumer and the business.**

#### **Benefits to the business:**

- **Marketing:** Having a brand name makes it easier to distinguish the product from competitor's products/instantly recognisable. Can be used as a marketing tool for advertising purposes. Kelloggs is well known and they have different promotions to keep it to the fore of consumer's minds.
- **New Products are easier to introduce** if the brand name is already well known. Different products are released under the Kelloggs brand.
- **Pricing:** A well-known brand name can command a premium price. Kellogg's brands command higher prices than for instance own brand labels/ premium prices can be charged.
- **Sales increase:** Repeat purchases increase sales.
- **Market Segmentation:** Individual market segments can be identified and targeted with different products under the brand name. e.g. Kelloggs Rice Krispies.
- **Customer Loyalty:** Over time consumers become loyal to a particular brand and will not change. Consumers tend to eat the same brand or cereal each day. Branding allows a company to differentiate themselves from the competition and, in the process, to bond with their customers to create loyalty. A position is created in the marketplace that is much more difficult for the competition to 'poach'. A satisfied customer may leave, but a loyal one is much less likely to. Consumers who have grown up with Kellogg's breakfast cereals will have strong associations of childhood and home.
- Brand names can be **registered** to protect the owner so that no other firm can use that name.
- **Products may become the brand.** Some brands become so popular overtime that the product becomes the brand e.g. Google, hoover, biro, tipex etc.

#### **Benefits for the consumer:**

- Branding helps the buyer to **identify** a particular supplier's goods and creates and **maintains their confidence** in the performance of the brand.
- Consumers remember simple names. It is important to make sure the name can be associated with a positive value, characteristic, or position. Consumers like products to which they can **associate positive qualities**. Kellogg's Corn Flakes was the only cereal to be eaten aboard Apollo 11, the first lunar landing.
- The purchase and use of brands allows a consumer/buyer to fulfill their need of self expression and also communicate his or her self image. A consumer/ buyer who defines him/herself as successful and powerful may drive a Mercedes!
- Brands help consumers/buyers to judge the value/measure the quality of a product. Country of origin can influence consumers in making judgements as to whether a product is of value or not. e.g. French perfume, Italian leather, Swiss watches.
- Kellogg's has, over the years, built up some key core brand characteristics, **emphasising quality** and nutritional benefits that will apply to any Kellogg's product. Consumers will trust the Kellogg's brand name to fulfill these requirements whichever type of cereal they choose. There are currently 29 products in the Kellogg's family.



