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## Question 1

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### 1. Capacity to Contract

The parties to a contract have to have the capacity to make the contract. All natural persons, (human beings), and legal/corporate persons, such as companies, have contractual capacity.

The following normally do not have the capacity to contract:

- Infants (those under 18 years of age).
- Persons under the influence of drink or drugs.
- Insane persons.

These people are all deemed to be incapable of making valid contracts ie they do not understand fully what they are doing and if they do enter a contract then it is void. The contractual capacity of a company is laid down in the objects clause of the memorandum of association of the company. If the company acts beyond these powers, e.g. gets involved in a business activity not permitted in the memorandum of association, then it is said to be acting 'Ultra Vires' and the contracts are void.

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## Question 2

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### **5. Problems of e-mail**

Technology availability  
Data security  
Business contracts  
Audit trail  
Authenticity  
Negligence - liability  
Incorrect address or data  
Viruses

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## Question 3

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### 7. Insurance Principles

#### *Utmost Good Faith: (Uberrimae Fidei)*

All material facts must be disclosed to the insurer. A material fact is one that would influence the insurer into either accepting or rejecting the risk, or in setting the premium. This means that all the information that might have a bearing on the decision to enter the contract must be supplied on the proposal form even if the information is not requested. The insurer can declare the contract void and claims made by the insured can be refused if all the facts are not disclosed.

#### *The Principle of Indemnity*

An insurer indemnifies the person taking out the insurance against a loss happening. There must be no profit from insurance, only recovery of the actual loss. The contract is for the reinstatement of the actual property insured, i.e. putting the claimant in the same position, as far as is possible, as was the case prior to the accident or loss. The amount for which the asset is insured is usually the cost of replacing it. The amount of the total sum insured is not relevant if there is over-insurance since the insurer will only make good the actual loss that occurred. If there is under-insurance on the part of the policy holder then the concept of average will apply and only a proportion of the loss will be paid.

Question 4

Question	Possible Responses	Max Mark										
3.	<table border="1"><tbody><tr><td data-bbox="517 412 592 456">IBEC</td><td data-bbox="592 412 1117 456">IRISH BUSINESS EMPLOYERS CONFEDERATION</td></tr><tr><td data-bbox="517 456 592 501">ICTU</td><td data-bbox="592 456 1117 501">IRISH CONGRESS OF TRADE UNIONS</td></tr><tr><td data-bbox="517 501 592 546">ISME</td><td data-bbox="592 501 1117 546">IRISH SMALL AND MEDIUM ENTERPRISES</td></tr><tr><td data-bbox="517 546 592 591">IFA</td><td data-bbox="592 546 1117 591">IRISH FARMERS ASSOCIATION</td></tr><tr><td data-bbox="517 591 592 636">CAI</td><td data-bbox="592 591 1117 636">CONSUMERS ASSOCIATION OF IRELAND</td></tr></tbody></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 5**

<b>Question 6</b>			<b>Max Mark</b>																				
<b>Managing</b>																							
<b>(A)</b>	Outline the financial rewards used for motivating employees. Name, Explain	3@5(2+3)	15																				
<b>(B)</b>	Calculations: (i) Net Profit Margin (ii) Current Ratio (iii) Return on Investment (iv) Debt/Equity Ratio	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th style="text-align: left;"><i>Formula:</i></th> <th style="text-align: left;"><i>Workings:</i></th> <th style="text-align: left;"><i>Answer:</i></th> <th style="text-align: left;"><i>Total:</i></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>	<i>Formula:</i>	<i>Workings:</i>	<i>Answer:</i>	<i>Total:</i>	1	1,1	1	4	1	1,1	1	4	1	1,1,1,1	1	6	1	1,1,1	2	6	20
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1	1,1,1	2	6																				
<b>(C)</b>	<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 <b>one</b> reason for your answer.</p> <p>(iii) Outline <b>two</b> limitations of using ratios to analyse the final accounts of a business.</p>	<p><b>Profitability:</b>8m NPM Trend, 2 marks ROI Trend, 2 marks Analysis of both trends 2marks +2marks</p> <p><b>Liquidity:</b>6m Trend, 2 marks Analysis of trend (2+2) marks</p> <p>2m</p> <p>3m</p> <p>6m(4+2)</p>	25																				
<b>Available Marks</b>			<b>60</b>																				

**Question 6**

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

Question		Possible Responses	Max Mark
6	(A)	<p><b>Time rate</b> 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><b>Piece Rate</b> The employee is rewarded <b>per item produced/job completed</b>. 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><b>Commission</b> The employees are paid a <b>percentage of the total sales</b> they have achieved. This is normally paid in addition to a flat payment. It has the advantage of directly encouraging sales.</p> <p><b>Salary</b> A salary is <b>paid to the employees in equal amounts</b>, either weekly, bi weekly or monthly.</p> <p><b>Benefit in Kind (if taxable)</b> 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><b>Bonus</b> A sum of money raised for <b>reaching a certain target</b> e.g. producing units above an agreed limit.</p> <p><b>Profit –sharing scheme</b> 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><b>Employee share ownership scheme:</b> 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) <b>Net Profit Margin 15.2%</b> (ii) <b>Current Ratio 1.25:1</b> (iii) <b>Return on Investment 4%</b> (iv) <b>Debt Equity Ratio: 1.1:1</b>			
			<b>NPM:</b>	$\frac{\text{Net Profit}}{\text{Sales}} \times 100$ (1m)	$\frac{30,400 \text{ (1m)}}{200,000 \text{ (1m)}} \times 100$	<b>15.2%</b> <b>1m</b>
			<b>Current Ratio</b>	Current Assets: Current Liabilities (1m)	20,000:16,000 (1m) (1m)	<b>1.25:1</b> <b>1m</b>
			<b>Return on Investment</b>	$\frac{\text{Net Profit}}{\text{Capital Employed}} \times 100$ (1m)	$\frac{30,400 \text{ (1m)}}{300,000+400,000+60,000} \times 100$  1m+1m+1m	<b>4%</b> <b>1m</b>
			<b>Debt Equity Ratio</b>	Debt:Equity (1m)	400,000: (300,000+60,000) (1m) 1m+1m	<b>1.1:1</b> <b>2m</b>
			<b>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.</b>			

- (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)	<b>Profitability</b> 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
			<b>Liquidity</b> 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)	<b>No.</b>	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"> <li>1. Staff relations with Management not taken into account/the climate in business is difficult to assess.</li> <li>2. <b>Assets</b> may not be shown at their true value.</li> <li>3. Ratios are based on <b>past</b> figures and not on projected future figures.</li> <li>4. Final Accounts only hold for a <b>certain year</b>/Balance Sheets are only true for the <b>day they are written</b>.</li> <li>5. Does not consider business environment i.e. <b>competition/recession/outside influences etc.</b></li> <li>6. <b>Inflation/deflation may</b> impede the comparison of ratios from one period to another.</li> <li>7. <b>Different accounting policies may be</b> used from one year to the next.</li> </ol>	4m+2m

## Question 6

Question		Possible Responses	Max Mark
9.	(i)	<p><b>Distinguish between enterprise and management.</b></p> <p>Enterprise refers to <b>any attempt to start something new</b> whereas management refers to the <b>ability to achieve results by working with and through people.</b></p>	<p>10m</p> <p>3m + 3m</p>
	(ii)	<p><b>Suggest an example of enterprise in a school</b></p> <p>A student sets up a chess club.            A teacher starts a new women's soccer team etc.            School management/the green school committee start a new initiative such as no paper(photocopying) Fridays etc.</p>	<p>2x2m (1 +1)</p>

## Question 7

Question	Possible Responses	Max Mark
10.	<p><b>Illustrate, using examples, the role of interest groups in business.</b></p> <p>Interest groups are organisations that represent the common viewpoint, objectives and goals of a particular group of stakeholders. Interest groups are known as pressure groups or lobby groups.</p> <p>Interest groups seek to influence decision makers by lobbying, media campaigns, public protests, boycotts and possible legal action.</p> <p>E.G. IBEC lobbied the government to ease restrictions so that businesses could reopen. IBEC lobbied the Irish government to provide grants to businesses who need to implement safety measures. IBEC lobbied the government to not increase the national minimum wage where as ICTU would lobby the government to increase the national minimum wage.</p>	<p>10</p> <p>6m</p> <p>3m + 3m</p> <p>4m (2+2)</p>

**Question 8**

**SECTION 2**

**(80 marks)**

**Applied Business Question**

*Miriam's Creche*

Question	Possible Responses	Max Mark
(A)	<p><b>Outline, using examples, the different types of planning that contribute to the success of Miriam's crèche.</b></p> <p><b><u>Strategic plan</u></b></p> <ul style="list-style-type: none"> <li>This refers to a long-term plan outlining the goals or objective to be achieved over a longer period of time. A plan that outlines the goals to be achieved over the next 5-10 years.</li> </ul> <p>Link to text:  <b>"Miriam aims to be the leading provider of childcare services in the area by 2030."</b></p> <p><b><u>Tactical plan</u></b></p> <ul style="list-style-type: none"> <li>A tactical breakdown of the strategic plan into goals or objectives to be achieved within the next 1-2 years. Short term plans.</li> </ul> <p>Link to text  <b>"In 2019 Miriam started to research taking over a competitor".</b>                      Or  <b>"After 12 months of negotiations, Miriam bought a rival business who owned three nearby creches."</b></p> <p><b><u>Contingency plan</u></b></p> <ul style="list-style-type: none"> <li>This is a plan for emergencies or unforeseen events. Often referred to as a back-up plan.</li> </ul> <p>Link to text:  <b>"They discussed the need to have adequate policies in place to protect the business in case a child is injured in the creche."</b></p>	<p>30</p> <p>8,8,7,7,</p> <p>(3+3+2)</p> <p>(2+3+2)</p>
	<p><b><u>Operational plan</u></b></p> <ul style="list-style-type: none"> <li>This is a plan outlining the goals or objectives to be achieved on a daily or weekly/monthly basis.</li> </ul> <p>Link to text:  <b>"Miriam manages the business on a day to day basis."</b>                      Or</p>	

**“Miriam communicates all key messages at the weekly staff meetings.”**

**Mission statement**

- This is an overall vision document for a business. Who we are? Our values? What we do

Link to text:

**“The vision for the business is to offer each child the surroundings to develop to their full potential with friendly professional staff.”**

or

**“Miriam’s crèche offers childcare services for children aged between three months and 12 years of age.”**

**Manpower Planning**

- HR planning involves identifying the staffing needs of the organisation.
- It’s about having the right people, with the right skills at the right time. HR planning can identify future staffing needs and lead to recruitment.

Link to text:

**“She places importance on attracting and retaining high quality staff.”**

**Budgeting/Financial Planning**

Setting targets for income (sales revenue) and expenditure.

Link to text:

**“Prior to setting up the business, Miriam’s experience with budgeting, insurance and taxation was limited.”**

**“Miriam hired the services of a local accountant to ensure the company paid the correct amount of taxation on their profits. “**

Question	Possible Responses	Max Mark
(B)	<p><b>(i) Discuss, with reference to the text, the types of business insurance you would recommend for Miriam’s crèche.</b></p> <p><b>Public Liability Insurance:</b></p> <p>Public liability insurance protects the business against financial loss as a result claims made by members of the public such as consumers who are injured or hurt on the business premises.</p> <p>Link to text: <b>“They discussed the need to have adequate policies in place to protect the business in case a child is injured in the creche.”</b></p> <p><b>Employer’s Liability Insurance:</b></p> <p>Employer’s liability protects the business against financial loss as a result claims made by employees as a result of injuries they have sustained in the workplace.</p> <p>Link to text: <b>“The meeting also highlighted the need to have cover in place</b></p>	<p>30</p> <p>3@6(2+2+2)</p>

against the risk of financial loss as a result of a member of staff claiming for injury.”

**Premises Insurance/Buildings and contents insurance:**

This provides the business with protection against any loss caused by damage to the structure of the building caused by fire, flood or storm. You should ensure a smoke alarm is fitted and there are adequate fire extinguishers in the premises.

This provides the business with protection against any loss or damage to stock, raw materials, components etc. caused by burglary, fire or flood.

Link to text:

“Miriam bought a rival business who owned three nearby creches.”

Or “Miriam Brophy set up Miriam’s Crèche and Childcare Ltd in 2017.”

**Motor Insurance:**

A compulsory type of insurance that must be paid by law if the business or individual own a motor vehicle. Protects the business from being at a financial loss as a result of a motor accident.

Three types of motor insurance include; third party insurance, third party fire & theft and fully comprehensive insurance.

Link to text:

“The Crèche offers a bus service to and from the ‘afterschool’ for primary school children.”

or

“The bus is branded with the company logo.”

**Pay Related Social Insurance**

**(ii) Describe two types of taxation Miriam’s Crèche might pay.**

**Corporation Tax:**

- This a tax on the profits made by a company.
- The rate of corporation tax on a companies’ profits is 12.5% in Ireland.

Link to text:

“Miriam hired the services of a local accountant to ensure the company paid the correct amount of taxation on their profits.”

**Motor Tax:**

- This is a taxation on any vehicle owned by a business.
- Motor tax is compulsory by law.

Link to text:

“The Crèche offers a bus service to and from the ‘afterschool’ for primary school children.”

Or

“The bus is branded with the company logo.”

**Value Added Tax**

		<p><b>Commercial Rates:</b></p> <ul style="list-style-type: none"> <li>Commercial rates are a local property tax on Commercial Properties and the income raised goes towards meeting the cost of services provided by the local County Council. Rates are payable on commercial properties, such as shops, offices, factories, licensed premises and other non-domestic properties.</li> <li>Certain childcare providers are exempt from paying commercial rates.</li> </ul> <p>Link to text:</p>	
		<p><b>“However, as a business owner, she had to familiarise herself with new payments such as commercial rates”</b></p>	

(C) Evaluate the **price** and **promotion** element of the marketing mix for Miriam’s Crèche.

Question	Possible Responses	Max Mark
(C)	<p><b>Price:</b></p> <ul style="list-style-type: none"> <li>The business can choose from high price strategies; (such as premium pricing or price skimming), low price strategies such as; (penetration pricing or predatory pricing).</li> <li>The price element of the marketing mix involves a business considering; competitor prices, the state of the economy, the disposable income of the target market and the cost of producing the product/service.</li> </ul> <p>Link to text: <b>“Miriam charges a higher price than any of her competitors in the area.”</b></p> <p><b>Evaluation</b></p> <p><b>Promotion:</b></p> <ul style="list-style-type: none"> <li>Promotion refers to all methods used by the business to create awareness of the product/service.</li> <li>It may involve advertising, public relations.</li> <li>Promotion methods used depend on the type of product, budget available, position in product life cycle.</li> </ul> <p>Link to text: <b>“Annually, Miriam sponsors sports kits for local underage sports teams.”</b> or <b>“She feels that sponsorship and an effective social media campaign are more effective than paying for advertisements.”</b> or</p>	<p>20</p> <p>2 x 10m</p> <p>3m</p> <p>3m</p> <p>+2m</p> <p>2m</p> <p>Evaluation</p>

		<p><b>“When sponsoring teams, Miriam insists her business logo is visible on the team kit and the team must organise a photo event with local newspapers.”</b></p> <p>or</p> <p><b>“The bus is branded with the company logo.”</b></p> <p><b>Evaluation</b></p> <p>Candidates may do one overall evaluation worth 4m at the end. An evaluation of both the price and the promotion elements are required.</p>	
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**Question 9**

**Question 2**

**(A) Illustrate the impact of the following economic variables on Irish businesses.**

**Interest rates**

**Inflation rates**

**Employment**

Question	Possible Responses		Max Mark
2	(A)	<p><b>Illustrate the impact of the following economic variables on Irish businesses.</b></p> <p><b>Interest rates</b></p> <p>This refers to the cost of borrowing capital. The interest charged on loans/borrowings from financial institutions.</p> <p>E.G. A decrease in interest rates leads to more consumer borrowing. Consumers will use borrowed finance to pay for houses, cars, furniture etc. This has a positive impact on Irish businesses as sales increase.</p> <p><b>Inflation rates</b></p> <p>This refers to a rise in the average level of prices from one period to the next.</p> <p>If inflation is low, i.e. price increases are minimal, this has a positive impact on a business's costs. The cost of running expenses, raw materials etc will not increase dramatically.</p> <p><b>Employment</b></p> <p>This refers to the percentage of the labour force who are engaged in paid employment.</p> <p>A decrease in employment levels has a negative impact on Irish businesses. When the people/the labour force have less income, consumer spending decreases. This leads to a decrease in sales for Irish businesses.</p>	<p>20m</p> <p>2 x 7m</p> <p>1 x 6m</p>

**(B) Apart from taxation, discuss the different ways in which the Irish Government affects the labour force in Ireland.**

Question		Possible Responses	Max Mark
2	(B)	<p><b>As an employer/Increased current expenditure on public sector wages/social welfare:</b></p> <ul style="list-style-type: none"> <li>National wage agreements for public sector workers involving the social partners would lead to a spin off effect for businesses as public sector workers would have more disposable income.</li> <li>Increases in social welfare payments would also increase the spending power of a proportion of the population.</li> <li>E.g. The Irish government restoring pay or increasing pay and incentives for teachers/nurses etc would increase the disposable income of public sector employees.</li> </ul> <p><b>Increase capital expenditure:</b></p> <ul style="list-style-type: none"> <li>The government could increase capital expenditure on infrastructure, schools, hospitals etc.</li> <li>This will create jobs for the labour force</li> <li>E.g., the construction of new schools or the new children's hospital creates employment opportunities for the labour force.</li> </ul> <p><b>Government invests in Education and Training:</b></p> <ul style="list-style-type: none"> <li>The government invests in 3rd level education. All students in Ireland are exempt from tuition fees. This ensures a steady supply of highly skilled labour.</li> <li>Training provided through organisations such as SOLAS, for unemployed people allows for up-skilling and helps the unemployed to re-enter the labour force.</li> </ul> <p><b>Government Grants/Support for the Labour Force during Covid 19</b></p> <ul style="list-style-type: none"> <li>Government supports such as social welfare payments to employees effected by Covid 19 lead to the labour force having disposable income/maintaining their income.</li> <li>The government offered financial supports (businesses supports loans from €25,000 up to €1.5 million with a maximum interest rate of 4%.) to businesses who were affected by Covid 19.</li> </ul> <p><b>Legislation</b></p> <p><b>Minimum Wage</b></p>	<p>20</p> <p>2 x 7m (4+3)</p> <p>1 x 6m (3+3)</p>

- (C) (i) Explain the term 'community development'.
- (ii) Describe the economic and social benefits of community development.

Question			Possible Responses	Max Mark
2	(C)	(i)	<p>Community development refers to the improvement of local areas and local communities <b>socially and economically</b> through the <b>efforts of local citizens and residents</b>. Community development is about <b>self-help/spirit of enterprise</b> as opposed to depending on the government or outside agencies to help them develop. The aim of community development is to improve the local social and economic infrastructure</p> <p>Or</p> <p>A voluntary or professional effort to support and develop the social and economic activity of a local community for the benefit of the community</p>	20
		(ii)	<p><b>Creates employment and thereby increases spending in the local economy</b></p> <ul style="list-style-type: none"> <li>• New enterprises might be set up to provide employment in the local areas and thus develop their local economy.</li> <li>• The new enterprises and initiatives can create jobs for the area.</li> </ul> <p><b>Spin off jobs e.g. transport, education</b></p> <ul style="list-style-type: none"> <li>• The establishment of community initiatives and business enterprises in a local community brings an immediate increase in the levels of direct and indirect employment.</li> <li>• This new employment sees an increase in demand for goods and services in the area. e.g. transport, education, entertainment etc. Community Development has the spin off effect of increasing sales for other businesses in the area.</li> </ul> <p><b>Promotes an enterprise culture/encourages new ideas/new businesses in community</b></p> <ul style="list-style-type: none"> <li>• Community Development initiatives can encourage other members of the community to pursue ideas.</li> <li>• This can lead to more new initiatives or new businesses being established in the future. It can lead to a culture or generation of people taking the risk to set up new enterprises.</li> <li>•</li> </ul>	14
			<p><b>Creates confidence/community spirit in the community/growth and prosperity in local area. Empowers local community and generates a sense of pride within the community</b></p> <ul style="list-style-type: none"> <li>• The co-operation and involvement of all members of the community in the process of development enriches people personally, creates confidence in their ability to make a difference and enhances the sense of community spirit in the area.</li> <li>• The money earned by the employees in the area will be spent in the area. Homes will be constructed for the families involved in the enterprise, young people will be able to make a living in their own community. Others will be given the opportunity to retrain.</li> </ul> <p><b>Community Spirit/Social fabric improved:</b></p>	2@7m (4m+3m)

- As a community works together, relationships are built and the atmosphere is greatly improved with residents proud to live there.
- Projects are driven by local interests.
- These projects offer the potential for social interaction'

**Depopulation is prevented/Rural regeneration/prosperity**

- People may be encouraged to remain in an area if facilities are available and opportunities to work and to enjoy leisure time are provided. Local communities thrive.

**Social Opportunities**

- Any local amenity which provides a space for people to meet and socialise will improve the social fabric of an area by creating a sense of belonging and pride in the area.

## Question 10

Question	Possible Responses	Max Mark
11.	<p><b>Illustrate your understanding of a Joint Labour Committee.</b></p> <p>A Joint Labour Committee (JLC) is an independent body made up of equal numbers of employer and worker representatives. A JLC sets the employment conditions and minimum rates of pay for employees in a certain sector, for example, contract cleaning. JLCs are set up by the Labour Court following an application from either:</p> <ul style="list-style-type: none"> <li>• The Minister for Enterprise, Trade and Employment</li> <li>• A trade union</li> <li>• Any organisation that represents the workers or the employers involved</li> </ul> <p>The chairman and substitute chairman of a JLC is appointed by the Minister for Enterprise, Trade and Employment.</p> <p>Examples of current JLC's include: agricultural workers, Catering, contract cleaners, early learning, hairdressing, hotels, security industry, retail and grocery sector and English language schools</p>	10m(4+3+3)

## Question 11

Question	Possible Responses	Marks
12	<p>Outline <b>two</b> functions of a Local Enterprise Office (LEO) in supporting small businesses in Ireland.</p> <p><b>Mentoring:</b> A business mentor can be appointed to the small business. The mentor can aid with decision-making via advice and experience.</p> <p><b>Grants</b> Feasibility Study Grants/ Priming Grants/Expansion Grants. The LEO provides priming grants to small business to help them identify the viability of the business venture.</p> <ul style="list-style-type: none"> <li>• Other answers may include:</li> <li>• Research, Development</li> <li>• Innovation Supports,</li> <li>• Micro finance loans,</li> <li>• Trading online Voucher Scheme</li> <li>• Training courses</li> </ul>	2@(3+2)

**Question 12**

**Question 6**

**(A)** Outline the different types of insurance that The Royal Oak Hotel should have in place.

Question	Possible Responses	Marks
6 (A)	<p><b>Employers Liability Insurance</b> This protects the business against claims made by employees who are injured in the course of their work. All employees are trained in health and safety procedures and the use of cooking equipment.</p> <p><b>Public Liability Insurance</b> This protects the business against claims made by members of the public who are injured while on the premises, such as slip and-fall injuries. All floors have appropriate warning signs placed on them when they have been washed to avoid any injury.</p> <p><b>Product Liability Insurance</b> This insures the business against claims made by customers relating to the products you sell such as food poisoning claims. All foods are cooked properly on the premises before serving. All sell by dates on stock should be checked and adhered to. A stand-by generator could be considered in the event of loss of electricity to protect frozen food products. Ensure that staff are properly qualified.</p> <p><b>Consequential Loss insurance</b> Consequential Loss insurance is a policy which protects the business against loss of income from business closure or being unable to use equipment within a commercial property, or being unable to use the property itself.</p> <p>Other types of insurance relevant to a hotel such as 'Royal Oak'</p> <ul style="list-style-type: none"> <li>• Motor Insurance,</li> <li>• Cash in transit insurance</li> <li>• Stock insurance</li> <li>• Premises /buildings insurance</li> <li>• Contents insurance</li> <li>• Fidelity Guarantee insurance</li> <li>• Plate Glass insurance</li> </ul>	<p>4@5 4@5 (4+1),(4+1), (3+2),(3+2)</p> <p>Name, Explain</p>

**(B)** Discuss the strategies used to manage change in a business.

Question	Possible Responses	Marks
6	<p data-bbox="331 188 368 217"><b>(B)</b></p> <p data-bbox="435 188 730 217"><b>Training and Development</b></p> <ul data-bbox="435 221 1198 371" style="list-style-type: none"> <li>• Staff must be provided with the skills needed for the use of new technologies so as to achieve efficiencies and provide a better service to its customers.</li> <li>• Training increases staff's ability to cope and eases staff's fears about new changes. It can be provided on the job or off the job.</li> </ul> <p data-bbox="435 412 552 441"><b>Teamwork</b></p> <ul data-bbox="435 445 1198 533" style="list-style-type: none"> <li>• When employees are arranged into teams it can lead to discussion, innovation and change. Teamwork increases staff's familiarity to change.</li> <li>• This can ease reluctance to changes that management introduce.</li> </ul> <p data-bbox="435 568 531 598"><b>Rewards</b></p> <ul data-bbox="435 602 1198 723" style="list-style-type: none"> <li>• By providing rewards to employees, behaviour can be influenced as they try to achieve those awards. Rewards may include a profit-sharing scheme, so employees are encouraged to work as they will achieve a portion of those profits.</li> </ul> <p data-bbox="435 759 906 788"><b>Communicate with staff about the changes.</b></p> <ul data-bbox="435 792 1198 943" style="list-style-type: none"> <li>• Management should explain the need for the changes and the consequences of not taking any action to ensure the survival of the firm. Communication should be honest and open. The benefits of change should be explained to staff. This will reduce uncertainty and tensions among employees.</li> </ul> <p data-bbox="435 978 684 1008"><b>Consultation with staff</b></p> <ul data-bbox="435 1012 1198 1133" style="list-style-type: none"> <li>• Management can be seen to seek staff input regarding the changes. Staff are allowed give their opinions about the change. This eases reluctance as staff start to shape the changes. As a result, staff are more likely to be open to changes suggested by management.</li> </ul> <p data-bbox="435 1169 831 1198"><b>Facilitator approach to management</b></p> <p data-bbox="435 1202 1198 1323">Helping employees perform the tasks rather than controlling the task. This may be achieved a democratic or theory Y approach to management. As a result, staff are more likely to be open to changes suggested by management.</p> <p data-bbox="435 1359 730 1388">Other answers may include:</p> <ul data-bbox="435 1393 699 1480" style="list-style-type: none"> <li>• Lead by example</li> <li>• Resource Provider</li> <li>• TQM/Empowerment</li> </ul>	4@5(2+3)

**(C)** Calculate each of the following for Gemma. (show your workings)

- (i)** The PAYE which Gemma has to pay
- (ii)** The total amount of USC paid.
- (iii)** The total amount of PRSI paid
- (iv)** Gemma's net annual take-home pay.

Question	Possible Responses			Marks	
6 (C)		€	€	€	20m
	Gross Salary			55,000	10m
	Benefit in Kind			20,000	
	Total taxable income			75,000 ①	
	<b>PAYE</b>				
	0.20 x 44,000	8,800 ①			
	0.40 x 31,000 ①	12,400 ①	21,200 ①		
	Single Person Tax Credit	1,875 ①			
	Employee Tax Credit	2,000 ①	(3,875) ①		
	<b>(i) PAYE which Gemma has to pay:</b>			17,325 ②	
	<b>USC</b>				
	0.005 x 12,012		60.06 ①		
	0.02 x 9,281		185.62 ①		
	0.03 x 53,707 ①		1,611.21 ①		
	<b>(ii) The total amount of USC paid:</b>			1,856.89 ②	
	<b>PRSI</b>				2m
	0.04 x 75,000		3,000		
	<b>(iii) The total amount of PRSI paid</b>			3,000 ②	
	<b>Gemma's net annual take home pay</b>				2m
	Total deductions:			22,181.89 ①	
	Gross Salary			55,000	
	Less Total Deductions			22,181.89	
	<b>(iv) Net annual take-home pay</b>			€32,818.11 ①	
	Own figures are shaded.				

**Question 13**

**Question 7**

**(A)** Discuss the advantages **and** disadvantages of an acquisition (takeover) as a method of business expansion.

Question	Possible Responses	Marks
7 (A)	<p><b><u>Advantages</u></b></p> <p><b>Spreads Risk</b> By diversifying into new products or markets, it spreads risk for the acquiring business.</p> <p><b>Economies of Scale</b> The larger business benefits from discounts from suppliers due to bulk buying. This reduces business costs.</p> <p><b>New Products</b> The combined resources of the firms may result in faster development of new products. This can increase a firm's sales and profits.</p> <p><b>Faster than organic competition</b> When taking over another business the customers, resources, stock and employees instantly are acquired.</p> <p><b><u>Disadvantages</u></b></p> <p><b>Costs/Expensive</b> It can be expensive for the acquiring business as a large amount of capital may be required to finance the takeover.</p> <p><b>Staff Redundancies</b> There may be too many staff performing the same duties when one business is taken over by another. Staff redundancies will be needed to reduce business costs.</p> <p><b>Industrial Relations</b> Some staff may be unhappy with the takeover and possible redundancies. This can increase the likelihood of industrial relations conflict at the firm.</p>	<p>4@5(2+3)</p> <p><u>2 advantages and 2 disadvantages required</u></p>

**(B)** Illustrate **four** stages, apart from launch, that Glanbia may use for developing a new product.

Question	Possible Responses	Marks
7 (B)	<p><b>Idea Generation</b> Initial ideas for the new product are created. It may come from internal or external sources. An idea may come from brain-storming. Reference/Example to Glanbia required.</p> <p><b>Product Screening</b> The ideas are vetted/sorted and the impractical and unworkable ideas are eliminated, leaving the most likely one for further examination and development. Reference/Example to Glanbia required.</p> <p><b>Concept Development</b> This involves turning the idea into an actual product or service that will appeal to customers. This stage involves identifying features for the idea. A unique selling point (USP) is identified which will distinguish it from other products. Reference/Example to Glanbia required.</p> <p><b>Feasibility Study</b> This is carried out to assess if a product is viable. It looks at whether it can be produced technically and will it be profitable. It answers question like: What demand is there? What will it cost etc? Reference/Example to Glanbia required.</p> <p><b>Prototype Development:</b> This is a sample or working model of a product. It is produced to see if a product can be made and what materials are required to make it. It can be used to test the product to see what improvements can be made. Reference/Example to Glanbia required Reference.</p> <p><b>Test Marketing</b> The product is tested on a sample of consumers before going into full production. Reference/Example to Glanbia required Reference.</p>	4@5(2+2+1) Name, Explain, Reference/ Example

(C) Discuss how Anthem Transport Ltd could use different medium-term sources of finance for their medium-term needs.

Question	Possible Responses	Marks
7 (C)	<p><b>Hire Purchase</b> Is a medium source of finance that involves a three party agreement between a retailer, finance company and a buyer. The finance company pay the retailer for the asset, the buyer gets the asset immediately and repays the finance company in regular instalments. Interest is included and a deposit and final payment are required. The buyer does not legally own the asset until the final instalment is paid.</p> <p><b>Medium term loan</b> This is a medium source of finance that involves a financial institution providing capital to a borrower. The borrower repays the capital with interest over 1-5 years in regular repayments.</p> <p><b>Leasing</b> Through leasing, the business acquires, but does not necessarily purchase, fixed assets over the medium term. This is a form of hiring whereby a contract is agreed between a leasing company (the lessor)</p>	3@6(3+3) Source, Explain

and the business (the lessee). The lessee pays rental income to hire assets from the lessor.

**Medium term needs:**

Aging fleet

Outdated IT system

2@1m