



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2011

Marking Scheme

BUSINESS

Higher Level

LEAVING CERTIFICATE 2011

MARKING SCHEME

BUSINESS, 2011

HIGHER LEVEL

LEAVING CERTIFICATE 2011
BUSINESS HIGHER LEVEL
MARKING SCHEME
SUPPORT NOTES

Marking Scheme and Support Notes for use with the Marking Scheme

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

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

LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2011

MARKING SCHEME SECTION 1 (80 Marks)

**This is a compulsory section.
Answer 8 questions. Each question carries 10 marks.**

Question	Scheme	Marks
1.	(a) 4 marks (2+2) (b) 6 marks (3(1+2)+3(1+2))	10
2.	(a) 4 marks (2+2) (b) 6 marks (6 @ 1 mark) 1 for formula. 4 figures @1 mark. 1 mark for correct answer (must include %)	10
3.	(a) 4marks (2+2) (b) 6 marks (3(1+2) + 3(1+2))	10
4.	(a) 6marks (3+3) (b) 4 marks (2+2)	10
5.	(a) 4 marks (2+2) (b) 6 marks BOT 3 figures @ 1 mark To get the third mark you must state surplus. BOP 3 figures @ 1 mark To get the third mark you must state surplus.	10
6.	(i) 5 marks (3+2) (ii) 5 marks (3+2)	10
7.	(i) 5 marks (3+2) (ii) 5 marks (3+2)	10
8.	5 @ 2 marks	10
9.	(a) 4 marks (b) 6 marks (3+3)	10
10.	(i) 5 marks (3+2) (ii) 5 marks (3+2)	10
Section 1	Available Marks	80

SECTION 2
(80 Marks)
Applied Business Question (Units 3, 4, 5)

This is a compulsory question.

Clothes-4-Us Ltd

(A)	(i) Definition of planning	6marks (3+3)	20 marks
	(ii) Types of planning and benefits must be linked to the text of the ABQ	2@ 7 marks (2+3+2) (State + benefit/explanation + relevant link)	
(B)	Evaluate the effectiveness of the Human Resource department (Separate relevant link for each function)	3 Functions of HRD @ 9 marks each (3+3+3)+3	30 marks
(C)	(i) Explain Market Research	6 marks (3+3)	30 marks
	(ii) Desk Research Field Research	12marks (6+6) 12marks (6+6)	
	How they can contribute to the continued success of the business		

Relevant Links:

In relation to the links given, they **must** be a direct relevant quote/statement or a phrase from the ABQ indicating that candidates clearly understand the point(s) of theory presented.

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

(A)	Co-operative OR Competitive relationship	15 marks (3+6+6)	15
(B)	(i) Rights of consumers under the SOGSOS Act, 1980 (ii) Forms of Redress	4 @ 5 marks (2+3) 2 @ 5 marks (2+3)	30
(C)	A non-legislative approach to solving conflict between an employer and an employee	15 marks (5+5+5)	15
	Available Marks		60

Domestic Environment

Question 2

(A)	The effects of increasing unemployment on Irish economy	4 @ 5 marks (2+3)	20
(B)	The steps involved in the formation of a private limited company	4 steps @ 5 marks (2+3)	20
(C)	(i) Community Development (ii) Evaluate the services of CEB's	8 marks (4(2+2) +4(2+2)) 2 @ 5 marks(2+3)+2	20
	Available Marks		60

Domestic / International Environment

Question 3

(A)	How the changing nature of the international economy affects Irish exporters	4 @ 5 marks (2+3)	20
(B)	Illustrate the impact of foreign transnationals/FDI companies on the Irish Economy	5@ 5 marks (1+2+2)	25
(C)	Evaluate the role of special interest groups in the EU Use examples to support your answer	2@ 6 marks (3+3)+3	15
	Available Marks		60

Part 2
Enterprise

Enterprise/ Managing

Question 4

(A)	Enterprise skills required by Colm (4 separate/distinct skills + ref. to tidy towns)	4 @ 5 marks (2+2+1)	20
(B)	(i) Explain Maslow's Theory of motivation. (ii) Illustrate how a manager could motivate workers by applying Maslow's Theory in the workplace.	5 marks (2+3) 5 @ 1mark 5 @ 2marks	20
(C)	How Stock Control and Quality Control achieve efficiencies in business	2 @ 10 marks (2 + 4+ 4)	20
	Available Marks		60

Managing

Question 5

(A)	The benefits of teamwork for employees in a business.	3 @ 5 marks (2+ 3)	15
(B)	(i) PAYE, VAT, Corporation Tax (ii) Evaluate the implications of each for business.	3@ 6 marks (3+3) 7 marks (3+2+2)	25
(C)	(i) Risk Management (ii) Three methods for minimising risk.	8 marks (4+4) 3@ 4 marks (2+2)	20
	Available Marks		60

Business in Action

Question 6

(A)	(i) The difference between a merger and a takeover Example of each required. (ii) The benefits and risks of a merger as a method of expansion At least one of each required. Must refer to Kilronan Ltd.	2 @ 5 marks (2+2+1) 3 @ 5 marks (2+2+1)	25
(B)	Distinguish between Debt and Equity Capital as sources of finance for expansion	3@5 marks(2+3)	15
(C)	Internal and external sources of product innovation. (Two of each required)	4 @5 marks (2+3)	20
	Available Marks		60

LEAVING CERTIFICATE BUSINESS HIGHER LEVEL

Support Notes

SECTION 1 (80 Marks)

SHORT ANSWER QUESTIONS

Question 1

- (a) Explain the meaning of the term 'Own-brand products':

These are products sold by retailers/multiples under the retailer's own name and logo. They are known as 'retailer brands'. Large multiples such as Tesco's and Dunnes use own label brands e.g. Tesco milk, Dunnes 'Honey and nut flakes' cereal.

- (b) Outline **two reasons** why retailers use 'Own - brand products':

- (i) The retailer can request the manufacturer to make the goods to **certain specifications** e.g. quality, size, shape etc.
Greater control over distribution channels/can seek bigger discounts from suppliers.
- (ii) The retailer can generally sell 'own- brands' at a **cheaper price** than the market leader and other brands/ **'value for money'**.
- (iii) It can lead to **customer loyalty** to the retail outlet/shop, rather than the product, thereby increasing other product sales.
(Tesco expects to sell over €200m in Irish products as part of its own-label ranges in Ireland and in the UK in 2011).
- (iv) **Easily recognised** and require very **little advertising**.
- (v) A **large range of products** can be sold under the own-brand label.
- (vi) They **can increase the profit margin** they earn from products, due to lower costs.

Question 2

- (a) Explain the term 'Return on Investment' (ROI).

ROI is the **net profit a business generates** from the **total finance used by the business (capital employed)**.

It measures the profitability of a business, compared with the money invested in it.

(b) Calculation of ROI:

$$\begin{aligned}\text{ROI} &= \frac{\text{Net Profit}}{\text{Capital Employed}} \times 100 \\ &= \frac{€7,000}{€40,000 + €56,000 + €4,000} \\ &= 25.91\% \text{ or } 26\%\end{aligned}$$

Question 3

(a) Distinguish between **two** types of meeting which are common in a business.

- AGM (Annual General Meeting). This is a meeting of the shareholders of a company. It is held once a year. At the AGM, shareholders can ask the directors questions, the chairperson gives an address, directors are elected, auditors are appointed and accounts are presented.
- EGM (Extraordinary General Meeting). This occurs when a matter of such importance arises that the business cannot wait until the next AGM to discuss the issue.
- Board Meeting. These are regular meetings held by the board of directors of the company. Tactical planning, strategic planning and review of company performance are often on the agenda of a board meeting.
- Management/executive meetings/ad hoc. Meeting held by various managers in the business to deal with operational issues/immediate problems.

(b) Outline **two** benefits of meetings as a method of communication.

1. Meetings allow discussions to take place on different proposals which in turn allow for good, **effective decision-making/ co-ordination of the work of various departments**.
2. Meetings allow **information to be disseminated** to the various stakeholders in the company, e.g. a meeting of management and the employees of the firm regarding industrial relations issues.
3. Meetings are creative forums, e.g. **a brainstorming session** during the idea generation stage of the product development process.
4. Meetings are appropriate when **sensitive or confidential issues** are being discussed e.g. redundancy, dismissal of staff and business contraction/expansion.
5. Meeting allow for **feedback** to be given and received.
6. A **written record** (i.e. minutes) of decisions can be made for future reference.

Question 4

(a) Explain the term 'span of control'

It refers to the **number of people / subordinates** that **report directly to one manager/ supervisor** in a hierarchy.

(b) Outline **two** factors that affect the width of the span of control in a business.

1. **Skill of manager/management style:** An experienced, confident and able manager can operate a wide span of control.
2. **Skill of the workforce:** When employees are trusted because of their skill sets and motivation, a wide span of control may operate.
3. **The nature of the work/type of product or service:** When the work involved is repetitive, requiring little responsibility, decision-making or skill, a wide span of control is appropriate. If the work involved requires a high level of expertise a narrow span of control is appropriate.

Question 5

(a) Illustrate what is meant by the term 'invisible import' with reference to the Irish economy.

Invisible imports are **foreign services** purchased by Irish customers/residents.
e.g. financial services provided by foreign firms/ Irish residents holidaying abroad.

(b) Using the following data, calculate (i) Balance of Trade (ii) Balance of Payments.
State in **each** case whether it is a surplus or deficit.

$$\begin{aligned}\text{Balance of Trade} &= \text{Visible Exports} - \text{Visible Imports} \\ &= \text{€50bn} - \text{€30bn} \\ &= \text{€20bn surplus}\end{aligned}$$

$$\begin{aligned}\text{Balance of Invisible Trade} &= \text{Invisible exports} - \text{Invisible Imports} \\ &= \text{€35bn} - \text{€40bn} \\ &= (\text{€5bn}) \text{ deficit}\end{aligned}$$

$$\begin{aligned}\text{Balance of Payments} &= \text{Balance of Trade} + \text{Balance of Invisible Trade} \\ &= \text{€20bn} + (\text{€5bn}) \\ &= \text{€15bn surplus}\end{aligned}$$

Alternative approach for calculating the Balance of Payments.

$$\begin{aligned}\text{Balance of Payments} &= \text{Total Exports} - \text{Total Imports} \\ &= (\text{Visible Exports} + \text{Invisible Exports}) - (\text{Visible Imports} + \text{Invisible Imports}) \\ &= (\text{€50bn} + \text{€35bn}) - (\text{€30bn} + \text{€40bn}) \\ &= \text{€85bn} - \text{€70bn} \\ &= \text{€15bn surplus}\end{aligned}$$

Question 6

Outline **two** ways the Government could encourage business activity in Ireland.

- (i) A low corporation tax rate of 12.5% encourages foreign direct investment, thereby increasing businesses in Ireland
Low personal taxation in the form of lower PAYE and DIRT gives employees and consumers more disposable income and **increases the demand for the goods and services provided by business.**
- (ii) Improved infrastructure such as roads, airports, ports, telecommunications and broadband allow business to operate efficiently and **encourages business activity and job creation.**
- (iii) More Education and Training provided by State agencies such as FÁS can ensure a steady **supply of skilled workers to meet the needs of business.**
- (iv) Grant aid for business start-up and expansion e.g. County and city enterprise boards give up to €20,000 feasibility/innovation grants where entrepreneurs match at least 50% of the costs. Business expansion grants of up to €80,000 are available for sole traders, partnerships, community or limited companies. SEED and BES schemes for companies exporting or companies having export potential.
- (v) Better regulatory environment encourages the growth and expansion of business.

Question 7

Outline **two** types of industrial action that employees could take in an attempt to get employers meet their demands.

1. Official Strike where the employees do not enter their workplace and do not do their work. An official strike involves a secret ballot, proper notification to the employer (i.e. one week's notice) and sanction by ICTU. Work stoppage or token strike is where the employees stop work for a short period of time to highlight their concerns.
2. Work to rule where employees only undertake the exact jobs written in their job description/contract. No flexibility is provided by staff to meet urgent/unforeseen requirements.
3. Overtime ban where workers refuse to do overtime. This can cause major disruption, especially at peak trading times e.g. A toy shop at Christmas..

Question 8

1.	2.	3.	4.	5.
True	False	True	True	False

Question 9

- (a) Explain the term 'Short-term finance'.
Short-term finance is finance that is available for a period of up to one year. It should be repaid within twelve months.
- (b) Illustrate a business situation where 'short-term finance' **would** be appropriate.
Trade credit could be used to purchase stock for resale.

Question 10

Outline **two** strategies that management could use to help employees adapt to change.

1. Management need to **communicate** clearly why change is necessary and the consequences of not taking any action. For example, management could point out that increased competition may lead to a loss of market share and redundancies and that a change in work practices involving greater productivity is a strategy that could prevent this. It will reduce uncertainty and tensions among employees.
2. Management needs to **consult** with the employees before introducing change so that employees will be more willing to accept the changes introduced (inputting into the decisions being made).
3. Management needs to **reward** employees for embracing change e.g. bonus payments and wage increases for accepting and using new technology.

Other strategies could include empowerment, total quality management (TQM), training, industrial democracy, teamwork and adequate funding.

SECTION 2
(80 marks)
Applied Business Question

Compulsory question based on Units 3, 4 and 5

Clothes-4-Us Ltd

(A) (i) Define the management activity of 'planning'.

Planning is the setting down of **specific goals and objectives** and the putting in place of **strategies that allow you to achieve the stated goals and objectives of the business**.

Planning forces a business to consider its future and how it will achieve continued success. Plans give business purpose and direction and reduce risk and uncertainty.

(ii) Illustrate how different types of planning benefits Clothes-4-Us Ltd.

1. Mission Statement: This is a **visionary statement** outlining who the business is, what the business does and where the business is going. It gives an insight to the stakeholders into what makes a business 'tick'.

Relevant Link:

For example Clothes-4-Us's Mission Statement emphasises **'fashionable fast moving clothing' as well as 'value for money'**.

2. Strategic Planning: This is long term planning covering a period of five years or more. It is usually drawn up by top management and it outlines how the long-term goals of the firm are to be achieved.

Strategic planning benefits Clothes-4-Us Ltd because it prioritises goals and objectives and encourages strategic thinking among senior management.

It is also useful for measuring and controlling the performance of management.

Its goals are consistent with the mission statement of the business.

Relevant Link:

For example Aoife Coyle plans

'to expand her successful business model into the UK clothing market'.

3. Tactical Planning/Operational: This is short-term planning which breaks the strategic plan into shorter more manageable periods. They deal with the ‘now’ part of the plan. It is usually drawn up by middle level managers. Tactical plans benefit Clothes-4-U Ltd because they facilitate the attainment of the overall strategic plan/long-term goals.

Relevant Link:

‘Recently it was decided to undertake an advertising campaign on UK television to coincide with the opening of the company’s first store in London’s Oxford street.’

or

‘Monthly meetings are held to manage the growth and expansion of the business’.

4. Contingency Planning: This is back-up planning to cope with emergencies/ unforeseen events and unexpected circumstances. Contingency plans benefit Clothes-4-U Ltd by preventing disruptions to business and thereby preventing loss of profits and possible business collapse.

Relevant Link:

‘Strategies have been put in place in the event of possible disruptions in the supply of essential stocks from global suppliers’.

(20 marks)

(B) Evaluate the effectiveness of the Human Resource department at Clothes-4-U Ltd.

1. Manpower Planning: This involves having the right people with the right skills in the right place at the right time throughout the business. It involves doing a human resource audit and estimating future human resource needs.

The Human Resource Manager must audit present manpower resources, forecast manpower needs, and then make a plan to either increase/decrease manpower.

Relevant Link:

‘He continues to effectively manage employee numbers’.

2. Recruitment/Selection: Recruitment and selection is concerned with finding or attracting potential candidates with the appropriate skills and then picking the most suitable candidates for employment.

The Human resource manager must draw up a **job description and person specification** and then advertise the position. The applicants must be screened (short-listed). Selection is usually by means of an interview process.

Relevant Link:

‘Oliver advertised job opportunities on the company’s website and included an on-line application form.’

3. Training/Development:

Training is concerned with improving the employees’ ability to perform their job in an effective manner. Training allows employees to do their work better. The company invests in training leading to better knowledge and skills among employees. This results in better customer service and a better shopping experience for customers.

Induction training helps new employees fit into the workplace (learn about the job/the policies/rules of the company etc). Other types of training include internal/external training.

Development prepares the employees for new responsibilities and greater challenges in the workplace. Helps employees self-actualise.

Relevant Link:

‘A comprehensive induction programme is provided throughout the company’.

or

‘Aoife and Oliver recognise the necessity to invest in staff training’.

4. Performance Appraisal:

This is the process of **evaluating the performances, progress, contribution and effectiveness** of an employee. It ensures high performance standards in the business, leading to organisational success. It provides for two-way communication and clarification of objectives/ feedback is provided for employees on performance to enable improvements to be made.

A meeting is held with the employees to review their progress and set targets for the future.

Regular reviews are vital to the performance appraisal process.

Relevant Link:

‘Personnel from the Human Resource department meet employees annually to review their progress.’

5. Rewarding:

Rewarding employees is concerned with paying employees (monetary/non-monetary) well for work well done, leading to a motivated workforce. It may include wages, salaries, bonuses, benefit-in-kind, share options, pension plans, promotion etc.

The Human Resource Manager negotiates each employee’s remuneration package and keeps it under review.

Relevant Link:

‘Employees at Clothes-4-Us Ltd are well rewarded and there are many opportunities for promotion for those who achieve their sales targets.’

Evaluation/informed judgement required based on the information provided in the ABQ.

(30 marks)

- (C) (i) Explain the term 'Market Research'.

Market research is the systematic **gathering, recording and analysing of facts about some element of the marketing mix** in order to **identify and satisfy customer needs in an informed and effective manner**.

It ensures that the right goods are produced at the right time for the right market at the right price.

Reasons for market research include - competition/new opportunities/business growth/decision-making/risk minimisation etc.

- (ii) Analyse how Desk **and** Field Research can contribute to the continued success of Clothes-4-Us Ltd.

Desk Research

- Desk research involves accessing **information that has already been gathered**
It is secondary research and can be both internal and external.
- Desk research is relatively cheap which keeps costs down, thereby ensuring a competitive business.
- Different types of desk research include the internet, internal sales reports, trade reports, Central Statistics Office publications, newspapers etc.
- The company must seek to protect its market share/ keep out competition so as to continue as a 'high volume low margin' business. Desk research can provide information on competitors.

Contribution: Consumer spending patterns (facts/figures)

The daily sales records of Clothes-4-Us Ltd would indicate if consumer spending patterns have changed and the CSO would provide global figures on trends in the fashion industry, competitor behaviour, and population details of towns (i.e. age, sex, family structure etc.) where branches could be set up. Quantitative type data is provided.

Relevant Link:

'Fashion magazines with their coverage of the latest designer 'catwalk' fashion trends from Milan, Paris and London are closely monitored'

or

'The company's daily sales records and data from the Central Statistics Office (CSO)' on market size and consumer expenditure patterns are continually analysed'.

Field research

Field research involves going into the marketplace to gather **first-hand/new business information**. It is primary research which is carried out by making direct contact with customers/potential customers.

- It tends to be expensive and time consuming but provides specific information on the target consumer behaviour.
- Methods include: surveys, observation, questionnaires, and customer panels.

Surveys involving personal interviews and/or questionnaires with a sample of the population can be very effective tools in accessing and collecting detailed information about consumer's tastes, behaviours, attitudes in the market place etc.

Observation involving viewing consumers in action e.g. the number of customers selecting a particular product during a particular period in the store. Also observation in the store may indicate long queue times and lost sales. This could then be rectified in order to satisfy customer needs and ensure continued business success.

Contribution: Consumer attitudes and opinions.

Field research in Clothes-4-Us Ltd ascertains attitudes and opinions of its customers and they can make specific changes to their stores/products/staff based on the feedback received.

This type of research allows the company to satisfy its customer needs more effectively, encouraging customer loyalty and increasing the profits of the business.

Qualitative type data.

Relevant Link:

The marketing department is carrying out regular consumer surveys.

or

She (Aoife) has begun visiting the company's stores unannounced to monitor sales, employee behaviour and customer trends.

(30 marks)

(80 marks)

SECTION 3

(240 marks)

Answer **four** questions from **Section 3** as follows: Antain I can do this from exam paper
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 Question 1

(A) Outline using examples, the relationship that can exist between 'Investors' and
'Entrepreneurs' in business.

- Investors and Entrepreneurs are stakeholders in the business.
They rely on each other with the entrepreneur dependent on the investor for finance and the investor dependent on the entrepreneur for a return on his/her investment.
Investors provide **finance** for the business (shareholders/Banks/State bodies) and expect a return from their investment.
Entrepreneurs are the risk takers. They provide the **initiative** to start the business with the hope of making a profit.

Co-operative relationship - Working together towards a common goal/acting in a mutually beneficial manner (win/win).

- The relationship is **co-operative** when the entrepreneur gives open, transparent and honest information to the investor e.g. accurate business plans and cash flow forecasts and in return the entrepreneur receives finance at a reasonable rate from the investor.
- **Competitive** relationship -Both go after the same thing but only one gets it. Each tries to win over the other (win/lose).
The entrepreneur and the investor compete with each other. The entrepreneur is prepared to take further risks to develop the business and to use the profits for expansion, while the investor may wish the profit to be paid out regularly (less risk/safety of investment).

(15 marks)

(B) (i) Outline the rights of consumers under the terms of the Sale of Goods and Supply of services Act 1980.

Goods

Goods should be of merchantable quality – they should be of reasonable standard/quality taking into account what they are supposed to do, their durability and their price.

Goods must be fit for the purpose intended.

This means that the goods must be able to do what they are meant to do and what they were designed for (i.e. **fit for the particular purpose for which the buyer intends to use them**).

For example, a waterproof jacket and leggings should keep the rain out. A combined fridge/freezer must be capable of freezing food.

Goods sold must be as described by the sales person, catalogue/package or sample.

For example if a consumer orders blue floral wallpaper from a catalogue then it can't be gold plain wallpaper when delivered.

Services

Services must be provided with due care and attention - a car left at a garage for a full service but the garage failed to change the oil.

A service provider must have the necessary competence and skills set. In addition, any materials used in the delivery of the service must be of merchantable quality.

Other Provisions

Unsolicited Goods/Inertia Selling.

It is illegal for a supplier to demand payment for unsolicited goods. These are goods that are sent to someone without having received an order. If a company sends you something you didn't order and does not provide for return post, it cannot invoice you for the product e.g. Book Club. This demand is an illegal act and the consumer has specific rights. The right to keep the goods without payment after thirty days if the consumer has sent written notice to the sender and informed him where they can be collected.

Consumers' rights under the act cannot be taken away or limited by signs such as 'Credit Notes Only', 'No Cash Refunds', 'No exchange' etc. These signs do not affect your statutory consumer rights. A credit note is not a refund as it restricts you to shopping in that shop.

Guarantees are seen as something extra (additional protection) that is given to the consumer and they cannot limit the consumer's rights under consumer law. The guarantee must clearly show what goods are covered, the time frame involved and the procedure for making claims.

Other points could include: Ownership and quiet possession/Retailer responsibility.

(ii) Illustrate **two** forms of redress available to consumers for breach of the Act.

The form of redress is dependent on **how serious the fault is**, the time it occurred **and how soon after the purchase the complaint was made**. If the complaint is valid the consumer is entitled to one of the three R's – refund, replacement and repair.

If a consumer purchases a **faulty good and complains promptly** then s/he is entitled to a full cash refund or replacement. For example if a consumer purchases a microwave oven and the minute timer doesn't work (i.e. not of merchantable quality) then s/he is entitled to a full refund of money paid. A replacement may also be provided, e.g. a new model of the same or similar quality given in its place.

When the consumer has used the product, when there is a **delay between the purchase date and the actual complaint, or when the fault is of a minor nature** then the consumer may only be entitled to partial refund or repair.

The consumer's rights lessen, the longer s/he puts off making the complaint.

(30 marks)

- (C) Describe how conflict between an employer and an employee could be resolved in a non-legislative manner.

A Non-legislative approach should be the first strategy in a conflict resolution process between employees and employer.

It means that the parties involved are not using any law or body set up under a law to resolve the conflict.

Meet and talk. This involves having a **meeting** between the individual employee and his/her employer to try and discuss the situation and clarify any difficulties. Assistance can be sought from the shop steward and/or the Human Resource Manager (grievance procedure). Employee may seek help from the union head office and the employer may seek help from IBEC.

Negotiation/agreement

Discussion occurs between the disputants who are trying to work out a solution to their problem. The employer and the employee make a series of offers and counter offers intended to aim at a compromise. Both need to be aware of their bottom line and their ideal outcome. They need to be prepared to make **concessions/compromises**. A timetable for the conclusion of the negotiations process needs to be put in place.

Independent Third Party Intervention:

- Conciliation. The conciliator will speak to the employer and the employee separately and then together, highlighting the others point of view. The conciliator encourages the parties to settle the dispute through continued negotiation.
- Mediation. The mediator presents his/her own proposals/recommendations to resolve the conflict. It is a useful form of intervention if both parties are in 'lock-jam' and are not prepared to listen any longer to each other. However, the parties themselves must solve the dispute.
- Arbitration. With arbitration both sides in the disagreement agree beforehand to an independent third party's intervention, investigation and judgement. They also agree before hand on whether the arbitration outcome should be binding or non-binding.

(15 marks)

(60 marks)

Question 2

(A) Discuss the effects of increasing unemployment on the Irish Economy.

- The **demand** for goods and services is reduced and businesses may have to close down.
- As people have **less discretionary income**, people will spend on necessities but luxury items will be sacrificed leading to falling business profits e.g. less new cars, foreign holidays being purchased.
- Government **current expenditure will increase** as the unemployed will sign on and claim social welfare benefits.
- **Emigration and falling immigration/ 'Brain drain'** (Exporting of skilled labour). The highest net outward migration experienced since the late 80s.
- The **Government revenue/tax take will fall** as receipts from major sources of taxation will fall e.g. VAT receipts will fall as there will be less consumer expenditure and PAYE receipts will fall as fewer people are working and paying income tax.
- The **social costs** associated with unemployment will increase. Unemployment leads to social deprivation, rising crime, alcoholism and drug abuse. This can lead to increased expenditure for the government on health and law and order.
- **Lack of business confidence.** There is less enterprise in the economy as people's self-esteem and confidence is hit. Their standard of living falls and they may lose motivation which leads to less creativity, innovation and enterprise.
- Long term unemployed can lead to a large number of **deskkilled workers**.

(20 marks)

(B) Describe the steps involved in the formation of a '*Private Limited Company*'.

The rules, regulations and procedures for establishing a private limited company are set out in the Companies Acts 1963-1999.

Certain legal documents must be prepared in conjunction with a solicitor. These include:

-The Memorandum of Association. This document sets out **the relationship between the company and the general public.**

It includes the name of the company with 'Ltd' after it, indicating limited liability and the objectives of the company.

It includes the signatures of the people who formed the company and the authorised share capital clause.

-**The Articles of Association.** This document sets out the **internal rules and regulations** of the company. It describes the voting procedures for meetings. It sets down the quorum necessary for a valid meeting. It sets down the mechanisms for electing and replacing directors and auditors and their duties and powers.

- **Form A1.** This would include for example company name, registered address, details of secretary and directors, **statutory declaration that the company will comply with Irish company law.** It states the company's authorised and issued share capital.

-The documents are then sent to the Registrar of Companies who scrutinises them. If he is satisfied that all is in order he will issue the company with a '**certificate of incorporation**' which in effect is the business birth certificate or licence to begin trading as a private limited company. The business is now incorporated and a separate legal identity in the eyes of the law, meaning that it can sue or be sued in its own name.

(20 marks)

(C) (i) Explain the term community development.

Community development refers to the development of local areas and local communities **socially and economically** through the efforts of local citizens and residents. It involves collective actions to achieve communities' desired goals. They attempt to solve their economic/social problems through a spirit of enterprise and self-reliance.

The community development itself is **locally based** and lead by a local community organisation/team that creates a community development plan and raises finance through grants from state agencies.

Community development is about **self-help** as opposed to depending on the government or outside agencies to help them develop. The aim of community development is to improve the local social and economic infrastructure.

(ii) Evaluate the services provided by 'County and City Enterprise Boards' (CEB's)

1. Business supports: Advice/ Mentoring programmes (i.e. one-to-one advice and guidance); training programmes (business skill development workshops); Business networks/Women in business; Student Enterprise awards.

2. Financial supports: Feasibility/innovation grant of €20,000 where the entrepreneur matches at least 50% of the cost. Priming grants or business expansion grants of up to €80,000 are available for sole traders, partnerships, community or limited companies. Eligible clients may be awarded a priming grant within the first 18 months of setting up the business or business expansion assistance is on offer for companies over 18 months in existence.

Evaluation required.

-A County Enterprise Board (CEB) is a state agency responsible for assisting entrepreneurs who want to start up **small/micro businesses (10 employees or fewer)** and create employment in their county/ “First stop shop” e.g. Fingal County Enterprise Board. In the current economic climate Government are encouraging small businesses as they provide local employment. CEBs are a major support for these small businesses.

-CEBs work well because they **are uniquely positioned to understand local needs** as they know the background and the track record of those applying for support and assistance.

-Creating employment is a Government priority, and **CEBs prioritise those companies likely to create employment** such as manufacturing companies, companies with export potential and/or innovation type companies when providing support .

(20 marks)

(60 marks)

Question 3

(A) Discuss how the changing nature of the international economy affects Irish exporters.

Changes in technology have had a positive impact on Irish exporters making communications easier and instantaneous worldwide.

The internet allows Irish exporters to market their goods internationally.

Video conferencing allows meetings to be held at a fraction of the cost of a traditional meeting.

E-mail allows for instant, cheap and reliable communication .

The opening of new emerging markets e.g. China which is now the second biggest economy in the world overtaking Japan, has created new opportunities for Irish exporters, especially in the food and drinks area. This, together with a move towards international free trade under the World Trade Organisation (WTO) has benefited exporters because barriers to trade such as quotas and tariffs have being removed.

The growth in Globalisation and global firms with their quality produce at cheap prices are a competitive challenge for Irish exporters. Irish exporting firms will have to become more efficient and invest in R&D in order to provide products with a unique selling point (USP) to survive the competitive threat from global firms.

The current global recession has lead to a **decrease in the availability of credit** for Irish businesses. Irish exporters are finding it difficult to access finance from banks and as a result their international marketing budgets are being hit.

Currency/Exchange rate fluctuations. As the Euro (€) strengthens against UK sterling (£) and the US dollar (\$), Irish exports become more expensive leading to a decline in sales to these very important international markets.

Pressure on Ireland's low corporation tax rate of 12.5% since the IMF/EU intervention. If our corporation tax rate was to increase then Irish exporting companies mainly the large foreign multinationals would face higher taxes making them less profitable and they may move to other locations.

Competition from new EU countries: Eastern European countries like the Czech Republic, Hungary, and Slovakia have opened up their economies to market forces. This presents a particular challenge for Irish exporters as these countries are excellent producers of agricultural products and can offer quality at a lower price to the European consumer.

(20 marks)

(B) Illustrate how foreign transnationals (i.e. foreign direct investment (FDI) companies) have impacted on the Irish Economy.

Direct employment e.g. approximately 150,000 people are directly employed by foreign multinationals in Ireland. It is estimated that FDI companies give rise to indirect employment of twice that amount.

Employ highly skilled graduates, right up to PhD level which prevents a 'brain drain' from the country. Many of these graduates are engaged in R&D, an important area in multinational businesses.

Tax revenue for the Government e.g. transnationals pay 12.5% corporation tax on their profits. This low rate of corporation tax is a key Government strategy in attracting FDI.

Positive spin-off effects for the local economy and local indigenous firms. They source their inputs from domestic companies where possible, thereby increasing employment in those firms. They will mentor Irish firms to bring this about. Local taxis, catering firms, cleaners, security firms, local pubs and restaurants all benefit from the presence of a transnational in their locality.

Enhance Ireland's reputation and acts as a catalyst for further FDI. As companies such as Intel and Google have a major presence here, it can be inferred that Ireland is a good place to do business (international goodwill).

Bring a **knowledge base and a business expertise to Ireland** in terms of management systems and organisational culture. The latest technology is introduced based on research carried out in other countries, thereby requiring less Irish expenditure on R&D. Irish managers gain experience and learn from these foreign business executives.

Excellent high-tech companies **have easy access to international markets.**

Some FDI companies are considered **Footloose** having no loyalty to Ireland. They may leave immediately if operating costs are lower elsewhere. The DELL Limerick move to Poland resulted in thousands of job losses in the Limerick area.

Irish employees of foreign multinationals learn the best business practices and technologies. This makes it easy for 'would be entrepreneurs' to set up their own businesses, thereby **promoting an entrepreneurial spirit.**

Repatriation of profits, which means wealth leaves the Irish economy.

Positive impact on the Balance of Trade- They bring their own business plans and ready-made export markets. Up to 80% of Irish exports come from foreign multinationals (about 50% from just 5 companies). Because of their substantial exports, Ireland hasn't had a Balance of Payments problem for many years.

(25 marks)

(C) Evaluate the role of 'special interest groups' in the decision making process of the European Union (EU). Use examples to support your answer.

Definition: Special interest groups are groups which **attempt to influence the political and decision-making process** but are **not part of the accepted political structures**.

Methods they employ include lobbying, information campaigns and public protests in an attempt to influence EU decision making.

Special Interest Groups have an important role in the EU decision-making process, in particular during the consultation stage.

Special Interest Groups engage in **lobbying**, which is the deliberate effort to influence the decision making process by promoting a particular point of view. This lobbying ensures that the requirements of the Special Interest Groups are reflected in the drafting stage of policy formation.

Some Special Interest groups have permanent offices in Brussels and Strasburg and put pressure on Members of the European Parliament and the Commission through media pressure and demonstrations.

Examples

ICTU tries to influence EU decision making and policy in relation to employment, the minimum wage and the EU social charter.

The IFA engaged in intense lobbying in Brussels to obtain greater flexibility on milk quotas in advance of their 2015 abolition.

Evaluation required:

(15 marks)

(60 marks)

Question 4

(A) Discuss **four** entrepreneurial skills that Colm will require in developing this local initiative.

Colm works in an entrepreneurial manner but for a public or social benefit rather than to make money/profit. His aim is to make a difference rather than make a profit.

1. Communication/feedback: (Speaking, listening and writing- to enable him to liaise with volunteers/sponsors etc.)

- Colm needs good communication skills and interpersonal skills to convince businesses to contribute money to his tidy towns committee.
- Colm will need good communication skills to help motivate his team and encourage people to volunteer.
- Colm will have to be an effective communicator when he speaks on local radio and when he writes articles for local newspapers.

2. Leadership/delegation/Human Relations

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

Colm will need to positively influence his team of volunteers so that they contribute voluntarily to achieving the group goals.

Colm will need to encourage shared solutions to problems/delegate.

Colm will need to encourage volunteers to put forward suggestions/promote an intrapreneurial culture.

3. Innovation/Creativity

- Colm will have to come up with new ideas to make his local community initiative work. He will have to come up with a unique selling point (USP) to differentiate his local village from others to give it an edge in the competition. He will have to be creative in terms of identifying opportunities.
-

4. Decision Making/ Decisive:

- Colm will have to be good at assessing situations, identifying options, weighing up the pros and cons and then deciding on the best option.
- Colm will have to make decisions on budget allocation, aesthetic priorities (e.g. cycle ways, town park development etc.), personnel in his team and leadership style.

5. Planning and Goal Setting/Problem solving/Time Management.

- Colm may have to carry out a SWOT analysis of his village, a kind of environmental audit, to see how things are.
- Colm may have a long term strategic plan of not just entering the tidy town competition, but winning the competition after five years. Focus may be on the long term benefits rather than short term financial gain.
- Colm may achieve his strategic plan by engaging in shorter tactical plans such as:
 - o Fundraising events over the year.
 - o Saturday morning clean ups over a six-month period.
 - o Floral displays, signage etc.
- Colm will need to be a problem solver and become solution-focused. For example finding solutions to personality clashes within his team and operating within a limited budget. Needs to plan the use of available resources effectively.

(20 marks)

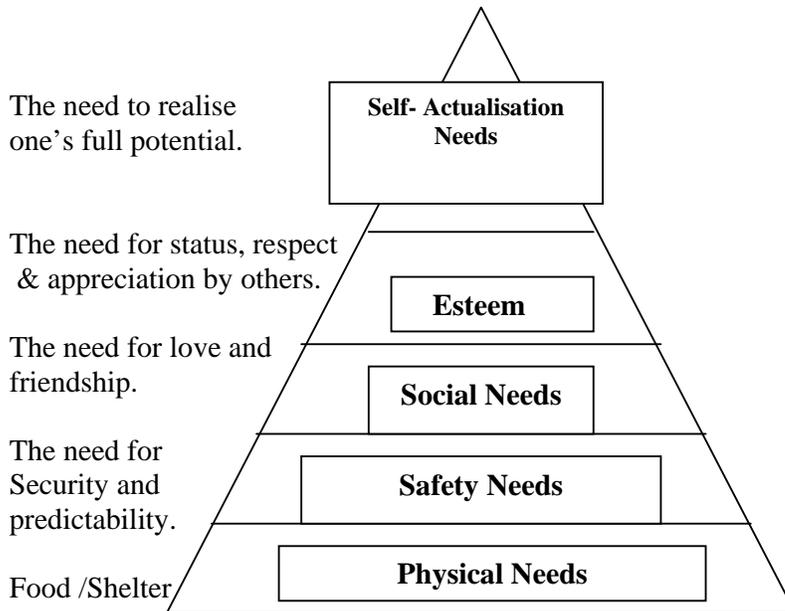
(B) (i) Explain Maslow's Theory of Motivation.

Motivation is the willingness of people to work. It is what drives, influences and encourages people to work toward a particular goal.

Maslow put forward a theory on motivation based on a **hierarchy of needs**.

As one need is satisfied then the need immediately above it on the pyramid becomes the dominant motivator/takes precedence.

(ii)



Illustrate how a manager could motivate workers by applying Maslow's Theory in the workplace.

- Physical Needs. A manager can motivate his workers by ensuring they receive a fair wage, bonuses, profit-sharing schemes in order that the physical needs for food, clothes, shelter etc. can be met.
- Safety Needs. Managers can make employees feel safe and secure by:
 - o Offering long term contracts of employment.
 - o Providing a grievance procedure
 - o Providing free medical check-ups.
 - o Sending workers on health and safety courses.
 - o Providing a safe working environment e.g. safety goggles, boots, gloves, hard-hats, high visibility jackets for construction workers.
- Social Needs. The social needs of employees can be met through offering flexi-time which allows employees to spend more time with their families. Teamwork and social events can help workers form new friendships and relationships.
- Esteem Needs. Managers can facilitate a worker's esteem needs through offering praise and rewards such as a new job title or an attractive office.

- Self-Actualisation Needs. Management offering workers a career plan, training and development opportunities, empowerment and promotion to positions of responsibility can meet these needs.

(20 marks)

(C) Discuss how 'stock control' **and** 'quality control' achieve efficiencies in business.

Stock Control.

Definition:

Is concerned with keeping optimum stock levels so that it doesn't have too much stock or too little stock.

Effective stock control means that you have the **optimum level** of stock in your business.

Optimum stock levels lead to efficiencies because you have the right stock, in the right place, at the right time to meet production requirements and satisfy consumer demand.

Efficiencies (specific examples):

An ISDN (Integrated Services Digital Network) can help you achieve efficiencies by eliminating the costs associated with having too much stock i.e.

- o Obsolescence.
- o Storage costs (Light & Heat, Security, Warehouse space, insurance etc.)
- o Deterioration.
- o Pilferage.
- o Tied up capital.

Stock control can achieve efficiencies by eliminating the costs associated with carrying too little stock i.e. production stoppages due to a lack of raw materials and components for production, and lost sales orders because of a lack of finished goods for sale.

Quality Control

Definition:

Is concerned with checking/reviewing/inspecting work done to ensure it meets the required standards.

As part of a quality control system the business may achieve a quality control symbol such as an ISO 9000 award. This symbol may be recognised worldwide and would be of huge benefit to the business in marketing its products internationally.

Efficiencies:

Effective Quality control leads to efficiencies in business because it minimises the costs associated with selling faulty goods to consumers e.g.

- o Administrative costs associated with the return of goods.
- o Loss of reputation and the ensuing lost sales.
- o Lost productivity due to time spent dealing with complaints.

Effective Quality control leads to efficiencies in business because consistently high quality products are being sold, resulting in repeat purchasing, consumer loyalty and the ability to charge higher prices, as the business may become the market leader.

(20 marks)

(60 marks)

Question 5

(A) Outline the benefits of teamwork for the employees of the business.

Employees experience **greater job satisfaction** as all members' efforts are taken into account. They are better motivated as participation in teams satisfies the social needs of employees (Maslow).

Employee's **communications skills and interpersonal skills** improve as they are working in a group and dealing with different personalities. This is a good experience for employees, as effective communication skills will help prepare employees for leadership roles within the business.

When working in isolation employees might find it difficult to take **tough decisions**. However, with the mutual support and protection of a team, these tough decisions are easier for employees to make e.g. a decision on making workers redundant.

Successful teams progress through the team development stages of forming, storming, norming and performing. A successful team will mean **less industrial relations problems and less conflict**, saving the employee the stress associated with industrial action.

(15 marks)

(B) Pay As You Earn (PAYE), Value Added Tax (VAT) and Corporation Tax are examples of taxes that are relevant to business.

- (i) Explain **each** tax underlined above.
- (ii) Evaluate the implications of **each** tax for a business.

Pay As You Earn

- PAYE is a direct tax on income earned from employment.
- PAYE is remitted by the business every month to the revenue commissioners.
- It is deducted at source by the employer and passed onto the Revenue Commissioners.
- Taxpayers receive a certificate of tax credits which is forwarded to employers and which will reduce the amount of tax they have to pay.

Implication for business (evaluation)

- The collection of PAYE is an administrative cost for business/ It is a bureaucratic system requiring the completion of many different taxation forms e.g. P12A, P60, P45, P12 and P21.
- It is a progressive tax because the more income you earn the more tax you pay. High rates of PAYE are a disincentive for people to do overtime, which affects a business's ability to meet sales orders.

Value Added Tax

- VAT is an indirect tax charged on the sale of goods and services.
- Businesses register for VAT and receive a VAT number.
- VAT is remitted by the business every two months to the revenue commissioners.
- The VAT paid is the difference between the VAT paid on purchases and collected from sales
- VAT is charged at different rates, depending on the type of goods or services involved.

Implication for business (evaluation)

- The collection of VAT is a significant administrative cost for business.
- High rates of VAT on raw materials and components increase the costs of production for business affecting margins and cash flows.
- High rates of VAT increase the purchase price for consumers. This reduces the demand for goods and services of business.
- The government's planned reduction in VAT rates in the tourism sector from 13.5% to 9% should encourage growth in the tourism sector.

Corporation Tax.

- Corporation tax is a tax on the profits made by companies.
- The current rate of corporation tax is 12.5% for manufacturing businesses.
- Expenses of the business are allowable when calculating the taxable profits of the business.
- Companies must prepare annual final accounts to show their taxable profit.

Implication for business (evaluation)

- Corporation tax in Ireland is relatively low by international standards. This encourages Irish entrepreneurs and foreign investors to set up business here. If corporation tax was to increase it could act as a disincentive to FDI.
- Corporation tax reduces the size of profits and consequently the amount available as retained earnings. This could put pressure on the business to borrow money, leading to high gearing.

(No repeat points in either explanations or implications for each tax.)

(25 marks)

(C) (i) Illustrate your understanding of the term 'risk management'.

Risk Management is a **planned approach** to the handling of the risk that the individual or business is exposed to.

It involves:

- The **identification of all possible risks/losses** e.g. the risk of fire, employer negligence, personal injury loss, legal liability etc.
- **Calculating costs** of protection from loss.

(ii) Describe **three** methods a manager might consider to minimise risk within a business.

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 is strictly laid out and adhered to/
/stringent monitoring procedures/secure procedures for managing cash.

Health and Safety:

- 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.
- Appoint Health and Safety representatives in the work force. Report safety issues. Regular safety inspections/audits. Investment in new, replacement, upgraded equipment.

Install Security systems. Alarms, fire doors, CCTV etc.

(20 marks)

(60 marks)

Question 6

(A) (i) Illustrate the difference between a *Merger* and a *Takeover* as methods of business expansion.

- A merger is a friendly/voluntary **amalgamation** of two firms for their **mutual benefit**. It involves the **mutual consent** of two equal companies to combine and become one entity.
- A single new legal entity is formed once it is approved by shareholders and neither has control over the other e.g. Irish Permanent and Trustee Savings Bank merged to form Permanent Tsb. Avonmore Plc and Waterford Plc merged to form Glanbia.
- A takeover on the other hand is where 51% of the shares in another company have been purchased in either a hostile or friendly manner. The **acquiring company** absorbs the other company, which loses its identity after the acquisition and becomes part of the acquiring company. The cost of the takeover can be very expensive. It is the product of the share price multiplied by the number of shares purchased e.g. Eircom took over Meteor mobile phone company for €420 million.

(ii) Discuss the benefits and risks of a merger as a method of expansion for Kilronan Ltd.

Benefits

- It is a defensive strategy as the merger may involve **diversification into new product areas**, which reduces the risk of the firm 'having all its eggs in the on basket'. If the market for chilled food collapsed then Kilronan Ltd. will survive because of its other interests in particular.
- It is a **quick form of business expansion** for Kilronan Ltd, unlike the organic growth.
- **Costs will be lower** if Kilronan Ltd mergers with another business -economies of scale/sharing of costs/resources.
- In addition firms can **access new technology and new markets quickly** e.g. a merger between Kilronan Ltd. and another Irish firm will gain Kilronan Ltd. instant access to a bigger market.

Risks

- Mergers can cause **industrial relations problems**. e.g. Redundancies could result, which could cause industrial relations disputes.
- Different organisational cultures between Kilronan Ltd and the other business can lead to conflict between competing management teams who are used to their own work practices and management styles and systems. This may cause a **lack of co-operation** within the new larger merged entity, leading to poor management decision making.

(25 marks)

- (B) Distinguish between *debt capital* and *equity capital* as sources of finance for expansion of Kilronan Ltd.

Debt and Equity Finance for Kilronan Ltd

	Equity Capital	Debt Capital
Control	The issue of shares may dilute control of Kilronan Ltd.	Debt capital/loan capital used to finance the business will not impact on control of the business.
Interest Repayments/Dividends	There is no obligation to ordinary shareholders. However, if dividends are routinely small or not paid, this may adversely affect the share price.	Fixed Interest repayments must be made on Kilronan's debt.e.g. Debentures Fixed Dividends i.e. 8% Preference Shares
Risk	The business risk would be lower with less debt in Kilronan Ltd. If it has little debt it is lowly geared. May be less likely to become bankrupt, as fewer creditors.	Fixed interest repayments on debt capital must be made regardless of profitability at Kilronan Ltd. Increased risk of bankruptcy – more creditors, who may seek to have business wound up and assets liquidated to pay debts.
Collateral	No security will be required	Kilronan Ltd. may have to supply some security/collateral for Debt Capital.
Tax Implications	Dividends to ordinary shareholders are not tax deductible.	Interest repayments are tax deductible.

- Equity capital is **low risk** and does not require security.
- Debt capital is **high risk** – interest and capital must be repaid, irrespective of profitability.
- Equity capital is money invested by the owners or shareholders whereas debt capital is loans from financial institutions.
- A firm financed mostly by Equity is lowly geared, whereas a firm financed mostly by debt is highly geared.

(15 marks)

(C)

Outline internal **and** external sources of product innovation for Kilronan Ltd.

Internal

- Brainstorming sessions. This involves people from different areas of the business coming together and **creatively thinking** up new ideas. Some of these ideas are rejected while some are giving further consideration. The diversity of the team assists in the creativity process.
- **Sales personnel** either through market research or feedback from sales representatives is a major source of product innovation/new product ideas.
- Ideas from employees through **suggestion schemes/suggestion boxes**. A good idea may be rewarded by a bonus for example. A good intrapreneurial culture within Kilronan Ltd could foster innovation.
- The **R&D department** may discover a new product through research and development.

External

- Monitoring **competitors** and copying some of their product ideas, while being mindful of patent and copyright law.
- **Import substitution** where a product that is currently being imported is substituted by a home produced product of a similar quality or price.
- Use a **Market Research** company to spot gaps in the market and market trends. Kilronan Ltd could then exploit these gaps or niche markets.
- **Customer Complaints** could result in changes/developments in products.
- **Foreign travel/trade shows** could inspire Kilronan Ltd to make a new product for the domestic market.

(20 marks)

(60 marks)

Question 7

(A) Discuss **two** possible challenges associated with starting a new business.

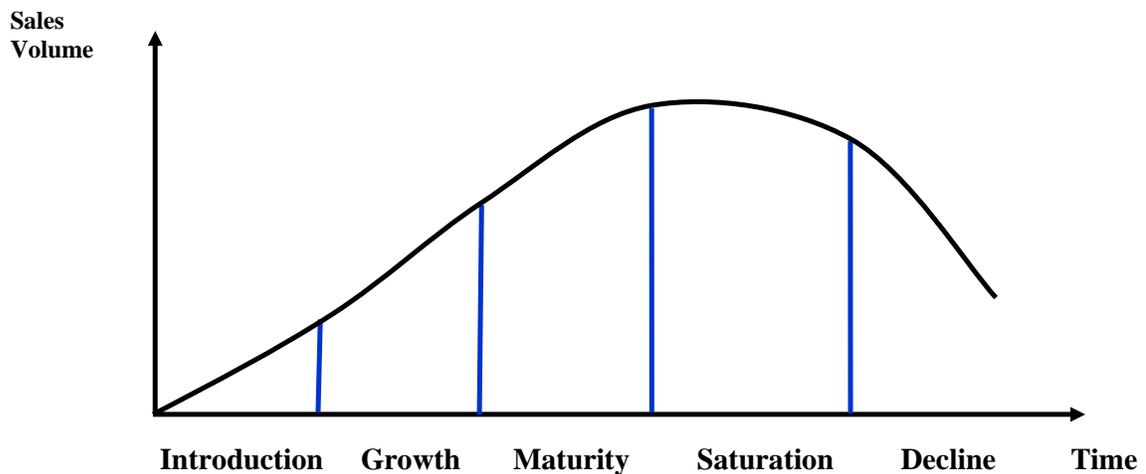
- Raising Finance/Capital: The business will have to choose suitable short-term (a bank overdraft to pay wages), medium-term (leasing equipment and machinery) and long-term finance (mortgage to purchase buildings) sources of finance. The business will have to raise finance to establish itself and survive. It will have to manage its cash flow and in particular its loan repayments.

- Ownership Option: The business will have to choose a suitable ownership option e.g. Sole Trader, Partnership or Private Limited company. A company may be attractive because it offers the benefit of limited liability. A partnership allows new skills to be acquired whereas a sole trader may be attractive because the owners retain control.
- Production Method (Manufacturing Firm): The business must choose a suitable method of production e.g. job, mass or batch production. The method chosen must suit the business, guarantee quality and ensure competitive prices.
- Recruitment/Lack of expertise. The business must recruit suitable staff with the right skills and qualifications that will enable the business to achieve its objectives. Trying to find workers who can work in teams, have good communications skills and work ethic is a challenge associated with a business start-up.

(10 marks)

(B) (i) Draw and label the 'product life cycle' diagram

The Product Life Cycle



Note: Diagram requires title, axes correctly labelled and stages must be in correct order.

- (ii) Illustrate the methods a business could use to extend a product's life cycle.

The business will have to change the **marketing mix** associated with the product in order to extend its life cycle.

Product

Improve the product/change its use/introduce line extensions (different flavours and sizes):

- The business could improve the design of the product, tweaking a feature e.g. adding internet access to a mobile phone. May attract new customers or previous customers may retry the product to find out what has improved.
Change the use of the product and may attract a wider consumer base/different market.
Different product line extensions will appeal to different market segments and may increase sales.
Alter the packaging which may appeal to a different market segment.

Price

Increase/decrease price:

- The business could change its pricing strategy. Adopting a different pricing strategy may increase sales and revenue e.g. selling match tickets at a lower price, which in turn sells out the stadium and maximises revenue. Price rise may make the product more exclusive and attract customers. Price decrease may mean existing customers buy more of the product.

Promotion:

Change the method of promotion

- Use a different and more effective promotion technique. Changing to television advertising may be expensive but it could increase awareness of the product, encourage customer loyalty and increase sales.
- Change the name of the product and new promotional techniques could then be used to attract attention.

Place:

Alter the place the product is sold

- Use a different distribution system e.g. direct selling to customers using the internet (Ryanair and Dell) may rejuvenate sales and extend the product's life cycle.
- Selling online can attract a worldwide audience.

(25 mark)

(C) (i) As part of a feasibility study for a new product, Moore Ltd supplies the following information:

Forecasted Output (Sales)	40,000 units
Selling Price per unit	€20
Variable Cost per unit	€10
Fixed Costs	€300,000

Illustrate by means of a breakeven chart the following:

- (a) The Breakeven Point;
- (b) Profit at forecast output;
- (c) The Margin of Safety at forecast output.

$$SP = €20$$

$$VC = €10$$

$$\text{Contribution per unit} = €20 - €10 = €10$$

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

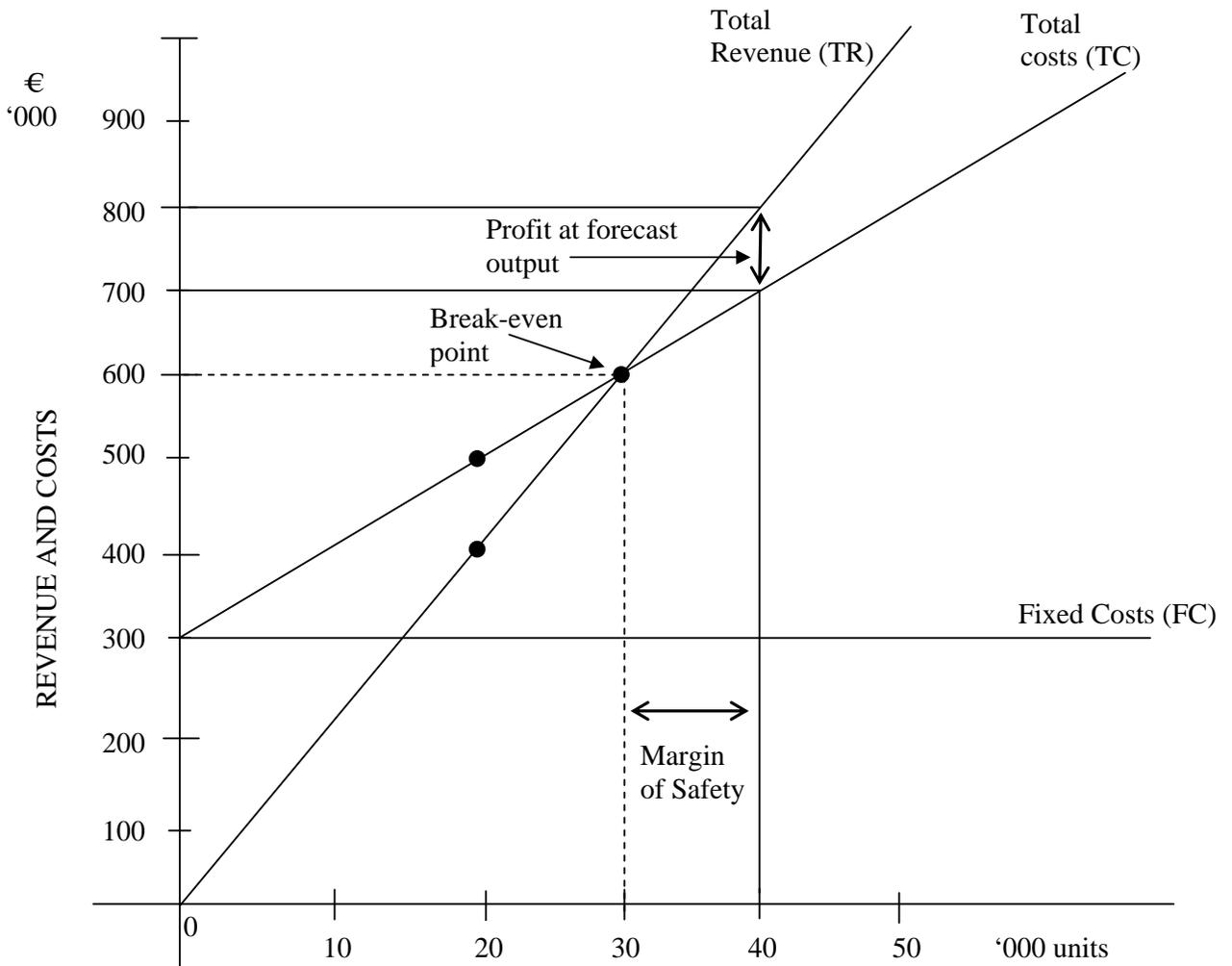
$$= \frac{300,000}{10} = 30,000 \text{ units}$$

Units	S/P	V/costs	F/Costs	T/Costs	T/Revenue	Profit
0	20	0	300,000	300,000	0	0
30,000	20	300,000	300,000	600,000	600,000	0
40,000	20	400,000	300,000	700,000	800,000	100,000

$$(b) \text{ Profit at forecast output} = €800,000 - €700,000 = €100,000$$

$$(c) \text{ Margin of Safety} = 40,000 - 30,000 = 10,000 \text{ Units}$$

(i) Break Even Chart- Moore Ltd



(ii) Outline **one** other function of a feasibility study for Moore Ltd.

A feasibility study is an investigative report into the potential and profitability of a business idea.

- **Market feasibility** i.e. is there a demand for the product/what is the best marketing mix for the product and what sales figures are likely to be?
- **Production/technical feasibility** i.e. do we have the machinery, equipment and buildings to manufacture the product?
- **Skills feasibility** i.e. does our business have the requisite skills to make the product e.g. management skills and employee skills or will we require training and if so how much will this training cost?
- **Environmental feasibility** i.e. will the production processes necessary for the new product have an impact on the local environment? Will I need planning permission?

(20 marks)

(60marks)

THE END

