



**Coimisiún na Scrúduithe Stáit**  
**State Examinations Commission**

**Junior Certificate 2018**

**Marking Scheme**

**Business Studies**

**Higher Level**

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

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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.

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**Coimisiún na Scrúduithe Stáit  
State Examinations Commission**

**JUNIOR CERTIFICATE EXAMINATION 2018**

**BUSINESS STUDIES – HIGHER LEVEL – PAPER I**

**SOLUTIONS**

# SECTION A

(80 marks)

1.

<b>DIRT</b>	DEPOSIT INTEREST RETENTION TAX
<b>CAR</b>	COMPOUND ANNUAL RATE
<b>APR</b>	ANNUAL PERCENTAGE RATE

2.

<b>INPUT DEVICES</b>	(i) Keyboard, mouse, touchpad, USB key, digital voice recorder, CD, microphone.
	(ii) Scanner, touchscreen, digital pen.
<b>OUTPUT DEVICES</b>	(i) Printer, wireless headphones, CD, MP3 player.
	(ii) Monitor (screen), bluetooth speakers.

3.

<b>Trading Account of TAG Ltd for year ending 31-12-2017</b>			
	€	€	€
Sales			<b>(i) 340,000</b>
Stock (01/01/2017)		85,000	
<b>(ii) Purchases</b>	151,000		
Carriage Inwards	4,000	155,000	
		240,000	
Stock (31/12/2017)		50,000	190,000
<b>(iii) Gross Profit</b>			150,000

4.

<b>Answer:</b>
<b>6%</b>

Workings:		
Net Profit = 85,500 – 28,500 = 57,000		
$\frac{57,000}{950,000}$	×	$\frac{100}{1} = 6\%$

5.

Customers **recognise the company's product** and can easily **distinguish it from competitors' products**. Branding **promotes customer loyalty** and **leads to increased sales and profits**. A well-known brand assures the customer that the **quality of the product is good**. It can **help to advertise** products. Branding can be used to **launch a new product**.

6.

Complete the **ledger accounts of E. Power** showing the names of the accounts and the relevant details, numbered **(i)** to **(iv)**:

(i) Equipment a/c

Dr			Cr		
Date	Details	€	Date	Details	€
2018 June 8	<b>(ii) Cash/Bank a/c</b>	2,100			

(iii) Cash/Bank a/c

Dr			Cr		
Date	Details	€	Date	Details	€
			2018 June 8	<b>(iv) Equipment a/c</b>	2,100

7.

Dr		Debtors Control Account				Cr
Date	Details	€	Date	Details	€	
2018			2018			
May 1	Balance b/d	5,700	May 31	Cash/Bank	5,400	
May 31	Sales	6,100	May 31	Balance c/d	6,400	
		11,800			11,800	
May 31	Balance b/d	6,400				

**OR (Alternative Format)**

Debtors Control Account				
Date	Details	Dr	Cr	Balance
2018		€	€	€
May 1	Balance b/d			5,700
May 31	Cash/Bank		5,400	300
May 31	Sales	6,100		6,400

8. Explain the term 'free market/free enterprise economic system'.

**Supply and demand determine prices. All goods and services are provided by the private sector. There is very little or no involvement by the government.**

9.

	Operating Statement	Balance Sheet
Vet Fees	✓	
Tractor Depreciation	✓	✓
Sale of Hay	✓	

10.

- Cost Drivers' wages, fuel if using own transport, or cost of hiring couriers.
- Reliability Will use of public transport guarantee delivery on time?
- Type of goods Large and heavy goods/perishable goods/small light products – different types of delivery system in each case.
- Speed Essential for fresh food.
- Safety Accidents could increase insurance costs.
- Distance Overseas deliveries require two or more delivery systems.
- Convenience Door to door delivery.
- Flexibility Fixed timetables can be avoided.

11.

- (i) Explain the term 'Imprest'.

Imprest: It's a fixed/same amount of money/float with which the Petty Cashier starts each month.

- (ii) Calculate the amount the Petty Cashier will require to restore the imprest.  
Show your workings.

<b>Answer:</b>
<b>€177</b>

<b>Workings:</b>
$57 + 59 + 61 = 177$

12.

<b>Answer:</b>
<b>€ 50 million</b>

<b>Workings:</b>
Balance of Trade = Visible Exports – Visible Imports: $700 - 650 = 50$

13.

<b>Profit &amp; Loss Appropriation Account of Kors Ltd for year ending 31-12-2017</b>		
		€
Net Profit		570,000
Less Dividends	(i)	<b>32,500</b>
<b>(ii) P &amp; L Balance</b>	<b>(iii)</b>	<b>537,500</b>

14. Explain **two** reasons why stocktaking is essential in any business.

- Stocktaking lets a business know how much of each type of product is on hand.
- It shows if stock of a certain product is running low and needs to be re-ordered.
- It shows if too much of a certain product is not selling.
- It shows if some stock is close to or past its sell-by date.
- It is essential at end of financial year to find the value of closing stock for the final accounts.
- To prevent fraud/theft.

15. (i) Enter the following balances in the partially completed General Journal of Ophelia Ltd:

1 January 2018	Buildings	€575,000
	Bank Overdraft	€9,610

(ii) Calculate the Ordinary Share Capital:

Ophelia Ltd – General Journal				
Date	Details	F	Dr	Cr
			€	€
1 January 2018	Buildings	GL <sub>1</sub>	575,000	
	Creditors	CL <sub>1</sub>		10,000
	Bank	CB <sub>1</sub>		9,610
	Ordinary Share Capital	GL <sub>2</sub>		555,390
<i>Assets, Liabilities and Share Capital of Ophelia Ltd on this date.</i>			575,000	575,000

16. Explain the term 'unlimited liability'.

The **owners/shareholders of a business** are **liable for the entire amount of the debt of the business** if it goes **bankrupt**. All their **personal assets/investment may be lost**.

17. Enter the following transaction in the Sales Returns Book of Cannon Ltd:

On 3 June 2018, Fran Ltd returned goods €2,100 to Cannon Ltd (Credit Note No. 24).  
The VAT rate on these goods was 23%.

Cannon Ltd – Sales Returns Book						
Date	Details	CN No.	F	Net €	VAT €	Total €
2018 June 3	Fran Ltd	24	DL	2,100	483	2,583

18. Tick (✓) the correct columns to indicate whether the following sources of finance are short term, medium term or long term.

Source of Finance	Short Term	Medium Term	Long Term
Mortgage			✓
Creditors	✓		
Hire purchase		✓	

19. **Column 1** is a list of retailers. **Column 2** is a list of Statements that can be matched to these retailers. (One statement does not refer to any of the Retailer Terms.)

Retailers	Statements
1. Supermarket	A. Shop owned by one owner with many branches around the country.
2. Voluntary Group	B. Self-service shop which provides a large variety of goods.
3. Multiple Shop	C. Shop set up with the permission of the owner.
	D. Shops joining together to compete.

Match the two lists by placing the letter of the correct statement under the relevant number below:

1.	2.	3.
B	D	A

20. Distinguish between **conciliation** and **arbitration**.

**Conciliation:** The two parties in a dispute (usually management and employees) agree to bring in an **independent person/facilitator to resolve the dispute**. The conciliator is appointed by the **Workplace Relations Commission** and helps the two parties to try and reach a **mutually acceptable settlement**.

**Arbitration:** If conciliation does not solve the dispute, another **independent third party (labour court)** may be appointed to try and solve it. The **arbitrator makes a recommendation which may or may not be binding**.

## SECTION B

### Question 1 (A) Planned Budget for the Sheeran Household for 2019

	Jan	Feb	Mar	Total Jan – Mar	Estimate Apr – Dec	Total for Year Jan – Dec
<b>PLANNED INCOME</b>	€	€	€	€	€	€
Margaret Sheeran Salary	2200	2200	2200	6600	21,450 [1]	28,050 [1]
Enda Sheeran Wages	1800	1800	1800	5400	17,000 [1]	22,400 [1]
Child Benefit	280	280	280	840	2,660 [1]	3,500 [1]
<b>TOTAL INCOME</b>	4280	4280	4280	12840	41,110	53,950
<b>PLANNED EXPENDITURE</b>						
<i>Fixed</i>						
Annual house insurance			940	940		940 [1]
Car loan and insurance	320	320	320	960	3,430 [1]	4,390 [1]
Mortgage	950	950	950	2850	8,830 [1]	11,680 [1]
<b>Subtotal</b>	1270	1270	2210	4750	12,260	17,010
<i>Irregular</i>						
Telephone and broadband	130	130	130	390	1,380 [1]	1,770 [1]
Light and heat costs	140		125	265	625 [1]	890 [1]
Car running costs	160	160	160	480	1,640 [1]	2,120 [1]
Household costs	890	890	890	2670	7,743 [1]	10,413 [1]
<b>Subtotal</b>	1320	1180	1305	3805	11,388	15,193
<i>Discretionary</i>						
Entertainment costs	100	120	130	350	1,140 [1]	1,490 [1]
Holidays	290			290	2,610 [1]	2,900 [1]
House decoration			3900	3900	0	3,900 [1]
<b>Subtotal</b>	390	120	4030	4540	3,750	8,290
<b>TOTAL EXPENDITURE</b>	2980	2570	7545	13095	27,398	40,493
Net Cash	1300	1710	(3265)	(255)	13,712 [1]	13,457 [1]
Opening Cash	80	1380	3090	80	-175 [1]	80 [1]
Closing Cash	1380	3090	(175)	(175)	13,537	13,537
					2 marks must be same and correct	

**(B)**

(i) Identify additional income in the Sheeran Household Budget.	
<b>Answer:</b>	
<ul style="list-style-type: none"><li>• Margaret's 15% increase in salary.</li><li>• Enda's overtime.</li><li>• Enda's bonus.</li><li>• Higher child benefit after birth of third child.</li></ul>	1 @ 3m

(ii) At the end of March 2019 what will be the expected closing cash balance for the Sheeran household?	
<b>Balance: €175 Deficit</b>	1m

(iii) Outline <b>two</b> methods of dealing with this temporary situation at the end of March 2019, if an overdraft facility is not available to the Sheeran household.	
<ul style="list-style-type: none"><li>• Pay house insurance on a monthly or quarterly basis.</li><li>• Reduce household costs.</li><li>• Delay booking holiday until April or May.</li><li>• Reduce amount spent on house decoration, or pay it over three months.</li><li>• Reduce entertainment costs.</li><li>• Work more overtime/extra hours.</li></ul>	2 @ 3m

**Question 2**

**(A)**

<b>Accumulated Fund [1] of Windtree Tennis Club as at 01/01/2017 [1]</b>		
	<b>Dr</b>	<b>Cr</b>
<b>Assets:</b>		
Clubhouse	230,000 [1]	
Cash	27,000 [1]	
Bank	3,000 [1]	
Floodlights	45,000 [1]	305,000
<b>Liabilities:</b>		
Term Loan	80,000	<u>80,000</u> [1]
Accumulated Fund		<u>225,000</u> [1]

(8 marks)

**(B)**

<b>Windtree Tennis Club [1]</b>			
<b>Income &amp; Expenditure a/c [1] for year ended 31/12/2017 [1]</b>			
<b>Income [1]</b>			
Subscriptions	18,000 [1]		
Subs prepaid	<u>730</u> [1]	17,270 [1]	
Competition fees	5,300 [1]		
Competition prizes	<u>3,070</u>	2,230 [1]	
Club lotto	27,700 [1]		
Lotto expenses	<u>11,200</u>	16,500 [1]	
Annual sponsorship		<u>24,000</u> [1]	60,000
<b>Less Expenditure [1]</b>			
Floodlight repairs		2,740 [1]	
Court maintenance		6,517 [1]	
General expenses	2,150 [1]		
Add general expenses due	<u>160</u> [1]	2,310 [1]	
Insurance	1,950 [1]		
Insurance prepaid	<u>325</u> [1]	1,625 [1]	
Depreciation:			
Equipment	1,440 [1]		
Floodlights	<u>4,500</u> [1]	<u>5,940</u> [1]	<u>19,132</u>
Excess of income/surplus over expenditure [1]			<u>40,868</u> [2]

(27 marks)

**(C) Calculate the percentage of income made up by sponsorship. Comment on your answer.**

$$24,000/60,000 \times 100 = \mathbf{40\% [2]}$$

or

$$24,000/74,200 \times 100 = \mathbf{32.3\% [2]}$$

- A high percentage – they would find it more difficult to progress without sponsorship/too dependent on it.
- It helps to keep annual subscriptions low, enabling more members to join.
- It takes the pressure off paying for maintenance costs. It covers all their current expenses.
- It could help to pay for the new equipment. [3]

(5 marks)

Total 40 Marks

**Question 3**  
**(A)**

(i) <b>National Budget for the year 2018 [2]</b>				
			€ Millions	€ Millions
	<b>REVENUE</b>			
	Corporation Tax		540 [1]	
	Excise Duties		285 [1]	
	PAYE		3,150 [1]	
	VAT		<u>2,250</u> [1]	<b>6,225</b>
	<b>EXPENDITURE</b>			
	Health Services		1,870 [1]	
	Social Protection		1,440 [1]	
	Education and Skills		1,680 [1]	
	Debt Servicing		780 [1]	
	Agriculture, Food and the Marine		<u>250</u> [1]	<b>6,020</b>
	<b>SURPLUS [1]</b>			205 [1]

(13 marks)

(ii) **Explain the term 'corporation tax'.**

3m

Corporation tax is a **tax on the profits of a company**.

(iii) **The US government has recently reduced the rate of corporation tax. Outline the effect of this change on Ireland's National Budget.**

3m

Effect of a reduction in the rate of US corporation tax:

- It may give rise to an increase social welfare costs due to an increase in the Irish unemployment rate.
- A reduction in income tax, corporation tax, universal social charge and other revenues to the Irish Government/placing a strain on the Irish government's budget.

(19 marks)

- (B) (i) **The cost of living in a country in 2016 was €7,000. In 2017, it was €7,105. Calculate the rate of inflation. (Show your workings.)**

3 figures @ 1m each

Rate of Inflation:  $7,105 - 7,000 = 105$

$105/7,000 = 1.5\%$

- (ii) **Explain the term 'inflation'.**

3m

Inflation: Inflation is a **sustained increase in the general level of prices of goods or services** from **one period to another**.

- (iii) **Identify the official measure of inflation in Ireland.**

3m

Consumer Price Index (CPI)

- (iv) **State two causes of inflation.**

2 @ 3m each

- An increase in the cost of production of a product will cause the selling price of the product to increase also –an increase in the price of raw materials, wages, oil, gas.
- An increase in VAT, Excise Duties or Customs Duty relating to the product will cause the price of the product to increase.
- If the demand for a product is greater than the supply, the price will increase – e.g. housing, rents.

(15 marks)

- (C) **Ireland failed in its bid to host the 2023 Rugby World Cup.**

2 effects @ 3m each

**Outline two economic effects for Ireland if the bid had been successful.**

- Many visitors from foreign countries giving rise **to more income** for all due to their spending/VAT/PAYE/Excise Duty.
- **Less social protection payments.**
- Increased international profile/exposure for Ireland – games televised worldwide is likely to **increase in tourism** into Ireland in following years leading to **extra employment** in that sector – tour guides, hotel staff, food sector.
- **Improved infrastructure** – roads to venues, better playing pitches to cater for large crowds.

(6 marks)

Total 40 marks

**Question 4**

**(A) (i) Name the consumer law that applies in this situation.**

Consumer Protection Act 2007/Consumer Information Act 1978

[3m, 2m for name of law and 1 for year]

**(ii) State the relevant principle of consumer law that has been broken.**

Misleading/false/inaccurate information in advertisement.

[3m]

(6 marks)

**(B) (i) Write the letter that Kate Tuohy sent to Kingdom Travel Ltd.**

Letter summary:

Layout 8m

Content 5 @ 2m

English 4m

Lake View

Muckross

Co. Kerry [1]

3 June 2018 [1]

The Manager  
Kingdom Travel Ltd  
Park View  
Killarney  
Co. Kerry [1]

Re: Holiday in Lanzarote [1]

Dear Sir/Madam [1]

My husband and I have just returned from a week's holiday in Lanzarote (from 24 May 2018 to 31 May 2018) which we had booked with your company. (2)

Your holiday brochure clearly stated that the apartment complex where we were staying had its own swimming pool. (2) On arrival at our apartment, we discovered that there was no swimming pool. (2) We were very disappointed.

As your brochure gave misleading information and was in contravention of the Consumer Information Act, 2007, (2) we feel we are entitled to redress as we did not get the holiday we paid for. (2)

We hope for a quick response. [1]

Yours faithfully [1]

Kate Tuohy [1]

**(ii) Give two methods that the Tuohys could have used in paying for the holiday.**

2 methods @ 2m each

Cash

Cheque

Credit card

Debit card

Online – Internet/Paypal/EFT/Credit Transfer

Gift voucher

Bank Draft

(26 marks)

(C) (i) Explain, with an example, the term 'impulse buying'.

Explanation 2m

Example 2m

**Explanation:** It means buying something on the spur of the moment/unplanned spending/something which is not part of one's budget/not considering the financial consequences.

**Example:**

Buying an expensive item because it had a 20% reduction.

Buying two items when you only needed one because they were on an offer.

(ii) Explain two characteristics of a good consumer.

2 @ 2m each

- Aware of legal rights – knows Consumer Protection Act.
- Aware of organisations that can help with queries and protect the consumer.
- Able to make a complaint in a proper manner.
- Does not buy goods or services impulsively.
- Compares prices of similar goods and services before purchasing/shop around.
- Prepares a budget and sticks to it.
- Keeps receipts and guarantees.

(8 marks)

Total 40 marks

**Question 5**

**(A) Prepare the Analysed Cash Book of Michael O'Connor for the month of May 2018 from the data given:**

**Analysed Cash Book of Michael O'Connor [1]**

Dr						Cr					
Date	Details	Cash	Wages	Other	Date	Details	Cash	Groceries	Light & Heat	Rent	Other
2018		€	€	€	2018		€	€	€	€	€
May 1	Balance b/d	1,160			May 5	Groceries	280	280			
7	Wages	780	780		11	Electricity	125		125		
21	Wages	780	780		12	Entertainment	70				70
30	Lotto win	25		25	15	Rent	440			440	
					16	Groceries	290	290			
					18	Fuel	70		70		
					23	Gym	55				55
					25	Phone	100				100
					29	Groceries	320	320			
					31	Balance c/d	995				
		2,745	1,560	25			2,745	890	195	440	225
May 31	Balance c/d	995									

<b>Dr side:</b> €1,160 balance 1m 6 figures @ ½ mark = 3m Balance b/d 995 = 1m	<b>Cr side:</b> 18 figures @ ½ mark each = 9m Balance c/d 995 = 1m Title 1m Date with year 1m	<b>Total</b> <b>17m</b>
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(B)

3 @ 2m each

(i) **State three requirements that must be satisfied when opening a bank account.**

- Proof of address e.g. utility bill, statement from Revenue Commissioners.
- Proof of identity e.g. passport, driving licence.
- PPSN (personal public service number) – required if account earns interest.
- Proof of source of income.

(ii) **Outline two differences between a current account and a deposit account.**

2 @ 2m each

- A current account usually has an overdraft facility, but a deposit account does not.
- A cheque book is used with a current account but not with a deposit account.
- Payments can be made by standing order/direct debit from current accounts but not from deposit accounts.
- A current account is used for day-to-day transactions whereas a deposit account is used for savings.
- Charges may apply to a current account while not usually to deposit accounts.
- Deposit accounts offer interest on the balance, even though it is a minimal rate at present. Usually money in a current account does not earn interest.

(iii) **State and explain how his education grant would transfer into his bank account.**

4m [2 + 2]

**Credit transfer** – His grant is transferred online/electronically, directly into his bank current account by the department which pays the grant. (SUSI).

(iv) **Michael's Analysed Cash Book shows the following three household bills:**

- **Monthly rent**
- **Groceries**
- **Electricity**

3 @ 3m each

**Explain one different method Michael might use to pay each of these bills from his new bank account.**

**Standing Order:** An **instruction to the bank** to pay a **fixed amount** directly out of his current account **at regular intervals/fixed date** to the account of a third party.

**Direct Debit:** This gives permission to a third party to withdraw varying amounts of money from a current account at regular/fixed variable dates.

**Electronic Funds Transfer (EFT):** Bills may be paid online by EFT – the amount to be paid is transferred online directly into a third party bank current account.

**Cheque:** This is an instruction in writing from the account holder, to the bank, to pay a specific amount to the person named on the cheque.

**Debit Card:** When a debit card is used money is taken directly from a current account and transferred immediately to another bank account.

**Cash:** The account holder can get cash from a bank account or use an ATM card to withdraw cash. The cash can then be used to pay for bills.

(23 marks)  
Total 40 marks

**Question 6**

**(A) (i) Explain the difference between third party and comprehensive insurance cover.**

Explanation of difference 6m

**Third party** insurance provides compensation to other people injured in or by Sarah's car/it also covers damage to property caused by Sarah's car (1). Her own car is not covered (2).

**Comprehensive** insurance provides compensation to all those injured by Sarah's car/any property damaged by the car (1) as well as damage to Sarah's car (2).

**(ii) State and explain the principles of insurance of which Sarah needs to be aware when taking out motor insurance.**

Principles 2 @ 1m each

Explanation 2 @ 2m each

**Utmost Good Faith:** (1) She is obliged to answer all questions truthfully when completing the proposal form/disclose all relevant or material facts (2).

**Insurable Interest:** (1) Sarah must have a financial interest in the car being insured/suffer financially from its loss (2). This is true as she owns the car and would suffer financially if it was damaged. She could not insure another person's car.

**(iii) Explain the following terms, with reference to Sarah:**

Explanation 3 @ 2m each

Reference to Sarah 3 @ 2m each

**(a) Loadings:** An increase in the premium for a specific reason (2). Sarah's premium would be higher as she is a new driver aged 23 with no previous driving experience (2).

**(b) Premium:**  
It is the cost of insurance/payment for insurance (2). The sum of money paid by Sarah to the insurer in return for the insurance cover (2).

**(c) No claims bonus:**  
A discount in the insurance premium is given for not making a claim (2). Each year that Sarah does not make a claim will result in a percentage reduction of her basic premium (up to a certain limit)/it is her first insurance Sarah so would not be entitled to a no claims bonus (2).

(24 marks)

**(B) (i) Explain the term 'tax credit'.**

Explanation 4m (2 + 2)

A tax credit is an allowance/tax incentive given by the Revenue Commissioners/Government to tax payers, which reduces the amount of tax payable by the tax payer.

**(ii) State two statutory deductions that would be taken from her gross wage.**

2 @ 2m each

- P.A.Y.E. – Pay As You Earn
- P.R.S.I. - Pay Related Social Insurance
- USC - Universal Social Charge

**(iii) Outline the purpose of each of these statutory deductions.**

2 @ 2m each

**PAYE:** Also called income tax, it is used to fund the Government (current) expenditure on the running of all government departments.

**PRSI:** To pay for social welfare benefits. It also covers optical, dental and public hospital expenses.

**USC:** This is a tax payable on total (gross) income. It was introduced during the financial crisis to help to balance the budget/to fund current expenditure in all government departments and supplements the expenditure in relation to PRSI.

**(iv) If Sarah sold €870 worth of goods in a week, calculate her gross wage for that week. Show your workings.**

$$870 \times 8/100 = 69.60 \text{ [2]}$$

$$69.60 + 320.00 \text{ [1]} = \mathbf{\text{€}389.60 \text{ [1]} = \text{Gross wage}}$$

(16 marks)  
Total 40 marks

