



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2017

Marking Scheme

Business

Higher Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.



Coimisiún na Scrúduithe Stáit
State Examinations Commission

LEAVING CERTIFICATE 2017

MARKING SCHEME

BUSINESS

HIGHER LEVEL

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

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

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

**LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2017
MARKING SCHEME**

**SECTION 1
(80 Marks)**

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

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

SECTION 2
(80 Marks)
Palace Cinema Ltd.

Applied Business Question (Units 4,5,6)			Max Mark
This is a compulsory question.			
(A)	Describe how the government regulates and encourages business, with reference to Palace Cinema Ltd. Action, explanation and relevant link	3@ 7+7+6 ((2+3+2) (2+3+2) (2+3+1))	20 marks
(B)	Analyse the impacts of changing customer needs on the marketing mix of The Palace Cinema Ltd. Name the element, explain the element/why the element changed, and relevant link.	2@9 (3+3+3) 2@6 (2+2+2)	30 marks
(C)	(i) Outline briefly the difference between 'a controller manager' and 'a facilitator manager'. (ii) Evaluate Joanne's approach to managing the James Bond film festival 2017. Evaluation:	(5+5) 3@6(2+2+2) 2m	30 marks
Section 2	Available Marks		80 marks

In answering the questions on the ABQ, candidates must make use of relevant knowledge and understanding gained in the subject while studying the course in addition to the relevant links from the ABQ.

In relation to the links given, they **must** be a direct relevant quote/phrase/statement from the ABQ indicating that candidates clearly understand the point(s) of theory presented. Separate links are required in each section. No link awarded without relevant theory.

Question 2			Max Mark
Domestic Environment			
(A)	<p>Discuss the challenges facing businesses in the tertiary (services) sector in Ireland</p> <p>Specific reference to industry/business in the tertiary (services) sector required for 1m.</p>	3@5(2+2+1)	15
(B)	<p>(i) Explain the term code of ethics.</p> <p>(ii) Outline the benefits and challenges for a business of introducing a code of ethics. At least one of each required.</p>	<p>5m</p> <p>7(4+3) +4(2+2) +4(2+2)</p>	20
(C)	<p>(i) Define the term privatisation.</p> <p>(ii) Evaluate the benefits and challenges of privatisation for the Irish economy. At least one of each required.</p> <p>Evaluation</p>	<p>8m (4+4)</p> <p>3@5(2+3)</p> <p>2m</p>	25
Available Marks			60

Question 3 International Environment			Max Mark
(A)	<p>Invisible Exports: €101,750 million Invisible Imports: €109,376 million Total Exports: €194,366 million Total Imports €171,534 million</p> <p>(i) Calculate the Balance of Trade using the figures above. (Show your workings.)</p> <p>(ii) Define the term tariff and explain the possible effect on the Irish economy if the UK Government was to impose a tariff on Irish goods in the future.</p>	<p>Calculation Visible exports: 4marks Visible imports: 4marks</p> <p>Answer: 5 marks (4+1) (answer/surplus)</p> <p>Tariff (4+2) Effect (4+2)</p>	25
(B)	Discuss the different channels of distribution that Irish businesses may consider when introducing their products to international markets.	7(4+3)+4(2+2)+4(2+2)	15
(C)	Should Ireland leave the European Union? Outline reasons for your answer.	2m 3 @ 6(3+3)	20
Available Marks			60

Section 3

Part 2

Enterprise

Question 4			Max Mark
Enterprise/Managing			
(A)	Outline the characteristics/skills that you would associate with entrepreneurs.	4 @ 5 (2+3)	20
(B)	Explain the benefits to a business of having a manager who is an effective communicator.	4 @ 5 (3+2)	20
(C)	Using your knowledge of the Data Protection Acts 1988 and 2003 , draft a report from Emer Kelly to Richard Daly, Managing Director, outlining the obligations of Bective Manor to its customers in relation to data protection. (Use today's date.)	<p><u>Format: (6 marks)</u></p> <p>Title: 1m To: 1m From: 1m Date: 1m Terms of Reference: 1m Findings/obligations: 1m (6 compulsory headings)</p> <p><u>Content: (14 marks)</u></p> <p>Three relevant points required: 3points @5+5+4</p>	20
Available Marks			60

Question 5			Max Mark
Business in Action			
(A)	Describe the stages in the new product development process up to and including prototype development. Refer to the AeroMobil 3.0 vehicle in your answer. (Stages must be in the correct order for full marks to be awarded.)	5@5(2+2+1)	25
(B)	Explain the factors a business should consider when designing a product.	3@5(2+3)	15
(C)	(i) Outline the main sections contained in a business plan. (ii) Explain the importance of a business plan for two different stakeholders.	3@4(2+2) 2@4(2+2)	20
Available Marks			60

Question 6 Managing			Max Mark																				
(A)	Outline the financial rewards used for motivating employees. Name, Explain	3@5(2+3)	15																				
(B)	Calculations: (i) Net Profit Margin (ii) Current Ratio (iii) Return on Investment (iv) Debt/Equity Ratio	<table border="1"> <thead> <tr> <th>Formula:</th> <th>Workings:</th> <th>Answer:</th> <th>Total:</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>1,1</td> <td>1</td> <td>4</td> </tr> <tr> <td>1</td> <td>1,1</td> <td>1</td> <td>4</td> </tr> <tr> <td>1</td> <td>1,1,1,1</td> <td>1</td> <td>6</td> </tr> <tr> <td>1</td> <td>1,1,1</td> <td>2</td> <td>6</td> </tr> </tbody> </table>	Formula:	Workings:	Answer:	Total:	1	1,1	1	4	1	1,1	1	4	1	1,1,1,1	1	6	1	1,1,1	2	6	20
Formula:	Workings:	Answer:	Total:																				
1	1,1	1	4																				
1	1,1	1	4																				
1	1,1,1,1	1	6																				
1	1,1,1	2	6																				
(C)	<p>(i) Analyse the profitability and liquidity of Equinox Design Ltd for 2016 with reference to the results for 2015 shown in the box above.</p> <p>(ii) Should Equinox Design Ltd expand its business? Outline one reason for your answer.</p> <p>(iii) Outline two limitations of using ratios to analyse the final accounts of a business.</p>	<p>Profitability:8m NPM Trend, 2 marks ROI Trend, 2 marks Analysis of both trends 2marks +2marks</p> <p>Liquidity:6m Trend, 2 marks Analysis of trend (2+2) marks</p> <p>2m</p> <p>3m</p> <p>6m(4+2)</p>	25																				
Available Marks			60																				

Question 7 Managing/Business in Action			Max Marks
(A)	<p>(i) Explain the term niche market with reference to Fantasia Clothing Ltd.</p> <p>(ii) Illustrate the implications for a business operating in a niche market</p>	<p>(5+1)</p> <p>7(4+3)+7(4+3)</p>	20
(B)	<p>(i) Outline three pricing strategies a marketing manager could consider in setting a selling price for a product or service.</p> <p>(ii) Name one pricing strategy suitable for a product or service of your choice, explaining the reason for your choice of pricing strategy.</p> <p>Suitable Pricing Strategy + chosen product/service</p> <p>Explain the suitability of your product/service to the chosen pricing strategy.</p>	<p>3@5(2+3)</p> <p>2 marks</p> <p>3 marks (0,1,3)</p>	20
(C)	<p>Discuss the factors a business should consider when choosing a source of finance.</p>	<p>7(4+3)+7(4+3)+6(3+3)</p>	20
Available marks			60

SECTION 1
(80 Marks)
SHORT ANSWER QUESTIONS
SUPPORT NOTES

Question	Possible Responses	Max Mark										
1.	<table border="1"> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">2</td> <td style="text-align: center;">3</td> <td style="text-align: center;">4</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: center;">E</td> <td style="text-align: center;">A</td> <td style="text-align: center;">B</td> <td style="text-align: center;">C</td> <td style="text-align: center;">F</td> </tr> </table>	1	2	3	4	5	E	A	B	C	F	10
1	2	3	4	5								
E	A	B	C	F								

Question	Possible Responses	Max Mark
2.	<p>(i) <i>A Sole Trader business is affected by the death of the owner.</i></p> <p>(ii) <i>The shares of PLC can be quoted on the stock exchange.</i></p> <p>(iii) <i>In a Franchise agreement, a fee is paid to the franchisor.</i></p> <p>(iv) <i>In a Co-operative, the voting rights of members are equal.</i></p> <p>(v) <i>A Partnership is not a separate legal entity.</i></p>	10

Question	Possible Responses	Max Mark										
3.	<table border="1"> <tr> <td style="text-align: center;">IBEC</td> <td style="text-align: center;">IRISH BUSINESS EMPLOYERS CONFEDERATION</td> </tr> <tr> <td style="text-align: center;">ICTU</td> <td style="text-align: center;">IRISH CONGRESS OF TRADE UNIONS</td> </tr> <tr> <td style="text-align: center;">ISME</td> <td style="text-align: center;">IRISH SMALL AND MEDIUM ENTERPRISES</td> </tr> <tr> <td style="text-align: center;">IFA</td> <td style="text-align: center;">IRISH FARMERS ASSOCIATION</td> </tr> <tr> <td style="text-align: center;">CAI</td> <td style="text-align: center;">CONSUMERS ASSOCIATION OF IRELAND</td> </tr> </table>	IBEC	IRISH BUSINESS EMPLOYERS CONFEDERATION	ICTU	IRISH CONGRESS OF TRADE UNIONS	ISME	IRISH SMALL AND MEDIUM ENTERPRISES	IFA	IRISH FARMERS ASSOCIATION	CAI	CONSUMERS ASSOCIATION OF IRELAND	10
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Question		Possible Responses	Max Mark										
4.		<table border="1"> <tr> <td>1.</td> <td>TRUE</td> </tr> <tr> <td>2.</td> <td>FALSE</td> </tr> <tr> <td>3.</td> <td>TRUE</td> </tr> <tr> <td>4.</td> <td>FALSE</td> </tr> <tr> <td>5.</td> <td>FALSE</td> </tr> </table>	1.	TRUE	2.	FALSE	3.	TRUE	4.	FALSE	5.	FALSE	10
1.	TRUE												
2.	FALSE												
3.	TRUE												
4.	FALSE												
5.	FALSE												

Question		Possible Responses	Max Mark										
5.		<table border="1"> <tr> <td>A.</td> <td>25,000</td> </tr> <tr> <td>B.</td> <td>(3,000)</td> </tr> <tr> <td>C.</td> <td>11,000</td> </tr> <tr> <td>D.</td> <td>5,000</td> </tr> <tr> <td>E.</td> <td>16,000</td> </tr> </table>	A.	25,000	B.	(3,000)	C.	11,000	D.	5,000	E.	16,000	10
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B.	(3,000)												
C.	11,000												
D.	5,000												
E.	16,000												

Question		Possible Responses	Max Mark
6.		<p>Assess Credit History / Credit Worthiness: The credit worthiness of potential customers is checked in advance, e.g. asking for bank references, trade references, credit bureau, Stubbs Gazette.</p> <p>Credit Limits Set appropriate credit limits and credit periods: Draw up clear terms and conditions controlling the amount of credit and ensuring that payments are made on time.</p> <p>Discounts Offer incentives such as a cash discount for early or prompt payment.</p> <p>Penalty Policy for late payments/partial payments: agreeing on penalties for late payments and implementing them, e.g. charging interest on overdue accounts.</p> <p>Issue invoices in an efficient manner Have an efficient administrative system where invoicing, payment demands and follow up phone calls and visits occur promptly to ensure payment.</p> <p>No credit sales/cash sales only Adopt a cash sales only policy with certain customers etc.</p>	10

Question		Possible Responses	Max Mark
7.	(a)	A global business sells all over the world/regards the world as a single market /using a standardised marketing mix /adapted marketing mix.	10
	(b)	Examples: Coca-Cola, Google, Facebook, Nike, Adidas, Amazon, VW, Ford etc.	

Question		Possible Responses	Max Mark										
8.	(a)	<table border="1"> <thead> <tr> <th></th> <th>Full Label</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>FIXED COSTS</td> </tr> <tr> <td>B</td> <td>TOTAL REVENUE</td> </tr> <tr> <td>C</td> <td>TOTAL COSTS</td> </tr> <tr> <td>D</td> <td>BREAK EVEN POINT</td> </tr> </tbody> </table>		Full Label	A	FIXED COSTS	B	TOTAL REVENUE	C	TOTAL COSTS	D	BREAK EVEN POINT	10
		Full Label											
A	FIXED COSTS												
B	TOTAL REVENUE												
C	TOTAL COSTS												
D	BREAK EVEN POINT												
(b)	<p>Calculation of Margin of Safety 75,000 units – 50,000 units = 25,000 units OR €1,350,000-€900,000=€450,000</p> <p>*Answer must show correct unit of measurement to be awarded marks (units or €).</p> <p>Explanation: How far forecasted sales/sales revenue can fall before the firm becomes lossmaking.</p>												

Question		Possible Responses	Max Mark
9.	(a)	<ul style="list-style-type: none"> • Drafts proposals for new laws: The Commission is the sole EU institution tabling laws for adoption by the Parliament and the Council that protect the interests of the EU and its citizens on issues that can't be dealt with effectively at national level. • Implements laws/Enforces existing legislation Together with the Court of Justice, ensures that EU law is properly applied in all the member countries. • Represents the EU internationally Speaks on behalf of all EU countries in international bodies, in particular in areas of trade policy and humanitarian aid. Negotiates international agreements for the EU. • Manages the EU Budget <ul style="list-style-type: none"> ○ Sets EU spending priorities, together with the Council and Parliament. ○ Draws up annual budgets for approval by the Parliament and Council. ○ Supervises how the money is spent, under scrutiny by the Court of Auditors. 	10
	(b)	The European Parliament Council of the European Union (Council of Ministers)	

Question		Possible Responses	Max Mark
10.		<p>Inflation rate is a (sustained) percentage increase in the general level of prices/cost of living over a period of time, normally 1 year/It is measured by the Consumer Price Index (CPI)/percentage increase in the price of goods.</p> <p>The price/cost/reward paid by a borrower to a lender for the use of money/the cost of borrowed money expressed as a % of amount borrowed/amount of money the borrower must pay the lender for the use of the lender's funds expressed as a % of amount borrowed/set by the ECB.</p> <p>Or</p> <p>The reward for money saved/invested over a period of time expressed as a % of amount invested.</p>	10

SECTION 2

(80 marks)

Applied Business Question

Palace Cinema Ltd.

(SUPPORT NOTES)

- (A) Describe how the government regulates **and** encourages business, with reference to Palace Cinema Ltd.

Question	Possible Responses	Max Mark
(A)	<p><u>REGULATES</u></p> <p>The government regulates business through its legislation/laws/taxation. Legislation can protect stakeholders such as consumers, employees, local communities, general public etc.</p> <p><u>How does regulation impact on business?</u></p> <p>National minimum wage Government sets the national minimum wage (the legal minimum hourly rate) that must be paid to employees thereby protecting low paid employees/avoiding the exploitation of workers. Businesses must abide by the national minimum wage legislation.</p> <p><i>The cinema provided full-time employment for 10 employees in the past, although that number was reduced following the introduction of the national minimum wage in the Government's Budget 2000</i></p> <p>Taxation Business Taxation refers to a compulsory payment made by a business to the government to finance the running of the State. Taxation can be used also as a means of protecting the environment.</p> <p><i>When the business premises were refurbished, the heating system was modernised to reduce the impact of the 'Carbon Tax' which was introduced in Budget 2009.</i></p> <p>Note:</p> <p><i>Other pieces of legislation on the course may be acceptable if an appropriate/relevant link is identified from the ABQ.</i></p>	<p>2@ (2+3+ 2), 1@ (2+3+1) Action explanation and relevant link</p> <p><u>At least one point under regulation is required</u></p>

		<p>Sale of goods and supply of services Act 1980/services provided must be as described/merchantable quality.</p> <p><i>She launched a film club called 'Friends of the Palace' which shows international cinema, targeting film lovers and provides an opportunity for audiences of all ages to view films from all over the world.</i></p> <p>Consumer Protection Act 2007/ consumers are protected against false or misleading advertising.</p> <p><i>Members receive an e-newsletter once a month with links to the trailers of upcoming films.</i></p> <p>Data protection Acts ensure the privacy rights of individuals are safeguarded in relation to the processing of their personal data. Members' details are stored by the Palace Cinema.</p> <p><i>Members receive an e-newsletter once a month.</i></p>	
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Question	Possible Responses	Max Mark
(A)	<p><u>ENCOURAGES</u> The government encourages business through its state agencies providing training, mentoring and grants.</p> <p><u>The government through LEOs encourages business:</u></p> <p>Education/Training The Government established Local Enterprise Offices (LEOs) which provide practical business training courses to help entrepreneurs to acquire knowledge and expertise in a particular area/LEOs encourages different business activities through advice, training, mentoring, grants and market research. <i>She completed a business course provided by the Local Enterprise Office (LEO).</i></p> <p>Mentoring The Local Enterprise Offices (LEOs) also provide a Mentoring programme which pairs individuals / companies with mentors to help identify and overcome obstacles in the development stages. The mentor panel is made up of mature, experienced business people, all of whom volunteer their considerable expertise to the scheme. <i>She was matched with an experienced business person.</i></p> <p>Finance The government through various state agencies provides finance/grants for different activities in a business such as training, R&D, Health and Safety, Market Research. Some government agencies provide grants to business to allow them to expand/conduct feasibility studies. A grant is payment made for a specific purpose providing certain criteria have been met. It is not repaid by the business once the conditions have been fulfilled. <i>The marketing and finance team accessed a substantial grant under the Government's 'Town and Village Renewal Scheme.'</i></p>	<p><u>At least one point under encouragement is required</u></p>

- (B) Analyse the impacts of changing customer needs on the **marketing mix** of The Palace Cinema Ltd.

Question	Possible Responses	Max Mark
(B)	<p>Product / Service The product/service satisfies a consumer need. It includes information on the item such as the quality, packaging, after sales service, design of the item, brand name, and product life cycle etc. <i>Joanne identified a gap in the market for multicultural and international films.</i> Or <i>...Films from all over the world.</i> Or <i>Film Club called "Friends of the Palace".</i></p> <p>Price This includes any issues which influence the selling price of the finished product/service. Factors in determining price may include: income of the target market, prices set by competitors, the level of demand in the market, the desired image of the product/service etc. <i>She adopted a flexible approach to pricing.</i> OR <i>Members could either choose to pay a season subscription at reduced rates, or pay on the night for each film.</i></p> <p>Place This concerns the distribution of the final product/service from the seller to the consumer. The seller should choose the method which will effectively reach the target market and maximise sales. Factors which may be considered include: type of good/service, size of market, costs, speed, security, distance and transport costs. The internet has provided a huge opportunity to business by enabling the customers to purchase directly from the service provider. Example, booking flights online as opposed to using a travel agent. <i>She modernised the cinema's website, which enabled customers to book on-line.</i></p>	<p>2@9 (3+3+3)</p> <p>2@6 (2+2+2)</p> <p>Name element, explain the element/ why the element has changed and relevant link</p>

		<p>Promotion This involves all methods the seller uses to communicate its product/service offerings with its target market. The methods include advertising, personal selling, sales promotions and public relations. Social media has also provided a different platform for advertising to reach a large target market very quickly and cost effectively.</p> <p><i>Members receive an e-newsletter once a month with links to the trailers of upcoming films.</i></p> <p style="text-align: center;">OR</p> <p><i>For those who choose to pay on the night, she also introduced a loyalty-card system to encourage repeat purchase.</i></p>	
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(C) (i) Outline briefly the difference between ‘a **controller** manager’ and ‘a **facilitator** manager’.

Question		Possible Responses	Max Mark
(C)	(i)	<p>Controller (one person in charge): It is characterised by a “command and control” belief where one person knows best. Very little autonomy given to the employees/the manager knows best/makes all the decisions.</p> <p>The boss/the “expert”/the critic/the enforcer.</p> <p>Facilitator (the team): The manager takes on the role of “co-ordinator or coach”. The facilitator manager understands and trusts that employees on the front lines have the information they need to respond to changes rapidly once given the responsibility and resources to act.</p> <p>The coach/trainer/the resource provider/the encourager.</p>	2@5m

(ii) Evaluate Joanne’s approach to managing the James Bond film festival 2017.

Question		Possible Responses	Max Mark
(C)	(ii)	<p>Joanne adopted a “facilitative” approach to managing the James Bond Film Festival 2017. She was not controlling the employees by giving orders about what to do but she provided them with the opportunity to develop the film festival themselves.</p> <p>Possible responses include:</p> <p>1.Communication/ Consultation/Giving ideas</p> <ul style="list-style-type: none"> • Communication should be honest and open at all times. • Open communication allows employees to feel less threatened and develop ways of responding in a positive and creative way / feedback is encouraged. • Less chance of a resistance if involved in the process. • Compromise may be reached – a mutual way forward with less chance of conflict if management and employees are involved. <p><i>Joanne held a brainstorming meeting with her staff who suggested a James Bond theme for the festival.</i></p> <p>2.Empowerment/employee participation/delegation/ Shared decision-making/Initiative</p> <ul style="list-style-type: none"> • Staff involvement in the decision making process gives them a sense of ownership of the process / staff are allowed to decide how/when to do their work. • Employees are encouraged and empowered to come up with ideas and these opinions and ideas are taken into account. • This allows employees to feel they have a voice and encourages them to take on extra responsibility. • With the increased responsibility comes increased enthusiasm for the job and doing it right. <p><i>The team with responsibility for the festival programme embraced the opportunity and invited guest speakers from the UK to discuss the soundtracks and props used in the different films.</i></p> <p style="text-align: center;">OR</p> <p><i>The marketing and finance team accessed a substantial grant under the Government’s ‘Town and Village Renewal Scheme’ and managed to entice local businesses to become sponsors of the event.</i></p>	3@6 (2+2+2)

		<p>3.Training Staff must be trained to allay possible fears and to receive the necessary skills required to complete specific projects. In the absence of training staff may be fearful of taking on new challenges due to lack of appropriate skills / on-the-job training and off-the-job-training / induction training etc. <i>Joanne arranged training on team working skills and effective task management.</i></p> <p>4.Resource Provider Adequate finance and funding of human and physical resources needs to be provided by management to get the task completed. <i>Joanne allocated a budget for the film festival.</i></p> <p>Or <i>... (Joanne) arranged two teams, one to organise the programme of events and create the film workshops and one to take responsibility for the marketing and finance of the festival.</i></p> <p>5.Teamwork Reference to the Matrix structure..... Staff involvement in teams encourages commitment/greater involvement and gives them a sense of purpose. <i>....Arranged two teams, one to organise the programme of events and create the film workshops and one to take responsibility for the marketing and finance of the festival.</i></p> <p>6.Total commitment by management Management is completely committed to the process of making a work change in the business. Joanne invested time and resources in the project. <i>Joanne allocated a budget for the film festival and arranged two teams, one to organise the programme of events and create the film workshops and one to take responsibility for the marketing and finance of the festival.</i></p> <p>Note: Links can overlap but if a specific link is used to explain one point within a section it cannot be repeated for another point within the same section.</p>	
(C)	(ii)	<p>Evaluation of Joanne’s management approach required. Candidate must make a judgement on the effectiveness of the management style adopted by Joanne, based on the evidence in the ABQ.</p>	2m

Section 3
(240 marks)

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

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

Part 1

People in Business / Business Environment

Question 1

A. (i) Explain the term **co-operative relationship** between stakeholders in a business.

Question			Possible Responses	Max Mark
1	(A)	(i)	A co-operative relationship exists where both parties work together to achieve a common goal . It is a win-win relationship/mutual benefit , where both sides gain and are better off afterwards than they were before.	(2+3)

(A) (ii) Describe **one** example of a co-operative relationship which could arise between **each** of the following pairs of stakeholders:

- Employer and employee
- Investor and Manager of a business
- Producer and consumer.

Question			Possible Responses	Max Mark
1	(A)	(ii)	<ul style="list-style-type: none"> • <u>Employer and Employee</u> <p><u>A fair wage, which reflects work being done and qualifications and skills of employees, is offered by the employer and a fair day's work is provided by the employee.</u></p> <p>Wages/Good pay and conditions of work</p> <ul style="list-style-type: none"> • Employee benefits from being rewarded good pay and conditions for their work if they meet agreed targets. • Employer benefits from increased productivity/staff motivation/higher profits caused by employees working harder / job satisfaction. 	3@5(2+3) Example of benefit to each stakeholder required

Employee involvement in decision making results in less industrial relations problems for the employer

Allowing a representative of the workforce on a board of directors or allowing employees an input into decision making

- Employee benefits from gaining a greater understanding of employers viewpoints and are more likely to accept and embrace workplace change.
- Employer loses less days due to industrial relations conflict/strike. They may also acquire new ideas from the employees which they had not considered.

Delegation of responsibility to employees, leads to a more positive workforce and increased productivity for the employer.

Union Recognition

- Employees benefits from the knowledge that their rights have been accepted in the workplace. This leads to a good industrial relations climate.
- Employer benefits from having an efficient mechanism for preventing/solving disputes.

Safe and healthy work environment

The employer provides a better and healthy working environment, meeting the legal and moral requirements and the employee feels safe, leading to a productive environment.

- **Investor and Manager**

The financial resources provided by investors are not wasted but are used productively by management to generate a fair return on investment for the investor.

Transparent Financial Information:

All financial information provided by the manager to investor is accurate and up to date. The manager uses the investment appropriately.

- Investor will benefit from seeing that their investment is safe.
- Manager will find it easier to acquire the necessary finance to fund new projects.

		<p>Reasonable remuneration is sought by senior management: If senior management avoid seeking excessive payments investors may be more willing to invest as fair return on investment can be received.</p> <ul style="list-style-type: none"> • <u>Producer and Consumer</u> <p>Brand Loyalty: Where the consumer repeatedly purchases the good</p> <ul style="list-style-type: none"> • Producer maintains the quality of the product • Consumer benefits from certainty in the quality that they purchase, leading to repeat purchase and brand loyalty. <p>Agreed terms of sale (fair price, profit margin)</p> <ul style="list-style-type: none"> • Producer – provides a quality product at a reasonable price. • Consumer – pays a reasonable price for the product based on its quality/value for money. <p>The producer has an open and fair complaints procedure and consumer complaints are dealt with in a fair manner.</p>	
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(C) (i) Name the act which protects consumers who purchased the Samsung Galaxy Note 7.

Question			Possible Responses	Max Mark
1	(C)	(i)	The Sale of Goods and Supply of Services Act 1980.	2 marks

(C) (ii) Outline **three** provisions of the act regarding a consumer's statutory (legal) rights in relation to the Samsung Galaxy Note 7.

Question			Possible Responses	Max Mark
1	(C)	(ii)	<p>Goods should be of merchantable quality Goods should be of reasonable standard/quality taking into account what they are supposed to do, their durability and their price. The mobile phone is a high price commodity, therefore should be of a high standard.</p> <p>Goods must be fit for the purpose intended This means that the goods must be able to do what they are supposed to do and what they were designed for (i.e. fit for the particular purpose for which the buyer intends to use them).</p> <p>Goods sold must be as described by the sales person If phone is purchased from a demonstration of the salesperson, the actual phone purchased should correspond with the demonstration.</p> <p>Redress If the complaint is valid the consumer is entitled to one of the three R's – refund, replacement or repair. If a consumer purchases a faulty phone and complains promptly then s/he is entitled to a full cash refund or replacement. 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.</p> <p>Retailer is legally responsible under the act The consumer's legal right is against the retailer under the Act rather than the manufacturer.</p> <p>Guarantees The guarantee is only an additional right whereby the consumer can have the product fixed under the manufacturer's guarantee.</p>	3@6(3+3) Merchantable Quality Compulsory point.

Question 2

(A) Discuss the **challenges** facing businesses in the tertiary (services) sector in Ireland.

Question		Possible Responses	Max Mark
2	(A)	<p>Possible responses include:</p> <p>Access to technology / e-commerce</p> <ul style="list-style-type: none"> • Poor access to broadband especially in rural areas • Poor use of websites for selling to consumers <p>Commercial Rates</p> <ul style="list-style-type: none"> • Commercial rates charged to business by local authorities. • They have placed small local retailers under huge pressure as they try to compete with larger retailers. <p>Brexit/uncertainty</p> <ul style="list-style-type: none"> • The uncertainty caused by UKs planned exit from the EU will have a negative impact on the exporting of goods and services. <p>Rents</p> <ul style="list-style-type: none"> • The increase in the cost of rental accommodation in cities such as Dublin will cause employees to lodge claims for higher wages. This reduces the profits of service firms and makes it more difficult for them to remain competitive. <p>Wage demands</p> <ul style="list-style-type: none"> • Successful wage demands in the transport sector such as Dublin Bus and Luas have led to knock on claims in the services sector. This reduces the profits of service firms and makes it more difficult for them to remain competitive. <p>Retailer closures</p> <ul style="list-style-type: none"> • The huge growth in online purchasing has led to the closure of many retail outlets. • Growth of discount retailers e.g. Aldi, Lidl, TKMax <p>Additional Points could include:</p> <p>Poor infrastructure/lack of skilled workers in certain areas/cost of utilities/ demographic changes/automation of services leading to unemployment (i.e. banking sector).</p>	<p>15 marks 3@5 (2+2+1) Reference to industry/business in tertiary sector 1m</p>

Question 2

(B) (i) Explain the term **code of ethics**.

Question			Possible Responses	Max Mark
2	(B)	(i)	A set of guidelines/formal written statement drawn up by a business which sets out the expected moral behaviours for a business. The rules provide a set of norms which guide or govern relationships with stakeholders/It is concerned about right and wrong, fairness, honesty and respect in a business context.	5m

(ii) Outline the benefits **and** challenges for a business of introducing a code of ethics.

Question			Possible Responses	Max Mark
2	(B)	(ii)	<p><u>Benefits of a code of ethics</u></p> <p><u>Decision-Making</u> A code of ethics can provide a foundation on which to base all decisions that affect internal and external stakeholders, such as employees or residents in the local community. Having a solid code of ethics in place from the beginning can help to guide a business as it expands.</p> <p><u>Day-to-Day Decisions</u> A code of ethics helps employees to fully understand the expectations of the company and the ethical guidelines in which to make decision when dealing with customer complaints. This will ensure that customers are treated fairly.</p> <p><u>Business Reputation/good brand image</u> Displaying the business code of ethics on its website or in press releases, while taking care to ensure that the business actions are always in line with the words on the code, can create a positive image among consumers and job-seekers, creating a loyal customer base, good employees and helping to develop the brand image.</p> <p><u>Encourages “whistle blowing”</u> May include a “whistle blowing” clause which encourages any wrong doing to be reported to management. Staff are encouraged to report unethical behaviour by creating an environment where whistle blowing is rewarded.</p>	<p>7(4+3)+4(2+2)+4(2+2)</p> <p>At least 1 benefit and 1 challenge required.</p>

			<p><u>Encourages ethical behaviour</u> It helps encourage ethical behaviour of senior management and employees at all levels. This will reduce losses due to theft and fraud.</p> <p><u>Clearly defined offences</u> The Code of Ethics will clearly define the behaviours which are not acceptable. This makes it easier to identify these behaviours and deter them from happening.</p> <p><u>Challenges of introducing a Code of Ethics.</u></p> <p><u>Culture</u> Often, newly implemented codes of ethics may not immediately gain the respect or support of employees or management. They may see it as a critique of their personal morals.</p> <p><u>Senior management</u> may not treat it as a working document/May choose to ignore it. They may not “walk the talk”.</p> <p>The Code of Ethics <u>must be updated regularly</u> and kept up to date to include new behaviours which are considered unethical. E.g. use of the company social media account/company emails.</p> <p><u>Enforcement</u> Enforcing a code of ethics can also present challenges. Sanctions given to employees may damage the industrial relations climate in the business and reduce morale.</p> <p><u>Staff training</u> must be provided on an ongoing basis to ensure the code is understood and is not ignored. This will involve financial costs for the business.</p>	
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(C) (i) Define the term **privatisation**.

Question			Possible Responses	Max Mark
2	(C)	(i)	The selling of a State Owned Company to private investors.	(4+4)

(ii) Evaluate the benefits and challenges of privatisation for the Irish economy.

Question			Possible Responses	Max Mark
2	(C)	(ii)	<p>Benefits</p> <p>Possible responses include</p> <p>Government Revenue: Selling of a state enterprise provides the government with a large sum of money e.g. Aer Lingus, AIB. The revenue can be used to build infrastructure/repay the national debt.</p> <p>Efficiency: State owned enterprises are often perceived as being inefficient because they can rely on government funding and have little competition. Private firms are driven by a profit motive and should therefore be more efficiently run.</p> <p>Access to Finance: Privatised companies are able to take out loans and shares and generally have greater access to sources of finance than state enterprise. This makes it easier to fund expansion, creating wealth and employment in the economy.</p> <p>Industrial Relations: With greater job security employees in state enterprises are more likely to take part in industrial action in pursuit of pay claims, better working conditions etc. than those in the private sector.</p> <p>Competition: The elimination of a state monopoly can lead to open market competition and can lead to greater choice and lower prices for consumers e.g. Eircom/Aer Lingus.</p>	<p>3@5(2+3)</p> <p><u>At least one of each required</u></p>

Question		Possible Responses	Max Mark
2	(C)	<p><u>Challenges:</u></p> <p>Possible responses include:</p> <p>Loss of state assets The state protects industries of strategic interest to the country e.g. transport network, the country's energy supplies for industry and domestic purposes, water supply, communications systems, the economic infrastructure of the country.</p> <p>Increased Unemployment There may be a loss of jobs through rationalisation of services, leading to higher social welfare spending.</p> <p>Lack Social Commitments Non-profit making essential services may be discontinued by the private business in an effort to reduce costs e.g. the postal and telecommunications service, electricity, gas and water services to remote areas.</p> <p>Loss of Control /Costs to state The shares of privatised companies may end up with foreign investors/There may be high costs involved in preparing a company for privatisation.</p> <p>Profit Motive/increased prices Privatised companies must maximise returns to the shareholders and this could result in increased prices for consumers.</p> <p>Evaluation</p>	2m

(B) Discuss the **different channels of distribution** that Irish businesses may consider when introducing their products to international markets.

Question		Possible Responses	Max Mark
3	(B)	<p>Possible responses include</p> <p>Direct Export The business may sell directly from the factory to customers from all over the world. This allows the business spread the costs of manufacturing and achieve economies of scale. The increased sales and productivity will increase profits / Use of E-Commerce / Internet / Website to sell products.</p> <p>Expansion of own facility in foreign market (Organic Growth) Set up a manufacturing facility in another country to manufacture your products.</p> <p>Licences/franchising The business produces goods locally under licence. Nike</p> <p>Agency An export agent is an independent person or firm who will sell the goods in the target market for you in return for a commission.</p> <p>Trading House A company buys goods in one country and then resells the goods at a profit in another country.</p> <p>Joint Venture The firm will set up a joint venture with a local firm to produce for a local market.</p>	<p>1@7(4+3) 2@4(2+2)</p>

(C) Should Ireland leave the European Union? Outline reasons for your answer.

Question		Possible Responses	Max Mark
3	(C)	<p>Should Ireland leave the European Union? No/yes/maybe</p> <p><u>Reasons for staying in the EU</u></p> <p>Possible responses include</p> <ul style="list-style-type: none"> • The creation of the Single Market in 1993 eliminated trade barriers within the EU, allowing for the free movement of goods, services, labour and capital between member states. • Bigger market for Irish companies leading to greater economies of scale. • Farmers, under the Common Agricultural Policy (CAP), receive income support measures. Between 1973 and 2008, Irish farmers received €44 billion from the (CAP). • Structural funds of over €17 billion have been made available to Ireland from the European Regional Development Fund and the European Cohesion Fund helping improve roads and public transport infrastructure. • As a member of the EU with open access to the EU market the Irish economy attracts foreign direct investment (FDI), thereby creating employment opportunities. The value of (FDI) in Ireland stands at over €30 billion today. • The introduction of the single currency brought additional incentives for foreign investors to locate in Ireland, along with relative price stability. The euro has made life easier for Irish businesses and travellers trading or visiting in the euro zone. <p>Other: Less bureaucracy involved for businesses. Directives such as environmental directives help protect the environment etc.</p>	<p>2m</p> <p>3@6(3+3)</p>

Question		Possible Responses	Max Mark
3	(C)	<p>Possible responses include</p> <p><u>Reasons for leaving the EU</u></p> <ul style="list-style-type: none"> • Extra regulations: The EU places extra regulations on business which will increase business costs. <i>Example:</i> Mobile operator Three is raising its monthly prices by up to €5, blaming costs and new roaming regulations. • Loss of decision making powers: Rules and regulations impose constraints. The national government will not have complete control over its decisions. They will be subject to regulations which are binding immediately and take precedence over national laws. Limits/restrictions placed on government budgetary decisions (e.g. The payment received for AIB shares to be used to pay down the National Debt.) • BREXIT: Has created huge uncertainty for Ireland’s economic future. May have huge consequences for Irish trade. Much of Ireland’s agricultural exports go to UK currently and if tariffs and quotas are placed on them Ireland will have to look at other markets. • Immigration: Free movement of labour may cause overcrowding in large urban areas. This can push up house prices and led to congestion on roads. • Threats to Ireland’s corporation tax: A push towards harmonised tax rates/A consolidated tax base for Ireland may result in a fall in tax revenues. Multinational companies which locate in Ireland because of low corporation tax rates may move to other countries. • Apple tax decision: The European Commission has found that Ireland granted undue tax benefits to Apple worth €13bn. This may cause multinationals like Apple, Facebook and Intel to leave Ireland and locate in other countries which have a more favourable tax rate. 	

Part 2

Question 4

(A) Outline the characteristics/skills that you would look for in entrepreneurs.

Question		Possible Responses	Max Mark
4	(A)	<p>Possible responses include:</p> <p>Risk Taking An entrepreneur takes a personal and financial risk in setting up a new business with no guarantee of success. If the product is successful in the market place the risk pays off and the entrepreneur makes a profit.</p> <p>Decision making An entrepreneur has to be able to make decisions for the benefit of the business often in situations under pressure. They must be able to analyse the intended and unintended consequences of their decisions and take all considerations into account.</p> <p>Innovation/creativity/exploiting opportunity/visionary The entrepreneur must be creative and develop new ideas or new ways of doing things. Entrepreneurs show imagination, resourcefulness and readiness to undertake new projects. They think outside the box to develop new products or new versions of existing products.</p> <p>Future Focused/customer focus/identifying opportunities/proactive The entrepreneur is always thinking of the future and looking for possible gaps in the market.</p> <p>Resilient /Confident/determined/self-belief Entrepreneurs are not put off by failure. Entrepreneurs have a strong sense of self-belief and conviction about their own business ideas. They see failure as an opportunity to learn. Having ambition and having a strong desire for success or achievement is central to being an entrepreneur.</p> <p>Other: Networking/persuasive abilities Human relations/flexibility/initiative/realistic (reality perception)</p>	4@5(2+3)

(B) Explain the benefits to a business of having a manager who is an effective communicator.

Question		Possible Responses	Max Mark
4	(B)	<p>Possible responses include:</p> <p>Less Conflict/fewer industrial relations problems Effective communication means the receiver gets the message which was sent by the sender. There is no confusion or ambiguity. A manager who is an effective communicator will provide opportunity for feedback to ensure the message is conveyed clearly. This results in less conflict and disagreement among employees.</p> <p>Less Errors Clear communications are often in written form. This allows the receiver to read them several times to ensure they understand the content of the message. This will result in fewer errors being made.</p> <p>Less Wastage/improved quality Effective communication from a manager to employees in a timely manner means that tasks can start quicker ensuring there is less wastage and lag times for production.</p> <p>Quick Decision Making/more sales and profits A manager who is an effective communicator is also an effective listener. S/he can analyse information quickly which means that decisions can be made without delay. This is important in a fast changing business environment.</p> <p>Better Decision Making Better decisions are also made based on actual facts presented, accurate information given in clear language and confusion can be overcome through opportunities for feedback (questions).</p> <p>Better staff Morale/less stress In a business where managers are effective communicators, employees are empowered by receiving clear instructions, being listened to and having decisions made in an effective manner. This results in high morale.</p> <p>Low Staff Turnover If a manager communicates effectively with his employees, it will result in employees wanting to stay in the business. This will result in a low staff turnover.</p>	4@5(3+2)

(C) Using your knowledge of the **Data Protection Acts 1988 and 2003**, draft a **report** from Emer Kelly to Richard Daly, Managing Director outlining the obligations of Bective Manor in relation to data protection. (Use today's date.)

Question		Possible Responses	Max Mark
4	(C)	<p style="text-align: center;">REPORT ON THE DATA PROTECTION OBLIGATIONS OF BECTIVE MANOR (1m)</p> <p>To: Mr Richard Daly, Managing Director(1m) From: Ms Emer Kelly, Data Protection Officer (1m) Date: 15 June 2017 (1m)</p> <p>Terms of Reference (1m) To outline the obligations of Bective Manor under the Data Protection Acts 1988 and 2003.</p> <p>Introduction Data protection is the means by which the privacy rights of individuals are safeguarded in relation to the processing of their personal data. The Data Protection Acts 1988 and 2003 confer rights on individuals as well as placing responsibilities on those persons processing personal data. A data controller is an individual in your organisation who collects, stores or processes any data about living people on any type of computer or in a structured filing system. The Data controller has the following obligations:</p> <p>Findings/Obligations(1m) According to the legislation my duties as the Data Protection Officer are as follows:</p> <ol style="list-style-type: none"> 1. Obtain and process data fairly and openly 2. Keep data only for one or more specified, explicit and lawful purposes 3. Use and disclose data only in ways compatible with explicit and lawful purposes 4. Keep data safe and secure/protected against unauthorised access 5. Keep data accurate, complete and up-to-date/keep a register of data kept 6. Ensure that data is adequate, relevant and not excessive 7. Retain data for no longer than is necessary for the purpose or purposes 8. Provide copy of personal data to the individual, on request. <p>Signed:</p> <p>Emer Kelly</p> <p>_____</p> <p>Emer Kelly Data Protection Officer</p>	<p>(6+14)</p> <p><u>Layout</u> 6m 6 compulsory headings at 1m each</p> <p><u>Content</u> 14m 3 relevant points (5+5+4)</p>

Question 5

- (A) Describe the stages in new product development up to **and including** the prototype development. Refer to the AeroMobil 3.0 vehicle in your answer.

Question		Possible Responses	Max Mark
5	(A)	<p>Idea Generation</p> <ul style="list-style-type: none"> Initial ideas for the new product are thought up systematically. They can be internal or external. Ideas may be generated by brain-storming sessions, market research, staff suggestions, customer suggestions/feedback on existing products or services, competitors, R&D etc. <p><i>The company created the idea for a 'flying car'.</i></p> <p>Product Screening</p> <ul style="list-style-type: none"> All ideas are vetted and the impractical and unworkable ideas are dropped, leaving the most viable ones for further examination and development. Careful screening helps businesses avoid huge expenses in developing ideas that are subsequently not marketable and ensures that good opportunities are not lost. <p><i>The car would have to have foldable wings to travel on both road and in air.</i></p> <p>Concept Development</p> <ul style="list-style-type: none"> This involves turning the idea into an actual product or service that will appeal to/meet the needs of customers. A unique selling point (USP) is identified which will differentiate it from other products on the market. <p><i>The unique selling point is that the car is capable of flying and being driven/A flexible model.</i></p> <p>Feasibility Study:</p> <ul style="list-style-type: none"> This is carried out to assess if a product has potential. It looks at whether it can be produced technically (production feasibility) and if it will be profitable (financial feasibility). Will it meet government regulation re. safety standards, and will it be marketable etc.? Safety considerations would be a big concern for AeroMobil. It seeks answers to questions such as, what demand will there be for the product; what will it cost to produce and can the business afford it? <p><i>The flying car would be a very expensive/luxury product.</i></p>	5@5(2+2+1)

		<p>Prototype Development</p> <ul style="list-style-type: none"> • This stage involves developing a sample or model of a product. It is produced to see if it can be made, what materials are required to make it and if it appeals to customers. • It can be used to test the product to see if it conforms to certain standards and to determine what adjustments/ improvements can be made before deciding to go into full production. <p><i>In 2015 a Slovakian company AeroMobil revealed its prototype of the AeroMobil 3.0-a flying car.</i></p> <p>Some reference to AeroMobil 3.0 required in each point for 1 mark.</p>	
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(B) Explain the factors a business would need to consider when designing a product.

Question		Possible Responses	Max Mark
5	(B)	<p>Cost/Price</p> <p>The design of the product must be cost effective. It should take account of all manufacturing and distribution costs. These costs have to be recovered together with a profit margin from the price charged to consumers.</p> <p>Function/legal requirements/safety standards</p> <p>This factor links into the main clauses of the Sale of Goods and Supply of Services Act 1980 which puts a legislative onus on producers to manufacture goods that are of merchantable quality and fit for the purpose intended. The product must do what it is expected to do. The product must be practical and comply with safety standards.</p> <p>Form/appearance/packaging</p> <p>The product must be aesthetically appealing in terms of shape, size, colour, style, image etc. e.g. (iPad). Car marketing campaigns emphasise efficiency, reliability and aesthetic appeal in their advertisements.</p> <p>Other:</p> <p>Target Market.</p> <p>Competition (try to better the competitor's product).</p> <p>Ethical/environmental considerations.</p> <p>Etc.</p>	3@5 (2+3)

(C) (i) Outline the main sections contained in a business plan.

Question			Possible Responses	Max Mark
5	(C)	(i)	<p>Production Reference to:</p> <ul style="list-style-type: none"> • Type of production • Machinery required • Targets • Production plan, lead times <p>Development of points required</p> <p>Marketing Reference to</p> <ul style="list-style-type: none"> • Marketing mix • Results of market research <p>Development of points required</p> <p>Finance Reference to</p> <ul style="list-style-type: none"> • Forecasted Revenue and Costs • Cash Flow Forecast • Production Budgets • Projected Profits <p>Development of points required</p> <p>Business Details (Company registration etc.) Reference to</p> <ul style="list-style-type: none"> • Details of directors • Details of shareholders • Legal organisation (company/sole trader/partnership) <p>Development of points required</p>	3@4 (2+2)

- (ii) Explain the importance of a business plan for **two** different stakeholders.

Question			Possible Responses	Max Mark
5	(C)	(ii)	<p>Employees Employees are interested in a business plan to confirm if the business is going to survive so they can have employment security. They may also be interested to see if the business is going to expand and possibly offer opportunities for promotion in the future.</p> <p>Investors (the profitability) Investors will be interested in a business plan to see if the business is capable of making a profit and offering a good return on their investment. Projected sales and market research results may persuade investors to provide capital to a business.</p> <p>Financial institutions (the cash position) Financial institutions require business plans from a business when they are seeking loan capital. It helps finance providers to make a decision regarding finance approval as they can see the experience of the owners/management and analyse their ideas. It is the primary tool to convey the potential viability of the business to finance providers.</p> <p>Management/employer Management will use a business plan as a source of control. They will use it to measure actual performance against goals and see if the business has progressed satisfactorily. The management have goals to be reached and the business plan provides benchmarks which they can use to monitor actual business performance against the set targets in the business plan.</p> <p>Suppliers Suppliers will be interested in a business plan of one of its customers to ensure that the business is viable and can sustain any line of credit that is offered to them.</p> <p>Government Agencies Government agencies will be interested if finance or other assistance is sought by businesses.</p>	2@4 (2+2)

Question 6

(A) Outline the financial rewards used for motivating employees.

Question		Possible Responses	Max Mark
6	(A)	<p>Time rate The employee is rewarded a fixed amount per hour for a fixed number of hours. Hours worked over and above the fixed number of hours are paid at a higher rate called overtime e.g. time and a half or double time.</p> <p>Piece Rate The employee is rewarded per item produced/job completed. This method may lead to quality control problems as employees may try to get as many items produced as possible to increase its earnings.</p> <p>Commission The employees are paid a percentage of the total sales they have achieved. This is normally paid in addition to a flat payment. It has the advantage of directly encouraging sales.</p> <p>Salary A salary is paid to the employees in equal amounts, either weekly, bi weekly or monthly.</p> <p>Benefit in Kind (if taxable) The use of an asset as a form of reward. E.g. Company car available for private use. It could include preferential loans, free or subsidised accommodation etc.</p> <p>Bonus A sum of money raised for reaching a certain target e.g. producing units above an agreed limit.</p> <p>Profit –sharing scheme This is a scheme where some of the business profits are paid to employees on an agreed basis. The scheme is administered and profits are paid to employees to motivate them to become more productive.</p> <p>Employee share ownership scheme: Shares may be given to staff instead of cash bonuses, maintaining employee interest in the job/share option schemes give employees an option to buy shares in a company at a specified price sometime in the future.</p>	3@5 (2+3)

(B) From the figures given below for **2016**, calculate the following for Equinox Design Ltd.
(Show your workings.)

Question			Possible Responses				
6	(B)	(i)	(i) Net Profit Margin 15.2% (ii) Current Ratio 1.25:1 (iii) Return on Investment 4% (iv) Debt Equity Ratio: 1.1:1				
			NPM:	$\frac{\text{Net Profit}}{\text{Sales}} \times 100$ (1m)	$\frac{30,400 (1m)}{200,000(1m)} \times 100$	15.2%	1m
			Current Ratio	Current Assets: Current Liabilities (1m)	20,000:16,000 (1m) (1m)	1.25:1	1m
			Return on Investment	$\frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$ (1m)	$\frac{30,400 (1m)}{300,000+400,000+60,000} \times 100$ 1m+1m+1m	4%	1m
			Debt Equity Ratio	Debt:Equity (1m)	400,000: (300,000+60,000) (1m) 1m+1m	1.1:1	2m
			Each formula and figure merits 1mark except the answer to Debt Equity which merits 2marks. Answers must be in the correct format to be awarded marks.				

- (C) (i) Analyse the profitability **and** liquidity of Equinox Design Ltd for 2016, with reference to the results for 2015 shown in the box above.

Question			Possible Responses	Max Mark
6	(C)	(i)	<u>Profitability</u> The Net Profit Margin (NPM) has decreased from 20.5% to 15.2%	2m
			The Return on Investment (ROI) has decreased from 8% to 4%.	2m
			Analysis of trends: NPM: A major review of its costs will be required as well as a review of its sales strategy/seek cheaper raw materials/increase selling prices.	Analysis of 2 trends 2m
			This decrease in ROI (profitability) will concern the shareholders of the business, as they may get a better return for their investment elsewhere etc.	2m
			<u>Liquidity</u> The Current Ratio has decreased from 2:1 to 1.25:1	2m
			Analysis of trend: This is unsatisfactory for the business as while still having enough to pay their short term debts, liquidity has declined. This will be of concern to suppliers/could sell off slow moving lines to improve liquidity etc.	Analysis of trend (2+2)m

- (C) (ii) Should Equinox Design Ltd expand its business? Outline **one** reason for your answer.

6	(C)	(ii)	No.	2m
			The business should not expand as all key financial indicators are in decline.	(Max 1m)
			OR May find it difficult to acquire long term finance for expansion as the debt/equity ratio has increased. Interest must be paid irrespective of profits/Debt finance is already at €400,000 etc.	3m

(C) (iii) Outline **two** limitations of using ratios to analyse Final Accounts of a business.

Question			Possible Responses	Max Mark
6	(C)	(iii)	<p>Financial ratios do not consider the following:</p> <ol style="list-style-type: none"> 1. Staff relations with Management not taken into account/the climate in business is difficult to assess. 2. Assets may not be shown at their true value. 3. Ratios are based on past figures and not on projected future figures. 4. Final Accounts only hold for a certain year/Balance Sheets are only true for the day they are written. 5. Does not consider business environment i.e. competition/recession/outside influences etc. 6. Inflation/deflation may impede the comparison of ratios from one period to another. 7. Different accounting policies may be used from one year to the next. 	4m+2m

Question 7

(A) (i) Explain the term **niche market** with reference to Fantasia Clothing Ltd.

Question			Possible Responses	Max Mark
7	(A)	(i)	<p>A small market segment which a firm may specialise in supplying/Small specialist segments of a larger market. Normally small firms enter niche markets because of the specialist nature / requirements of the market: the niche segment may be so small that the larger firms may not have the flexibility or desire to enter it.</p> <p>Diamond rings/bridal shoes/first communion dresses/children's clothing/ specialist transport-wheelchair.</p> <p>Reference to Fantasia is required 1m</p>	(5+1)

(ii) Illustrate the implications for a business operating in a niche market.

Question			Possible Responses	Max Mark
7	(A)	(ii)	<p>Possible responses include:</p> <p>Little or no competition/small market Unlike in generalised marketing where market competition is stiff, niche marketers face less competition in the market as they deal with a specific product for a small market segment.</p> <p>Less investment required As they produce limited goods for the niche market they may require less investment.</p> <p>High cost base The specialisation of products involves more expensive raw materials, highly skilled staff and job/batch production methods/personal service. The costs are very high for the business, therefore, they must charge a higher price to customers.</p> <p>Less risk for the business/cost effective use of resources/more focused marketing There may be fewer risks/costs for the business as the marketing is focused on a very small segment of the market.</p>	7(4+3)+7(4+3)

		<p>Brand loyalty/loyal relationships with customers Niche marketing makes it possible for businesses to build brand loyalty. The customers may continue to repeat the purchases of the same brand, and they may recommend it to their friends and others/ Better targeting of customers with focused advertising. They know their target customers so well that they meet their needs better.</p> <p>High Margins/high profits/high prices They achieve high margins because of the added value to the goods and services offered/Prices tend to be more expensive than mass produced goods/High quality products/High skilled labour.</p> <p>Goodwill A niche marketer can earn a name and reputation in the market. Rolls Royce command a lot of goodwill.</p> <p>Survival chances may decrease if it depends solely on one product/Tends to sell in relatively low volumes.</p> <p>May be difficult to source finance because of its small size.</p>	
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- (B) (i) Outline **three** pricing strategies a marketing manager could consider in setting a selling price for a product or service.

Question			Possible Responses	Max Mark
7	(B)	(i)	<p>Premium pricing:</p> <p>Price is set at a high rate to reflect consumer’s perception of a superior product. Ideal for small businesses that sell unique products (bespoke diamond rings). Along with developing a high-quality product, they combine marketing, promotion and product packaging to support the premium price. Product may have a unique selling point (USP) or a distinct competitive advantage. BMW/Rolax Watch/Hermes scarf/Fantasia children’s clothing/Products based on new technologies (3D Games).</p> <p>Price skimming:</p> <p>Often most effective in the early days of a product life cycle/very few close rivals/setting high prices during the introductory phase to maximise revenues/help cover R&D costs and lowering the prices as competitor products appear on the market. May suit businesses that have a significant competitive advantage. Allows businesses to earn high profits from “early adopters” who are prepared to pay the higher price to have the latest or best product on the market, before dropping the price for price sensitive consumers (Apple iPad/Sony iPhone). Cannot last for long as rival products will come on the market. May help small businesses recover their development costs and give the illusion of an exclusive product when first introduced into the market.</p> <p>Penetration pricing/market share pricing:</p> <p>Setting the price lower than competitor’s prices initially to get a foothold in the market/capture market share from competitors/increase sales volume (“special introductory offers”). May be used to draw attention away from competitors and get consumers to try the product, even though it may result in a loss of income for the business initially. However, overtime the increase in awareness can increase profits and help businesses stand out from competitors. In the long run they may raise their prices to reflect their market position.</p>	3@5 (2+3)

			<p>Psychology pricing: Consumers respond on an emotional level rather than a logical one. An illusion of enhanced value is created to increase demand for a product. Sun holiday €399.</p> <p>Bundle pricing: Sky packages/Vodaphone.....</p> <p>Cost plus pricing (mark-up pricing): Price set to cover costs (production, marketing, distribution) and include a target/fixed percentage profit margin.</p> <p>Tiered pricing: Customers can choose the price level that best fits their budget. They can purchase the basic model car or the luxury model. Can help a business capture a larger portion of the market.</p> <p>Competitive pricing: Setting prices in line with rivals.....</p> <p>Price discrimination: Charging different prices to different market segments for the same product. Cinema tickets/airline tickets.</p> <p>Other Seasonal pricing/market pricing/peak load pricing/predatory pricing (i.e. price wars).</p>	
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(ii) Name one pricing strategy suitable for a product or service of your choice, explaining the reason for your choice of pricing strategy.

Question			Possible Responses	Max Mark
7	(B)	(ii)	<p>Premium pricing When a business purposefully charges a much higher price than its competitors in order to convince purchasers that they are getting a much better product/service. BMW/Rolux Watch/Hermes scarf/Fantasia children’s clothing. Expensive limited edition of a book.</p> <p>The Pricing strategy chosen must be appropriate to the product/service named to be awarded the 2 marks.</p>	<p>(2+3)</p> <p>The 3m is awarded as follows (0,1,3)</p>

(C) Discuss the factors a business should consider when choosing a source of finance.

Question		Possible Responses	Max Mark
7	(C)	<p>Possible responses include:</p> <p>Purpose of the finance/the matching principle: The reason for the finance must be considered. Is the finance required for the day-to-day running of the business or to finance business expansion? Short term needs must be financed from short term sources (e.g. Acquiring stock may choose bank overdraft or trade credit). Long term needs require long term sources of finance (equity, debentures).</p> <p>The size of business/type of business: Larger businesses/companies may be able to acquire finance easier than SMEs.</p> <p>Amount of finance required: If large amounts are required generally a long term source of finance is chosen as you can spread the costs over a longer period of time.</p> <p>Cost of the finance: Debt finance is costly as monthly repayments must be made, while equity finance and retained earnings avoid costly monthly payments.</p> <p>Security/collateral required: Some sources of finance require security from the business. Assets may have to be set aside in case of default later. The business is limited regarding what it can do with the assets while they remain security for the loan.</p> <p>Risk to business: Every source of debt finance involves risk and the business must do a risk analysis in advance to assess the level of risk for the business.</p> <p>Impact on ownership/control: Different sources of finance could impact on ownership and control in a business. Issuing more shares could spread ownership and control to more people. Additional shareholders will have a say in the business and an entitlement to future dividends.</p> <p>Other: Current financial position/current gearing..... Ability to repay/cash flow /level of reserves..... Tax implications.....</p> <p style="text-align: center;">END</p>	<p>7(4+3)+7(4+3) +6(3+3)</p>

