

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, 2017

Business - Higher Level (400 marks)

THURSDAY 15 JUNE - MORNING 9:30-12:30

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. **Column 1** is a list of business terms relating to contract law. **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. Specific Performance	A. Some contracts must be in writing to be legally valid.
2. Legality of form	B. A way of terminating a legal contract.
3. Performance	C. The mutual exchange of something of value in a contract.
4. Consideration	D. Each party chooses to enter a contract voluntarily.
5. Capacity	E. A remedy for breach of contract.
	F. The legal right to enter into a contract.

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

1.	2.	3.	4.	5.

2. Circle the **correct option** in the case of each of the following statements.
- (i) A Sole Trader business **has continuity of existence / is affected by the death of the owner.**
 - (ii) The shares of a PLC **can be quoted on the stock exchange/cannot be quoted on the stock exchange.**
 - (iii) In a Franchise agreement, a fee is paid to the **franchisee / franchiser.**
 - (iv) In a Co-operative, the voting rights of members **depend on their share ownership / are equal.**
 - (v) A Partnership **is a separate legal entity/ is not a separate legal entity.**
3. In the context of business, what do the following letters stand for?
Write your answers in the spaces provided.

IBEC	
ICTU	
ISME	
IFA	
CAI	

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

Statements		True or False
1.	Customs Duty is a tax on goods imported from outside the European Union.	
2.	Corporation Tax is applied to profits made by every business in Ireland.	
3.	A P45 is given to employees when their employment is terminated.	
4.	The existence of Tax Credits reduces the amount of Universal Social Charge to be paid.	
5.	Capital Acquisitions Tax is a tax on the profits made on the sale of assets.	

5. Study the cash flow forecast below and fill in the figures represented by the letters A, B, C, D and E.

Cash flow forecast for Intenso Ltd, for the 3 rd quarter of 2017				
	July (€)	August (€)	September (€)	Total (€)
Total Receipts	20,000	A=	12,000	57,000
Total Payments	14,000	17,000	15,000	46,000
Net Cash	6,000	8,000	B=	C=
Opening Cash	5,000	11,000	19,000	D=
Closing Cash	11,000	19,000	16,000	E=

6. Outline **two** methods a business may use to minimise bad debts.

(i) _____

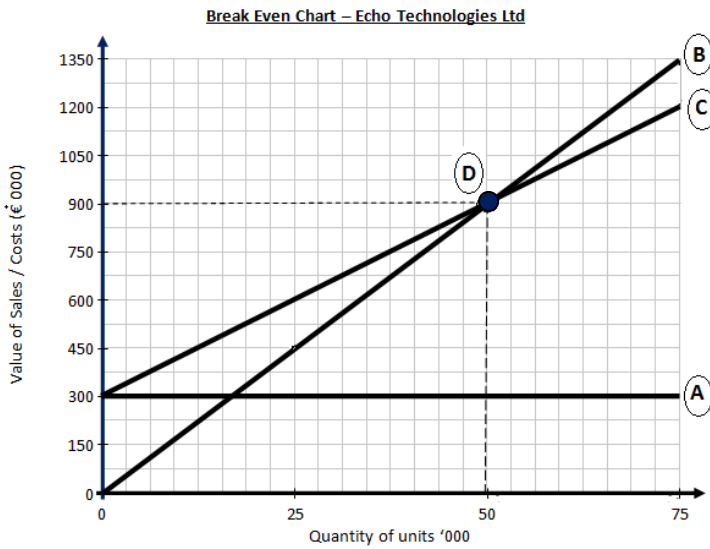
(ii) _____

7. (a) Explain the term **Global Business**.

(b) Name **two** examples of Global Businesses.

(i) _____ (ii) _____

8. (a) Read the break-even chart below and identify the full labels (not abbreviations) for A, B,C and D.



Answer Box	
	Full Label
A	
B	
C	
D	

- (b) Calculate the Margin of Safety at 75,000 units. Explain what it means.

Workings
Answer:

Explanation

9. (a) Explain the role of the European Commission.

- (b) Name the **two** other main decision making institutions of the European Union.

(i) _____ (ii) _____

10. Outline your understanding of the terms **inflation rate** and **interest rate**.

Inflation rate _____

Interest rate _____

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

SECTION 2

(80 marks)

This is a compulsory question based on Units 4, 5 and 6.

APPLIED BUSINESS QUESTION



Palace Cinema Ltd

The Palace Cinema Ltd was founded by Paul Murphy in 1967 in a town in the west of Ireland. The cinema has two screens and occupies a large premises on the main street. The cinema provided full-time employment for 10 employees in the past, although that number was reduced following the introduction of the national minimum wage in the Government's Budget 2000. When the business premises were refurbished, the heating system was modernised to reduce the impact of the 'Carbon Tax' which was introduced in Budget 2009. Ticket sales had declined in recent years due to increased competition from a large multiplex cinema located on the outskirts of the town and a growth in online film providers such as Netflix. Paul retired in 2015 and his daughter Joanne was appointed Managing Director. Joanne recognised the need to adapt and develop new opportunities for the company if it was to survive in the future. She completed a business course provided by the Local Enterprise Office (LEO) and she was matched with an experienced business person.

With the help of her mentor, Joanne realised that she couldn't compete with the multiplex 9 screen cinema which was offering the latest film releases. Encouraged by her market research Joanne identified a gap in the market for multicultural and international films. She launched a film club called 'Friends of the Palace' which shows international cinema, targeting film lovers and provides an opportunity for audiences of all ages to view films from all over the world. She adopted a flexible approach to pricing. Members could either choose to pay a season subscription at reduced rates, or pay on the night for each film. She modernised the cinema's website, which enabled customers to book on-line. Members receive an e-newsletter once a month with links to the trailers of upcoming films. For those who choose to pay on the night, she also introduced a loyalty card system to encourage repeat purchase. The film club was a huge success and membership continues to grow.

In 2017, to celebrate 50 years of the Palace Cinema in the town, it was decided to hold a film festival over the June holiday weekend. Joanne held a brainstorming meeting with her staff who suggested a James Bond theme for the festival, as the first film shown in the cinema in 1967 was *You Only Live Twice*. Joanne allocated a budget for the film festival and arranged two teams, one to organise the programme of events and create the film workshops and one to take responsibility for the marketing and finance of the festival. Joanne arranged training on team working skills and effective task management. The team with responsibility for the festival programme embraced the opportunity and invited guest speakers from the UK to discuss the soundtracks and props used in the different films. The marketing and finance team accessed a substantial grant under the Government's 'Town and Village Renewal Scheme' and managed to entice local businesses to become sponsors of the event. The Film Festival proved to be a huge success and the local Chamber of Commerce has called for it to become a regular event.



- (A) Describe how the Government regulates **and** encourages business, with reference to Palace Cinema Ltd. (20 marks)
- (B) Analyse the impacts of changing customer needs on the **marketing mix** of Palace Cinema Ltd. (30 marks)
- (C) (i) Outline briefly the difference between 'a **controller** manager' and 'a **facilitator** manager'.
(ii) Evaluate Joanne's approach to managing the James Bond Film Festival 2017. (30 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) Explain the term **co-operative relationship** between stakeholders in a business.
(ii) Describe **one** example of a co-operative relationship which could arise between **each** of the following pairs of stakeholders:
- Employer and employee
 - Investor and manager of a business
 - Producer and consumer. (20 marks)
- (B) Evaluate **negotiation**, **conciliation** and **arbitration** as methods to resolve industrial conflict in the workplace. (20 marks)
- (C) Read the information supplied and answer the questions which follow.



Samsung Electronics abandoned its Galaxy Note 7 smartphone after customers reported that phone batteries were prone to catching fire.

Source: adapted from Irish Independent, October 2016

- (i) Name the act which protects consumers who purchased the Samsung Galaxy Note 7.
(ii) Outline **three** provisions of the act regarding a consumer's statutory (legal) rights in relation to the Samsung Galaxy Note 7. (20 marks)
(60 marks)

Domestic Environment

Question 2

- (A) Discuss the challenges facing businesses in the tertiary (services) sector in Ireland. (15 marks)
- (B) (i) Explain the term **code of ethics**.
(ii) Outline the benefits **and** challenges for a business of introducing a code of ethics. (20 marks)
- (C)

Ryanair boss Michael O'Leary said staff at Dublin Bus are holding the public 'to ransom' and said that the bus service and the rail service should be privatised.

Source: The Irish Times, September 2016

- (i) Define the term **privatisation**.
(ii) Evaluate the benefits **and** challenges of privatisation for the Irish economy. (25 marks)
(60 marks)

International Environment

Question 3

The Irish economy is 'performing well' but Brexit poses a threat.

Source: Financial Times, December 2016

- (A) Invisible Exports: €101,750 million Invisible Imports: €109,376 million
Total Exports: €194,366 million Total Imports: €171,534 million
- (i) Calculate the **Balance of Trade** using the figures above. **(Show your workings.)**
(ii) Define the term **tariff** and explain the possible effect on the Irish economy if the UK Government was to impose a tariff on Irish goods in the future. (25 marks)
- (B) Discuss the different channels of distribution that Irish businesses may consider when introducing their products to international markets. (15 marks)
- (C) Should Ireland leave the European Union? Outline reasons for your answer. (20 marks)
(60 marks)



SECTION 3

Part 2

Enterprise

Enterprise/Managing

Question 4

Read the information supplied and answer the question which follows.



Stripe, the fast-growing online payments business, was established by Limerick brothers Patrick and John Collison when they were aged just 22 and 19. Stripe enables websites to accept credit and debit card payments. It employs over 600 people globally and is worth more than \$9bn.

*Source: adapted from www.siliconrepublic.com and *The Irish Times**

- (A) Outline the characteristics/skills that you would associate with entrepreneurs. (20 marks)
- (B) Explain the **benefits** to a business of having a manager who is an effective communicator. (20 marks)
- (C) Read the information supplied and answer the question which follows.

Bective Manor is a stately home available for wedding ceremonies and functions. It has recently started using Twitter and Facebook to market its services. Customers' details are stored in a database. Emer Kelly, the Marketing Manager, has been assigned the additional role of Data Protection Officer.

Using your knowledge of the **Data Protection Acts 1988 and 2003**, draft a **report** from Emer Kelly to Richard Daly, Managing Director, outlining the obligations of Bective Manor to its customers in relation to data protection. (Use today's date.) (20 marks)

(60 marks)

Business in Action

Question 5

Read the information supplied and answer the question which follows.



In 2015 a Slovakian company AeroMobil revealed its prototype of the AeroMobil 3.0 – a flying car. It is a road-ready vehicle with foldable wings. It can navigate both city traffic and airspace.

Source: Forbes Magazine, March 2015

- (A) Describe the stages in the new product development process up to **and including** prototype development. Refer to the AeroMobil 3.0 vehicle in your answer. (25 marks)
- (B) Explain the factors a business should consider when designing a product. (15 marks)
- (C) (i) Outline the main sections contained in a business plan.
(ii) Explain the importance of a business plan for **two** different stakeholders. (20 marks)
- (60 marks)

Managing

Question 6

(A) Outline the financial rewards used for motivating employees. (15 marks)

(B) Equinox Design Ltd is a graphic design business.

From the figures given below for **2016**, **calculate** the following for Equinox Design Ltd:

(Show your workings.)

- (i) Net Profit Margin (iii) Return on Investment
(ii) Current Ratio (iv) Debt/Equity Ratio

Equinox Design Ltd: Information for 2016	
Sales	€200,000
Net Profit	€30,400
Current Assets	€20,000
Current Liabilities	€16,000
Issued Ordinary Share Capital	€300,000
Long-Term Loan	€400,000
Retained Earnings	€60,000

Equinox Design Ltd: Results for 2015	
Net Profit Margin	20.5%
Current Ratio	2:1
Return on Investment	8%
Debt/Equity Ratio	0.7:1

(20 marks)

- (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.
- (ii) Should Equinox Design Ltd expand its business? Outline **one** reason for your answer.
- (iii) Outline **two** limitations of using ratios to analyse the final accounts of a business.

(25 marks)

(60 marks)

QUESTION 7 is on the next page

Question 7

Read the information supplied and answer the questions which follow.

Fantasia Clothing Ltd

Amy Carroll noticed that a lot of children's clothes available in the market are mini-versions of adult clothing. She identified a gap in the market for clothes which are bright, colourful and fun, designed specifically for children. She established **Fantasia Clothing Ltd** which, in two years, has earned a loyal customer base. Her unique designs, produced using quirky and comfortable fabrics, ensure her children's clothing stand out in the saturated children's clothing market.



- (A) (i) Explain the term **niche market** with reference to Fantasia Clothing Ltd.
(ii) Illustrate the implications for a business operating in a niche market. (20 marks)
- (B) (i) Outline **three** pricing strategies a marketing manager could consider in setting a selling price for a product or service.
(ii) Name **one** pricing strategy suitable for a product or service of your choice, explaining the reason for your choice of pricing strategy. (20 marks)
- (C) Discuss the factors a business should consider when choosing a source of finance. (20 marks)
- (60 marks)**

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

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