

# **BUSINESS**

## **Higher Level 2006**

**This booklet contains the following:**

- 1. MARKING SCHEME**
- 2. NOTES ACCOMPANYING MARKING SCHEME**

**The notes presented here are neither exhaustive nor complete. They are not model or suggested answers. Further points of information, illustration, etc. presented by candidates are assessed and rewarded by the examiners on their merits.**

**LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2006  
MARKING SCHEME**

**SECTION 1** (80 marks)

Answer 8 questions. Each question carries 10 marks.

<b>Question</b>	<b>Scheme</b>	
<b>1.</b>	5 + 5 marks (2 + 3)	<b>10</b>
<b>2.</b>	5 + 5 marks (2 + 3)	<b>10</b>
<b>3.</b>	5 + 5 marks (2 + 3)	<b>10</b>
<b>4.</b>	10 @ 1 mark each	<b>10</b>
<b>5.</b>	5 + 5 marks (2 + 3)	<b>10</b>
<b>6.</b>	5 @1 mark (headings) and 5 @ 1 mark (information)	<b>10</b>
<b>7.</b>	10 @ 1 mark each	<b>10</b>
<b>8.</b>	5 + 5 marks (2 + 3)	<b>10</b>
<b>9.</b>	4 + 3 + 3 marks	<b>10</b>
<b>10.</b>	2 marks + 8 @ 1 mark	<b>10</b>
<b>Section 1</b>	Available Marks	<b>80</b>

**SECTION 2** (80 marks)

**Applied Business Question (Units 3, 4 and 5)**

<b>(A)</b>	Management Activities Illustration from text of the ABQ	(3 @ 10 marks) (2+6 (3+3)+2)	<b>30</b>
<b>(B)</b>	Strategies to manage change Must have reference to text of ABQ	4 points @ 5 m each (2+2+1)	<b>20</b>
<b>(C)</b>	Price Promotion Relevant to the text of the ABQ	15 marks (6(3+3) +6(3+3) +3) 15 marks (6(3+3) +6(3+3) +3)	<b>30</b>
	Available marks		<b>80</b>

**SECTION 3** (240 marks)

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**

<b>People in Business</b>
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**Question 1**

<b>(A)</b>	Competitive and Co-operative relationship Must have examples included	8 + 7 marks (3 + 3 +2) and (3 + 3 + 1)	<b>15</b>
<b>(B)</b>	(i) Fair Dismissal (ii) Types of redress	3 @ 5 marks (2 + 3) 2 @ 5 marks (2 + 3)	<b>25</b>
<b>(C)</b>	Elements of a contract	5 @ 4 Marks (2+2)	<b>20</b>
	Available marks		<b>60</b>

<b>Domestic / International Environment</b>
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**Question 2**

<b>(A)</b>	Categories of Industry	4 @ 5 marks (2 + 3)	<b>20</b>
<b>(B)</b>	Inflation Interest rates	10 marks (5 + 5 marks) (2 + 3) 10 marks (5 + 5 marks) (2 + 3)	<b>20</b>
<b>(C)</b>	Social responsibilities	4 @ 5 marks (2 + 3)	<b>20</b>
	Available marks		<b>60</b>

**Domestic / International Environment**

**Question 3**

<b>(A)</b>	(i) EU decision-making process (ii) EU Directive and effect of <b>one</b>	15 marks [5 + 5 + 5 (2 + 3)] 10 marks (5 + 5 marks (2 + 3))	<b>25</b>
<b>(B)</b>	<b>Two</b> of CAP, CP and Social Charter	2 @ 10 marks (5 + 5) (2 + 3)	<b>20</b>
<b>(C)</b>	Changes in the Int. Economy and Irish business	3 @ 5 marks (2 + 2 + 1)	<b>15</b>
	Available marks		<b>60</b>

**Part 2**

**Managing / Enterprise**

**Question 4**

<b>(A)</b>	<b>One</b> motivational theory	(2+2+2+2+2) or (2 +4 +4) marks	<b>10</b>
<b>(B)</b>	<b>Three</b> styles of leadership	3 @ 10 marks (2 + 4 + 4)	<b>30</b>
<b>(C)</b>	<b>Four</b> enterprising skills	4 @ 5 marks (2 + 3)	<b>20</b>
	Available marks		<b>60</b>

**Managing / Business in Action**

**Question 5**

<b>(A)</b>	(i) Indemnity and Insurable Interest (ii) Insurance for Household and Business	10 marks (5 + 5) (2 + 3) 10 marks (5 + 5) (2 + 3)	<b>20</b>
<b>(B)</b>	(i) Gross Profit Margin Net Profit Margin Return on Investment (ii) Analysis of trends and use by shareholders	2+5+5 marks 2+3+3 marks 2+3+3 marks 12 marks 3 @ 4 marks (2+2)	<b>40</b>
	Available marks		<b>60</b>

<b>Business in Action</b>
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**Question 6**

<b>(A)</b>	Business Plan – <b>five</b> main headings and contents	5 @ 8 marks (2+3+3)	<b>40</b>
<b>(B)</b>	(i) Implications of expansion (ii) <b>Two</b> methods of expansion	2 @ 5 marks (2 + 3) 2 @ 5 marks (2 + 3)	<b>20</b>
	Available marks		<b>60</b>

<b>Business in Action</b>
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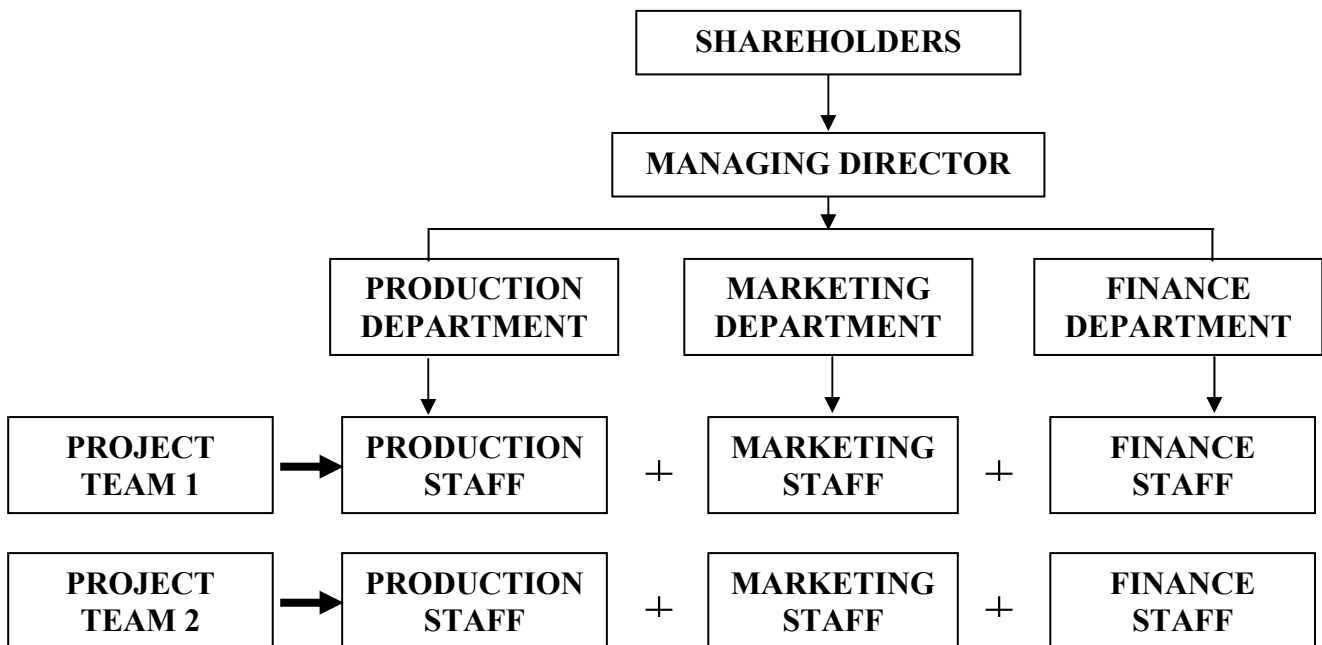
**Question 7**

<b>(A)</b>	Stages in new product/service development process	6 @ 3 marks (2 + 1) (in order)	<b>20</b>
<b>(B)</b>	Significance of: Packaging Branding Product Life Cycle	9 marks (5 + 4) 9 marks (5 + 4) 9 marks (4 at 2 marks + 1)	<b>30</b>
<b>(C)</b>	Channel of distribution and recommendation <u>Note:</u> Report structure divided (A ~ C)	9 marks (5 + 4) 6 marks (2 + 3 + 1)	<b>10</b>
	Available marks		<b>60</b>

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**SECTION 1**  
**SHORT ANSWER QUESTIONS**  
(Support Notes)

1. Entrepreneurship (illustrate)  
An entrepreneur is an individual (or a group of people) who undertake the risks of establishing and running a business. Entrepreneurship is the characteristic that takes the risk of organising all the resources necessary to provide a product or service whilst exploiting an opportunity for a possible reward called profit. Valid example also required.
  
2. Director of Consumer Affairs (**Two** functions – outline)  
The functions of the Director of Consumer Affairs include the following:
  - To view advertisements in general to ensure compliance with the law
  - To examine particular advertising practices
  - To request advertisers to cease advertising
  - To request that an advertisement be altered
  - To receive and investigate complaints
  - To prosecute offenders in court
  - To monitor other legislation and EU consumer directives
  - To encourage and promote the use of codes of good practice, e.g. the Code of Advertising Standards for Ireland
  - To publish an annual report.
  
3. Management (define)  
Management is the process of combining human activities and physical resources towards the achievement of goals through people in formally organised groups.
  
4. Matrix structure (draft and label)



5. Privatisation (explain and illustrate)
  - (a) Privatisation refers to the sale of shares in state-owned enterprises to the public, e.g. Telecom Éireann and Irish Life, etc.
  - (b) Impact on the development of the economy required



6. Memorandum (draft)

**To:** All Retail Staff

**From:** Sales Manager

**Date:** 14-06-2006

**Re:** Please note that the agreed 10% commission scheme will apply to all sales from July 1<sup>st</sup> next.

**Signed:** Joe O'Rourke Sales Manager

7. Debt/Equity ratio (calculate)

2004	2005
$\frac{270,000}{320,000 + 40,000}$	$\frac{140,000}{420,000 + 30,000}$
$\frac{270,000}{360,000}$	$\frac{140,000}{450,000}$
0.75 : 1	0.31 : 1

**Improving**  $\checkmark$ . **One** possible relevant reason required.

8. Ethical Business Practice (define)

Ethical Business Practice involves conducting business guided by a set of moral principles that govern the action of an individual or group in certain circumstances, e.g. in areas such as fair competition in the market place, social responsibility, pollution control, etc.

9. Short-term finance (define and outline)

(a) Finance available for less than one year and used to finance short-term assets such as stock.

(b) **Two** short-term finance options include:

Trade Creditors

Bank Overdraft

Accrued Expenses, etc.

10. International Trade (explain and calculate)

(a) Invisible Exports: The part of international trade that relates to the sale of services by a country, e.g. insurance, transport, the services of financial institutions and tourism.

(b) (i) Balance of Trade:  $VE - VI = 8 - 7 = \text{€}1 \text{ billion}$  Note:  $VE: 19 - 11 = 8$   $VI: 16 - 9 = 7$   
(ii) Balance of Payments:  $TE - TI = 19 - 16 = \text{€}3 \text{ billion}$

**SECTION 2**  
**Applied Business Question**  
(Support Notes)

(A) Management activities (discuss)

**Planning** involves selecting organisational goals or objectives and seeking out ways to achieve them. Plans reduce risk and uncertainty and give an organisation purpose and direction. These may include:

- Mission Statement
- Strategic plans
- Tactical plans, etc.

Possible links to text include:

*Ruth's aim is to become a market leader*

*Market share and turnover low - penetrate the market by a further 50% within next five years*

**Organising** involves getting things done through some form of organised structure so that a business, with its activities coordinated, has the best chance of reaching its objectives.

Possible structures are line organisation, line and staff organisation and matrix structure.

Possible links to text could include:

*Introduce clearly defined lines of responsibility for staff in the areas of purchasing, sales/marketing*

*Retraining programme for existing staff*

**Controlling** involves measuring the deviations from planned performance and taking action to correct them.

Elements in a business requiring control include:

Quality control, Stock (Inventory) control, Credit control, Budgetary control.

Possible links to text could include:

*Expertise of staff – quality, stock, credit, budget*

*Rewards for achieving targets*

- (B) Strategies that will help to manage the changes (advise)
- Total commitment by senior management to the changes proposed
  - Genuine involvement and participation in the change process by employees
  - Effective communications between all the parties throughout the change process
  - Consultation with trade unions/employee representatives
  - Adequate funding for all stages of the change process
  - Negotiation - remuneration packages, productivity agreements
  - Empowerment/Training/Job rotation/Job enlargement/Quality Circles/Progress review structure, etc.

Possible links to text could include:

*Opposition from staff*

*Retraining*

*Improving staff expertise*

*Incentives*

*Rewards for achieving targets*

- (C) Price and Promotion elements of the marketing mix (illustrate)

### **Price**

Pricing policies include: Strategic Pricing, Cost Plus Pricing, Going Rate Pricing, Market Share Pricing (Penetration Pricing), Premium Pricing and Tactical Pricing.

Possible links to text could include:

*Market share and price*

*Turnover*

*Penetrate the market*

*Purchasing*

*Competition close by*

### **Promotion**

This is used by business enterprises to let existing and possible future customers know about the products on offer and to get them interested in buying the goods. The essential promotional methods are: advertising, sales promotion, public relations, personal selling.

The purpose of all four elements of promotion is to inform the market that the enterprise has something for sale and to convince someone to actually purchase it.

Possible links to text could include:

*Has not up to now invested in marketing activities*

*'Do It Yourself' dept.*

*New shop*

*Penetrate the market*

**SECTION 3**  
**Part 1**  
(Support Notes)

**Question 1**

**(A)** Competitive or Co-operative relationship – (discuss with examples)

Competitive relationship: An enterprise and its stakeholders can pursue different objectives to each other or attempt to achieve particular objectives at the expense of each other. This can involve people within the enterprise and outside interests which impact on the enterprise. A competitive relationship within an enterprise might be where salespeople compete with each other for orders or employees compete for promotion. Outside an enterprise, examples of competitive issues can relate to prices and the recruitment of employees.

Co-operative relationship: An enterprise and its stakeholders can work together for their mutual benefit. This requires joint action or effort and can occur between people within an enterprise, e.g. employees helping each other in a spirit of teamwork to achieve a certain level of sales or profit.

**(B)** Unfair Dismissals Act 1977/1993

(i) Grounds for fair dismissal (explain)

- Incompetence on the part of the employee
- Qualifications (misrepresentation by the employee)
- Misconduct by the employee, e.g. theft, etc.
- Redundancy.

(ii) Redress for unfair dismissal (describe and illustrate)

The redress awarded can be of three types:

- Reinstatement of the employee
- Re-engagement of the employee
- Monetary compensation up to a maximum of two years' salary.

Appeals for redress are dealt with by a Rights Commissioner or the Employment Appeals Tribunal (EAT).

**(C)** Elements of valid contract (explain)

1. Agreement (Offer and Acceptance)
2. Consideration
3. Intention to Contract
4. Consent
5. Capacity to Contract
6. Legality of form
7. Legality of purpose.

## Question 2

**(A)** Categories of Industry (outline and describe)

Primary (Extractive): Agriculture, forestry, fishing, mining.

Secondary (Manufacturing/Construction): food processing, electronics, chemicals, pharmaceuticals, building, development of the physical infrastructure, roads, bridges, tunnels, etc.

Tertiary (Service industry): Public Utilities, e.g. electricity, gas, etc.  
Transport, communications, distribution, financial, entertainment, etc.  
Banking, tourism, entertainment.

Contribution – **one** from Primary, Secondary or Tertiary required

**(B)** Impact of Inflation and Interest Rates (describe)

Inflation can be defined as the ‘sustained’ increase in the level of prices in the economy as measured by the Consumer Price Index.

Impact on business required

The interest rate charged by a financial institution for a loan is the price that has to be paid for the use of the money by the borrower.

Impact on business required

**(C)** Social Responsibilities of business (discuss)

Social responsibilities relate to:

- Employees
- Customers
- Society – Community
- Government (legislation and policy)
- Environmental Issues
- Shareholders/Owners.

### Question 3

- (A) (i) The decision-making process of the EU (outline)
- Proposals are made and/or legislation drafted by the **European Commission**
  - These proposals are then discussed by the **European Parliament**
  - Opinions of interested parties are sought, received and considered.
  - Decisions are usually made by the **Council of Ministers** or the **European Council**
  - Legislation is implemented by the **European Commission**
  - Decisions/legislation can be adjudicated upon by the **Court of Justice**.
- (ii) EU Directive (explain)  
A legal instrument to implement and enforce EU law in member states which obliges members to change their national laws within a time limit/deadline.  
Effect of **one** EU directive on Irish business required  
e.g. The Waste Electrical and Electronic Equipment Directive, The General Product Safety Directive, Product Liability Directive, The Misleading Advertising Directive, etc.
- (B) Impact on Ireland of any **two** of the following (evaluate)
- (i) The Common Agricultural Policy – a system of agricultural subsidies operated by the EU.  
Impact on Ireland required
- (ii) The Competition Policy - the EU has rules to ensure that businesses operate on a fair basis and that customers benefit.  
Impact on Ireland required
- (iii) The European Union Social Charter  
The members of the EU signed the Charter of the Fundamental Social Rights of Workers in Strasbourg in 1989. This EU Social Charter sets out twelve basic principles.  
Impact on Ireland required
- (C) Changes in the international economy and impact on Irish business (analyse and examples)  
The main changes that have taken place in the international economy that impact on Irish business include:
- World Trade Organisation
  - Influence of Transnationals
  - The growth in Trading Blocs and Agreements
  - Technology
  - Emerging Countries
  - The European Union / Enlarging European Union
  - Political Changes
  - Deregulation
  - The Market Opportunities (Eastern Europe).

**Part 2**  
(Support Notes)

**Question 4**

- (A) **One** motivational theory (describe)
- Maslow's Hierarchy of Needs
  - McGregor's Theory X and Theory Y
- (B) **Three** styles of leadership (discuss)
- Autocratic (Authoritarian)
  - Democratic
  - Laissez Faire
- (C) **Four** enterprising skills – two to business and two to the community (analyse and examples)
- Enterprising skills include:
- Risk taking
  - Flexibility
  - Realism
  - Decision-making
  - Leadership
  - Risk management
  - Planning and Goal setting
  - Time management
  - Delegation
  - Using Feedback
  - Problem solving
  - Stress management
  - Human relations.

Ability to relate enterprising skills to business and the community required

### Question 5

- (A) (i) Indemnity and Insurable Interest (differentiate and illustrate)  
 Indemnity: There must be no profit from insurance, only compensation for the actual loss.  
 Insurable Interest: The insured must benefit by the continued existence of an object and suffer by its loss.

- (ii) Insurance for a household and a business (distinguish)
- The scale of the operation (size, risks, value of items, etc.)
  - Types of policies
    - Fire
    - Accidents
    - Public liability
    - Motor insurance
    - Life assurance
    - Employer's liability
    - Public liability
    - Fidelity guarantee
    - Credit insurance
    - Stock in transit.

- (B) (i) Gross Profit Margin, Net Profit Margin and Return on Investment (calculate)

Profitability	2004	2005
Gross Profit Margin GP / Sales	$100,000/400,000 \times 100 = 25\%$	$120,000/500,000 \times 100 = 24\%$
Net Profit Margin NP/ Sales	$60,000/400,000 \times 100 = 15\%$	$70,000/500,000 \times 100 = 14\%$
Return on Investment NP / Cap. Employed	$60,000/600,000 \times 100 = 10\%$	$70,000/650,000 \times 100 = 10.76\%$

- (ii) Profitability trends and use by shareholders in making decisions (analyse and discuss)  
 Development of issues required



## Question 6

- (A) Business Plan for proposed new business – **five** main headings with contents (draft)
- (a) Introduction
  - (b) Summary
  - (c) The Main Body of the Plan
    1. Description of the business
    2. Key Personnel
    3. Market Analysis
    4. Marketing Strategies
    5. Product (organic breakfast cereals)
    6. Manufacturing, Operations and Premises
    7. Financial Analysis
    8. Investment Proposal
    9. Conclusion
  - (d) Appendices.
- (B) (i) Implications for the business of expansion (describe)  
The implications for the business of expansion relate to:
- Short-term
    - Organisation structure
    - Capital
    - Cash flow
    - Resources (Human and other)
  - Long-term
    - Future marketing
    - Research and Development
    - Production facilities
    - Strategic planning
    - Profits.
- (ii) **Two** methods of expansion (explain)  
Relevant methods of expansion into the EU market might include:
- Merger/Takeover
  - Strategic Alliance and Joint Venture
  - Licensing – Franchising.

## Question 7

- (A) The stages in the development of a new product/service (explain)
- Idea generation and development
  - Product or service screening
  - Concept development
  - Feasibility study
  - Prototype development
  - Test marketing
  - Launch on the market.
- (B) The significance of 'packaging', 'branding' and 'product life cycle (explain)
- Packaging – significance of 'packaging' and reference to the business required
  - Branding – significance of 'branding' and reference to the business required
  - Product Life Cycle – significance of 'product life cycle' and reference to the business required.
- (C) Channel of Distribution (explain and recommend)
- The term 'channel of distribution' refers to the movement of goods from one party to another, i.e. manufacturer to wholesaler to retailer to consumer.
- Recommendation of suitable channel required

Note: **One** single report required for question

- Formal report structures include:
  - Title
  - Names
  - The Executive Summary
  - Introduction / Terms of Reference
  - Findings
  - Recommendations
  - Acknowledgements
  - Appendices
  - Bibliography / Reference
  - Index.