

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 2016

Business – Higher Level
(400 marks)

THURSDAY 16 JUNE - MORNING 9:30 to 12:30

CANDIDATES ARE REQUIRED TO ANSWER:

(A) Eight questions from SECTION 1

AND

(B) The Applied Business Question in SECTION 2

AND

(C) 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.

Q.	Mark
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	
Total	

Please note allocation of marks per question.

Calculators may be used.

Make and Model of calculator used:

**REMEMBER TO RETURN THIS QUESTION PAPER WITH THE ANSWER BOOK YOU USE
FOR ANSWERING SECTIONS 2 AND 3**

SECTION 1

(80 marks)

SHORT ANSWER QUESTIONS

This section is compulsory. Answer eight questions. Each question carries 10 marks.
Remember to return this question paper with your answer book.

1. In the context of business, what do the following letters stand for?
Write your answers in the spaces provided.

IDA	
PLC	
SME	
ROI	
CEO	

2. (a) Define the term **trade dispute**.

- (b) Outline **two** types of official industrial action available to employees involved in an industrial dispute with employers.

(i) _____

(ii) _____

3. Write **TRUE** or **FALSE** after each of the following statements.

1. Inflation refers to the decrease in the cost of living from one year to the next.	
2. An increase in the value of the euro (€) against sterling (£) has a negative impact on Irish exports to the UK.	
3. Decrease in unemployment results in an increase in PAYE revenue for the Government.	
4. High interest rates stimulate business expansion.	
5. A recession represents an upturn in the economy and an increase in demand.	

4. Column 1 is a list of insurance terms. Column 2 is a list of explanations for these terms.
(One explanation does not refer to any of these terms.)

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

1.	2.	3.	4.	5.

Column 1: Terms	Column 2: Explanations
1. Insurable Interest	A. Applies if item is insured against the same risk with more than one insurance company.
2. Average Clause	B. The insured person cannot make a profit from insurance.
3. Subrogation	C. The insured person must gain from the item's existence and suffer financially from its loss.
4. Contribution	D. Applies if an item is under-insured and there is a partial loss.
5. Indemnity	E. The insured person must declare all material facts about the item being insured.
	F. Once compensation has been paid any legal right to the item recovered passes to the insurer.

5. (a) Using the figures below, calculate the **Debt/Equity ratio (Gearing)** of Lalco Ltd. for 2015.
(Show your formula and workings.)

Reserves €130,000
Long-term Loan €700,000
Ordinary Share Capital €220,000

Formula:	Workings:
Answer:	

- (b) Outline whether Lalco Ltd. is highly geared or lowly geared **and** the possible effect this result has on the business.

6. Describe **two** features of job production.

(i) _____

(ii) _____

7. (a) Complete the missing figures in the three unshaded areas of the table below.

Visible Exports (€bn)	Visible Imports (€bn)	Balance of Trade (€bn)
€70	€105	
€90		€25 surplus
	€110	€30 deficit

(b) Explain the term **invisible exports** and provide **one** example with reference to the Irish economy.

Example _____

8. Outline **two** methods of extending a product’s life cycle and provide **one** example to illustrate your answer.

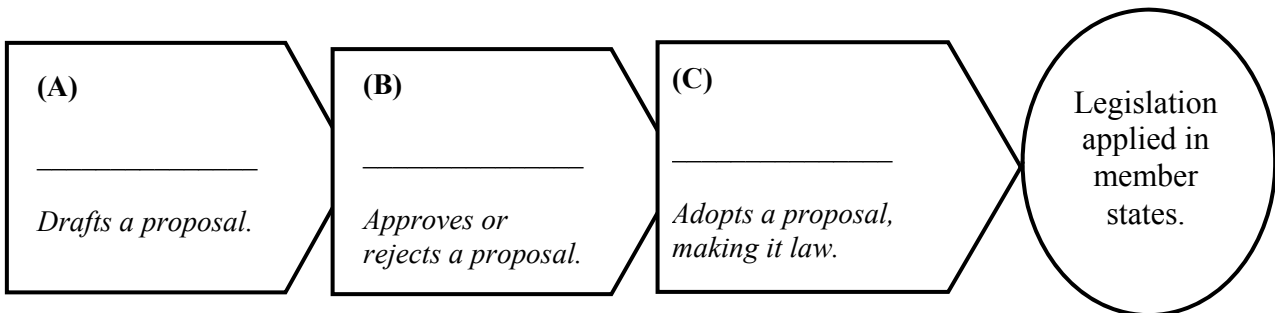
(i) _____

(ii) _____

Example _____

9. Distinguish between VAT and Corporation Tax.

10. The flow chart states the role of the institutions involved in the EU decision making process. Fill in the names of the three different European Union institutions at (A), (B) and (C) below.



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SECTION 2

(80 marks)

This is a compulsory question based on Units 3, 4 and 5

APPLIED BUSINESS QUESTION (ABQ)

Digibrand

Ryan Cullen studied Marketing, Innovation and Technology as part of his degree at Dublin City University (DCU). In his third year of study, he set up Digibrand, a digital marketing agency developing marketing campaigns for businesses, using various forms of digital and electronic media such as internet, Facebook, and



Twitter to reach consumers. Initially Ryan carried on his business in TechSpace, a co-working office space in a building in Dublin. Ten other like-minded tech entrepreneurs shared the office space each paying €300 a desk per month. Ryan had instant and affordable access to facilities such as high speed broadband, security and meeting rooms.

In the second year of business, Ryan obtained more projects than he could handle, so he teamed up with two classmates, Jane McDaid and Mark Reilly. Ryan offered them a percentage commission on each project they worked on and he consistently praised the high standard of their work. Decisions were made democratically. Ryan actively encouraged their suggestions on designs and always obtained their point of view before finalising a website design, marketing content for social media or a logo for clients in different industry sectors. In the evenings after college Ryan used Skype to share opinions with the team, and used email to send design and graphics between each member of the team. Ryan gave responsibility for a major project to Jane, as he believed she had the potential to create a very innovative marketing campaign. Upon graduation, Ryan decided to completely focus on the business and Jane and Mark began working for him full time.

Digibrand was gaining more clients. Ryan needed to relocate as he wished to expand his office space and build the business. He researched renting an office in a business park rather than buying a premises. He discovered he would need finance to pay three months' rent in advance, and he would need equipment and office furniture. Like most new start-ups cash was scarce and Ryan wished to avoid huge debt. He had to ensure that he managed his working capital. He had to work hard at getting paid quickly for work carried out for clients to ensure he could pay wages and various day-to-day expenses. Profits were increasing by an average of 20% annually and Ryan reinvested them in the business.

After four years in business, Ryan remained very passionate about Digibrand, which had built up a strong client base in Ireland. Ryan was keen to keep up this pace and momentum. He continued to avail of various supports, including Enterprise Ireland's grant scheme towards R&D costs. At the Dublin Web Summit 2015 Ryan was approached by MediaMania, a leading London-based digital marketing agency which focuses exclusively on the retail sector in the UK. MediaMania is planning to expand its business outside the UK and is interested in merging with Digibrand. Ryan was unsure of the consequences of merging with another business at this stage, so he held a meeting with Jane and Mark to find out their views on the offer.

- (A) Ryan Cullen has developed effective management skills. Would you agree with this statement? Outline reasons for your answer, with reference to the text of the ABQ. (30 marks)
- (B) (i) Identify and describe the most appropriate sources of finance for Digibrand's relocation. (Refer to short, medium and long term sources of finance in your answer.)
(ii) Outline the importance of preparing a cashflow forecast for Digibrand. (30 marks)
- (C) (i) Discuss **one** possible opportunity and **one** possible threat for Digibrand of **merging** with MediaMania.
(ii) Evaluate **one** other method which Ryan could consider to grow his business. (20 marks)
- (80 marks)**

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

People in Business

Question 1

- (A) (i) Outline **two** reasons for **fair** dismissal, as set out under the Unfair Dismissals Acts 1977-2007.
(ii) Explain the term **constructive dismissal**, providing an **example** to support your answer. (20 marks)
- (B) A legal contract can be terminated by **performance**, whereby parties to the contract fulfil their obligations as agreed.
Outline **three other** methods for terminating a legal contract. (20 marks)
- (C) Read the information supplied and answer the question which follows.

The National Consumer Agency (NCA) now known as the Competition and Consumer Protection Commission (CCPC), launched an investigation into the motor vehicle emissions scandal at the car manufacturer Volkswagen.

Evaluate the functions of the **NCA (CCPC)** with regard to protecting the interests of consumers. (20 marks)
(60 marks)

Domestic Environment

Question 2

- (A) *In the Government's Budget 2016, the national minimum wage was increased from €8.65 to €9.15, an increase of 50 cent per hour.*
Discuss the different ways in which the Irish Government affects the labour force in Ireland. (20 marks)
- (B) Analyse the benefits **and** drawbacks of franchising as a business start-up option for a potential franchisee. (20 marks)
- (C)

Corporate Social Responsibility refers to how businesses interact with their stakeholders on a daily basis including investors, employees, suppliers, customers, and government.

Discuss the social responsibilities of a business to any **four** stakeholders referred to above. (20 marks)
(60 marks)

Domestic/International Environment

Question 3

Read the following news headline, and answer the question which follows:

It's time to stop relying on Foreign Direct Investment (FDI) – and grow our own indigenous businesses instead.

Source: Sunday Independent, November 2015

- (A) To what extent do you agree with the above statement? Outline reasons for your answer. (20 marks)
- (B) Discuss the **marketing** challenges an Irish business may face when trading globally, providing examples to support your answer. (20 marks)
- (C) Explain the following international trade terms. (20 marks)
- (i) Open economy
 - (ii) Trading bloc
 - (iii) Protectionism
 - (iv) Deregulation
- (60 marks)**

SECTION 3

Part 2

Enterprise

Enterprise/Managing

Question 4

Read the information supplied and answer the questions which follow.

The Mayfair Hotel

The Mayfair Hotel is a five-star city centre hotel which is celebrating 100 years in business. To celebrate this centenary, the management of the hotel is planning various events. The General Manager, Ann Johnson, has suggested organising staff into various project teams, with a project leader to plan for this centenary celebration.

- (A) Discuss how the hotel staff could apply entrepreneurial characteristics/skills to develop the various centenary events. (20 marks)
- (B) Evaluate how different types of planning contribute to business success. Relate your answer to the Mayfair Hotel, making any appropriate assumptions. (20 marks)
- (C) Discuss the benefits **and** challenges for a business of developing a matrix organisation structure (team structure) to complete specific projects in a business. (20 marks)
(60 marks)

Managing

Question 5

Read the information below and answer the questions which follow.

SuperSave

SuperSave, a supermarket chain located in the south west, is considering updating its IT system to link all its stores and to modernise all its operations. It intends to implement a new Quality Assurance programme throughout all its stores. It is also considering a major recruitment campaign.



- (A) Discuss the benefits of both internal **and** external recruitment for management positions for a business such as SuperSave. (20 marks)
- (B) Analyse the impact of new technology on business costs and on business opportunities. Provide examples to support your answer. (20 marks)
- (C) (i) Explain the term **quality assurance** as part of Total Quality Management (TQM).
(ii) Describe the benefits to a business of achieving a recognised quality mark standard. (20 marks)
(60 marks)

Business in Action

Question 6

MEDRON plc

Medron plc manufactures medical devices and its R&D department is currently working on a prototype for a tube to be used in vascular surgery.

(A) Outline the reasons why businesses engage in prototype development. (15 marks)

(B) Read the information supplied and answer the questions which follow.

Medron plc has supplied the following financial information for the new medical device:

Forecast Output (Sales)	60,000 units
Selling Price per unit	€30
Fixed Costs	€400,000
Variable Costs per unit	€20

Illustrate the following by means of a breakeven chart:

- Breakeven point
- Margin of safety at the forecast output
- Profit at forecast output.

(25 marks)

(C) Following a review of costs, Medron plc decreased its variable costs per unit to €10.

- Calculate the new breakeven point **and** illustrate on your breakeven chart the new total cost line (TC₂) and the new breakeven point (BE₂).
- Outline **one** limitation of a breakeven analysis when making business decisions.

(20 marks)

(60 marks)

QUESTION 7 is on the next page

Business in Action

Question 7

Read the information supplied and answer the questions which follow.

Stitch Express

Stitch Express is a business set up by Alex Dunne originally offering clothing alterations, dress restyling and repairs. The business has grown and Alex believes it is time to update his marketing strategy. Following market research, Alex introduced a dry cleaning service. There are a few competitors in the market, so Alex decided to review his pricing and promotion policies. Alex believes he will need to rebrand the business, as a result of introducing the dry cleaning service.



- (A) (i) Outline the advantages **and** disadvantages of using secondary (desk) research techniques for collecting information on a market.
(ii) Illustrate **one** source of desk research **and one** source of field research that Stitch Express might use, giving a reason for your answer in **each** case. (25 marks)
- (B) Evaluate the effectiveness of sales promotion techniques Alex could consider to boost sales. (15 marks)
- (C) Discuss the benefits of branding as a marketing tool for business, providing examples to support your answer. (20 marks)
(60 marks)

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