

**WARNING**

This question paper **MUST** be returned with your answer book at the end of the examination, otherwise marks will be lost.

Write your Examination Number here: 



# Coimisiún na Scrúduithe Stáit State Examinations Commission

LEAVING CERTIFICATE EXAMINATION, 2012

**BUSINESS - ORDINARY LEVEL**  
(400 marks)

THURSDAY 14 JUNE 2012 – MORNING 9.30 to 12.00

**ANSWER**

**(A) Ten questions from SECTION 1**

**AND**

**(B) Four questions from SECTION 2 as follows:**

**One question from Part 1 and  
Two questions from Part 2 and  
One other question from either Part 1 or Part 2.**

**All questions carry equal marks.**

**Calculators may be used.**

**Make and Model of Calculator Used:**

Q.	Mark
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
Total	

**REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK  
YOU USE FOR ANSWERING SECTION 2**

**SECTION 1**  
**(100 marks)**

**SHORT ANSWER QUESTIONS**

**Answer 10 questions. Each question carries 10 marks. Please return this question paper with your answer book.**

1. What do the following letters stand for? (Write each answer in the space provided.)

VAT	
LRC	
ECB	

2. (a) Explain the term 'employer'.

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(b) Outline **two** responsibilities of an employer:

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

3. The following pie chart represents an extract of proposed Government expenditure.

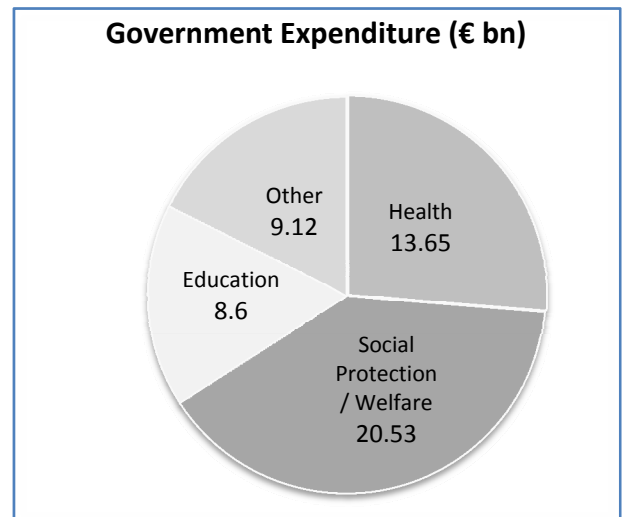
(i) List **two** examples of Government Expenditure on Health:

Example 1:

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Example 2:

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(ii) Outline **two** reasons for the high level of expenditure on Social Protection/Welfare:

Reason 1: \_\_\_\_\_

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Reason 2: \_\_\_\_\_

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4. Outline **two** benefits of a good stock control system for a business:

Benefit 1: \_\_\_\_\_

\_\_\_\_\_

Benefit 2: \_\_\_\_\_

\_\_\_\_\_

5. The following information is available from the final accounts of Navona Ltd:

Sales                    €420,000  
Gross Profit            €84,000  
Net Profit                €31,500

Workings

Calculate:

(i) Gross Profit Margin

**Answer:**                \_\_\_\_\_ %

(ii) Net Profit Margin

**Answer:**                \_\_\_\_\_ %

6. Complete the missing Factors of Production.

LABOUR

ENTERPRISE

7. Outline your understanding of a 'Global Business' and give **one** example.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Example: \_\_\_\_\_

8. Write TRUE or FALSE after each of the following statements:

	Statement	True or False
1.	The share of profits received by a Shareholder is known as a dividend.	
2.	Hire Purchase is an example of short term finance.	
3.	Trade Credit is an example of long term finance.	
4.	Privatisation refers to the Government selling state-owned enterprises to private investors.	
5.	Availing of a Bank Overdraft facility incurs an interest charge.	

9. Outline **two** characteristics of an autocratic leader:

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

10. Column 1 is a list of business terms. Column 2 is a list of explanations for these terms.  
*(One explanation has no match.)*

Column 1: Business Terms	Column 2: Explanations	
1. Test Marketing	A.	A technique for coming up with new ideas for products.
2. Prototype Development	B.	Carried out to see if a product can be made at a reasonable cost.
3. Brainstorming	C.	A firm's revenue equals its expenditure.
4. Feasibility Study	D.	A feature that distinguishes a product from its competitors.
5. Break-even Point	E.	Making a 'mock-up' or sample of a product.
	F.	A new product is tried out on a small section of the market to get feedback and reaction.

Match the two lists by placing the letter of the correct explanation under the relevant number below.

1.	2.	3.	4.	5.

11. Outline **two** reasons for fair dismissal and **two** reasons for unfair dismissal under the Unfair Dismissals Acts 1977-2007:

Fair:

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

Unfair:

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

12. Draft, using today's date, a Memorandum (Memo) from Jennifer King, Shop Steward, to all union members informing them of a trade union branch meeting to be held on Monday 18 June 2012 to discuss proposed redundancies.

<b>MEMORANDUM</b>	
To:	_____
From:	_____
Date:	_____
Re:	_____
Signed:	_____ Title: _____



13. Supermac's fast food is an example of an Irish franchise.  
Explain the term 'franchise' and state **one** advantage of a franchise as a form of business ownership.

\_\_\_\_\_

\_\_\_\_\_

Advantage: \_\_\_\_\_

\_\_\_\_\_

14. Outline **two** advantages for a business of preparing a Cash Flow Forecast:

(i) \_\_\_\_\_

\_\_\_\_\_

(ii) \_\_\_\_\_

\_\_\_\_\_

15. List **three** methods of external communication used in business:

(i) \_\_\_\_\_

(ii) \_\_\_\_\_

(iii) \_\_\_\_\_

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# SECTION 2

(300 Marks)

Answer **four** questions from SECTION 2 as follows:

**One** question from **Part 1** and

**Two** questions from **Part 2** and

**One** other question from either **Part 1** or **Part 2**.

## PART 1

### PEOPLE IN BUSINESS

#### QUESTION 1

Read the information supplied and answer the questions which follow.

*Joe saw an advertisement in the local newspaper for a second-hand car which was for sale in Murray's Garage. The advertisement stated that the car was four years old and had only 32,000 kilometres on the clock. He went to view the car, spoke to the garage owner Michael and took the car for a test drive. They agreed the price of € 9,000 and signed all the relevant documentation.*

#### Murray's Garage

4 YEAR OLD CAR  
FOR SALE

32,000 Kilometres

ONLY €9,000

- (A) Joe and Michael entered into a contract. What is a contract? (10 marks)
- (B) Offer, Acceptance, Consideration, and Consent to Contract are elements of a valid contract. Explain any **three** of these elements. Illustrate your answer with reference to the above text. (25 marks)
- (C) A contract can be terminated (ended) by Performance or Frustration. Explain the underlined terms. (15 marks)

*Joe's brother Oliver, a qualified mechanic, returned to Ireland on holidays from the USA three weeks later. He checked out Joe's car and discovered that the reading on the clock was incorrect and that the car had actually travelled 62,000 kilometres. Joe went back to Murray's Garage to complain about the incorrect clock reading, but did not receive any satisfaction. He decided to contact the National Consumer Agency.*



- (D) (i) Explain how Murray's Garage broke the terms of the Consumer Protection Act, 2007. (10 marks)
- (ii) Outline **two** functions of the National Consumer Agency. (15 marks)

(75 Marks)

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## DOMESTIC ENVIRONMENT

### QUESTION 2

Read the information supplied and answer the questions which follow.

#### SOLAR SOLUTIONS LTD

Kevin Fitzpatrick, MD and his two brothers set up Solar Solutions Ltd in their home town of Kilduff, to produce solar panels for private and commercial buildings. They identified an increased market demand for renewable energy sources. They received a Government Grant of €90,000 to help set up the business. Kevin is a firm believer in running the business in an ethical manner, and hopes this will ensure its success in this sector.

- (A) What do the letters MD stand for? State **one** function of a MD. (10 marks)
- (B) ‘Limited Liability’ and ‘Continuity of Existence’ are two advantages of a Private Limited Company. Explain these underlined terms. (20 marks)
- (C) Describe **two** benefits for the town of Kilduff, of the Fitzpatrick brothers setting up Solar Solutions Ltd. (20 marks)
- (D) Explain the term ‘Grant’ and state **one** advantage of a grant as a source of finance. (10 marks)
- (E) Outline **two** ways in which Solar Solutions Ltd can behave ethically towards its customers. (15 marks)
- (75 marks)**

## DOMESTIC/INTERNATIONAL ENVIRONMENT

### QUESTION 3

Read the information supplied and answer the questions which follow.

Irish Agricultural based exports have increased by almost 12%, highlighting the importance of this sector to the Irish economy.

Visible Exports	€1,400 million
Visible Imports	€1,200 million

- (A) (i) Using the above information, calculate the **Balance of Trade**. (Show workings.)  
(ii) State whether it is a surplus or a deficit. (15 marks)
- (B) (i) Explain the term ‘visible export’.  
(ii) Name **two** examples of Irish agricultural visible exports. (15 marks)
- (C) Outline **two** benefits for Irish business engaged in International Trade. (15 marks)
- (D) Outline **two** effects on Irish households of reducing mortgage interest rates. (15 marks)
- (E) Outline **two** effects on Irish retailers of increasing the VAT rate from 21% to 23%. (15 marks)
- (75 marks)**

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## PART 2

### ENTERPRISE/MANAGING

#### QUESTION 4

Read the information supplied and answer the questions which follow.

#### **Renew Rathnew**

The people of Rathnew have come together to start a Renew Rathnew Campaign. High unemployment and a drop in tourist numbers has resulted in many business closures. The town is located in a scenic area and the people believe that better use could be made of the unused buildings and the local walking trails to attract tourists. They have formed a committee, led by Chairperson Margaret Lynch and Secretary Danny Kelly to plan the campaign. They are determined to improve their town and attract more business and tourism to the area. A committee meeting is to be held shortly.

- (A) Outline **three** enterprising skills/characteristics required for this plan to succeed. (15 marks)
- (B) Using today's date, draft the Notice **and** Agenda for the first meeting of the Renew Rathnew Committee. (The Agenda should contain at least **four** items.) (25 marks)
- (C) Outline **two** advantages of meetings as a method of communication. (10 marks)
- (D) Describe **two** functions of the Chairperson at a meeting. (10 marks)
- (E) Outline **two** benefits of planning for the Renew Rathnew Committee. (15 marks)
- (75 marks)**

### MANAGING

#### QUESTION 5

Read the information supplied and answer the questions which follow.

Elaine McGrath works as an Assessor for Insure2Bsure Ltd.

Her job includes processing claims from customers and deciding on compensation.

She earns Gross Pay of €32,000 per annum. She pays PAYE at the standard rate of 20%.

Assume PRSI is 4% and the Universal Social Charge (USC) is 3%, both calculated on her gross pay.

Her annual Tax Credit is €3,600.

Elaine is thinking of buying a car. She needs finance and cannot decide between a Term Loan or Leasing.

- (A) Explain the **three** underlined terms. (15 marks)
- (B) Explain **two** of the following Principles of Insurance and give **one** example in **each** case:
- (i) Insurable Interest
  - (ii) Indemnity
  - (iii) Utmost Good Faith (15 marks)
- (C) Explain the insurance terms: (i) Claim (10 marks)  
(ii) Compensation (10 marks)
- (D) Calculate Elaine's Net Annual take home pay. (20 marks)
- (E) Choose either Term Loan **or** Leasing and outline **two** advantages of your chosen source of finance. (15 marks)
- (75 marks)**

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## MANAGING

### QUESTION 6

Read the information supplied and answer the questions which follow.

# White Water

*'White Water' Department Store recently installed a new IT system to track its sales. Deirdre McDermott, the Human Resource Manager at 'White Water', organised training of the sales staff to use the new system. Deirdre also organised the sales staff into teams and they receive a basic wage, commission and benefit-in-kind.*

- (A) Explain **two** of the following functions of Deirdre's job as a Human Resource Manager:
- (i) Training and Development
  - (ii) Recruitment and Selection
  - (iii) Employer/Employee Relations (20 marks)
- (B) Deirdre must prepare a Job Description when recruiting new staff. Outline **three** items included in a Job Description. (15 marks)
- (C) Explain the terms 'Commission' and 'Benefit-in-Kind' **and** illustrate your answer with **one** example of each. (15 marks)
- (D) Explain **two** benefits of teamwork. (10 marks)
- (E) Illustrate **three** other uses of Information Technology for 'White Water' Department Store. (15 marks)
- (75 marks)**

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## BUSINESS IN ACTION

### QUESTION 7

*Read the information supplied and answer the questions which follow.*

*Rory Byrne, a trained chef, is considering setting up his own food business. He has no business experience so he approached his friend Sarah Dunne, a business graduate, for advice on a business start-up. He wants to find out what finance options he has, what type of production process he should use and what organisation structure would be most suitable. He also wants to decide on a target market.*

- (A) Outline **two** reasons why a Business Plan should be prepared. (10 marks)
- (B) Explain **three** factors Rory should consider before choosing a source of finance. (15 marks)
- (C) Explain the following production options and give **one** example in each case.
- (i) Job Production
  - (ii) Batch Production. (15 marks)
- (D) Outline **two** risks and **two** rewards of setting up a Sole Trader business. (20 marks)
- (E) (i) Explain the term 'target market'.
- (ii) Name **two** possible target markets that Rory might consider. (15 marks)
- (75 marks)**

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**BUSINESS IN ACTION**

**QUESTION 8**

*Read the information supplied and answer the questions which follow.*

***Sweetdreams Ltd***

*Sweetdreams Ltd, based in Dublin since 1997, is a large manufacturer of chocolate and confectionery. The company is continuously researching the market to ensure it maintains its market position for its brand.*

- (A) Explain Field Research and Desk Research and give **one** example in each case. (20 marks)
- (B) (i) Explain what is meant by the term 'Channels of Distribution'.  
(ii) Illustrate, using a diagram, a suitable channel of distribution for Sweetdreams Ltd. (15 marks)
- (C) Describe **two** Sales Promotion methods that Sweetdreams Ltd may use to increase sales. (10 marks)
- (D) Outline **three** factors Sweetdreams Ltd must consider when setting the price of its products. (15 marks)
- (E) Outline **three** advantages of branding for Sweetdreams Ltd. (15 marks)
- (75 marks)**

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