

Chapter 11 Class Exam

Name: _____

Score: _____

Answer all questions**Suggested Exam Length: 40 minutes****Short Questions (20 marks) – 10 minutes****Long Questions (60 marks) – 30 minutes****Student Input (Pre-exam)**

How confident are you about this exam?



What topic am I worried about before I look at the exam? Why?

What strategies did you use to study for this exam? What was the best one?

Which activities in class did you most enjoy for this topic?

Student Reflection (Post-exam)How happy were you with your result?

What were the hardest questions? Why?

Is there any exam technique I should change/use again for my next exam?

What topics should I look over again?

Short Questions (20 marks)

Q1 Short

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

Column 1: Terms		Column 2: Explanations	
1.	Tax Rate	A.	Illegally reducing how much tax you pay e.g. by under declaring income
2.	Tax Credit	B.	A bracket of earnings within which a certain rate is applied
3.	Tax Band	C.	Legally reducing how much tax you pay e.g. tax loopholes
4.	Tax Evasion	D.	The types of taxes imposed on wealth
5.	Tax Avoidance	E.	Percentage charged for a certain tax e.g. 20% / 40% for PAYE
		F.	Tax allowance, reduces tax payable e.g. PAYE Credit

Match the two lists by placing the letter under the relevant number

1	2	3	4	5

Q2 Short

Illustrate the difference between the insurable principles 'insurable interest' and 'utmost good faith' in relation to obtaining motor vehicle insurance

Explain:

Example:

Explain:

Example:

Long Questions (60 marks)**Q1**

- (i) Explain the term risk management.
(ii) Outline the different ways a business can minimise risks.

(i) _____

(ii) _____

Q2 A consumer watchdog is to carry out an investigation into the public liability insurance market as businesses raise concerns about rising insurance costs.

- (i) Explain the term **public liability insurance**.
(ii) Outline **three** types of insurance, **other than public liability**, that a business might have.

MS: (i) 5m (3+2) (ii) 3 x 5m (3+2)

(i) _____

(ii) _____

Q3

Tommy is a manager at Centre Parcs Ireland and earns a gross annual salary of €85,000. His employer provides him with a company car worth €25,000. This is treated as income for tax purposes and is taxed accordingly.

Tommy's tax information is shown below.

PAYE		
20% on the first €40,000	40% on the balance of his gross income	
TAX CREDITS		
Single Person Tax Credit €1,700	PAYE Tax Credit €1,700	Dependent Relative Tax Credit €245
USC		
0.5% up to €12,012	2% on the next €9,281	4.5% on the balance
PRSI		
Tommy pays employee PRSI at 4% of his gross income		

Calculate each of the following:

- (i) The PAYE which Tommy has to pay (iii) The total amount of PRSI
(ii) The total amount of USC (iv) Tommy's annual take-home pay

(20)

Marking Scheme

Short Q1 MS: (3,2,2,2,1)

1	2	3	4	5
E	F	B	A	C

Short Q2 MS: (3+2) + (3+2)

Illustrate the difference between the insurance principles **insurable interest** and **utmost good faith** in relation to obtaining motor vehicle insurance.

Explain: Insurable interest means having a financial interest in the item being insured. If you want to insure something, you would have to lose financially by the loss of the item.

Example: You can't insure your neighbour's car, as you have no financial loss if it gets damaged.

Explain: Utmost good faith means disclosing all material facts when applying for insurance.

Example: Reveal any relevant previous illnesses when applying for health insurance.

Q1

- (B) (i) Explain the term risk management.
 (ii) Outline the different ways a business can minimise risks.

(20)

Question			Possible Responses	Max Mark
6	(B)	(i)	It involves: - The identification of all possible risks/losses e.g. the risk of fire, employer negligence, personal injury loss, legal liability etc and trying to minimise the impact of these risks occurring.	20 5m (2+3)
		(ii)	Insurance: Transfer the risk to an insurance company for a premium where the company will make good any loss suffered. Safe procedures: The manner/act of doing something is strictly laid out and adhered to/ /stringent monitoring procedures/secure procedures for managing cash. Health and Safety/Health and Safety statements: Regulations, identification of hazards, etc. Training of personnel in health and safety. Drills, courses of action and medical training. Appoint Health and Safety representatives in the work force. Report safety issues. Regular safety inspections/audits. Investment in new, replacement, upgraded equipment. Install Security systems. Alarms, fire doors, CCTV etc. Provision of safety equipment, protective clothing and training in same.	3 x 5m (2+3)

Q2

- (C) (i) Explain the term **public liability insurance**.

Question			Possible Responses	Max Mark
6	C	(i)	Public Liability Insurance protects the business against financial loss as a result of claims made by members of the public/consumers as a result of accidents while on the business premises. e.g. Public Liability Insurance protects the business against a claim for damages from a consumer who falls and is injured on the business premises.	5 5m (3+2)

- (ii) Outline **three** types of insurance, **other than public liability**, that a business might have.

Question			Possible Responses	Max Mark
6	C	(ii)	Employer Liability Insurance Covers the business against financial loss as a result claims made by employees as a result of accidents in the workplace. Fidelity Guarantee Insurance Protects the business against financial loss as a result fraud or cash or stock being stolen by an employee. Product Liability Insurance Protects the business from financial loss in the event of a customer making a claim as a result of defective products that may have caused harm to a consumer. Buildings and Contents 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. Goods in Transit/Consequential Loss, Protects the business from financial loss as a result of goods/stock being damaged when they are being transported. Key Person Insurance Protects the business from financial loss as a result of a vital employee (a key scientist/ researcher/football player). Key person insurance is a type of life insurance policy that is taken out by a business on the life of a key employee. It is also possible for the policy to pay out in the event of the key person being diagnosed with a specified serious illness, such as cancer or heart attack. 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 insurance and fully comprehensive insurance.	3 x 5m (3+2)

Q3

Question		Possible Responses				Max. Mark
7	(B)	Calculate each of the following (show your workings):				20m
		(i)	The PAYE which Tommy has to pay			
		(ii)	The total amount of USC			
		(iii)	The total amount of PRSI			
		(iv)	Tommy's annual take-home pay			
		Gross Salary			85,000	
		Benefit in Kind			25,000	
		Taxable Income			2 110,000	
		(i) The PAYE which Tommy has to pay				
		40,000 x 0.20	3 8,000			
		1 70,000 x 0.40	1 28,000			
		Gross PAYE		1 36,000		
		Less Tax Credits:				
		Single Person	1,700			
		PAYE	1,700			
		Dependent Relative	245	1 (3645)		
		PAYE Tommy has to Pay			1 €32,355	10 marks
		12,012 x 0.005		3 60.06		
		9,281 x 0.02		1 185.62		
		1 88,707 x 0.045		1 3,991.82*		
		Total amount of USC			1 €4,237.50	7 marks
		(iii) The total amount of PRSI				
		110,000 x 0.04			1 €4,400	1 mark
		(iv) Tommy's annual take-home pay				
		Gross Salary			85,000	
		Less deductions:				
		PAYE		32,355.00		
		USC		4,237.50		
		PRSI		4,400.00	40,992.50	
		Annual Net Pay			2 €44,007.50	2 marks

Own figures are shown in bold.