The Business World Workbook

Chapter Answers
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction to People in Business</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Resolving Conflict in the Marketplace</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Resolving Conflict in the Workplace</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Revision Pit Stop (Unit 1)</td>
<td>7</td>
</tr>
<tr>
<td>4</td>
<td>Entrepreneurs &amp; Enterprise</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>Introduction to Management</td>
<td>10</td>
</tr>
<tr>
<td>6</td>
<td>Management Skills of Leadership &amp; Motivation</td>
<td>11</td>
</tr>
<tr>
<td>7</td>
<td>Management Skill of Communication</td>
<td>11</td>
</tr>
<tr>
<td>8</td>
<td>Management Activities of Planning, Organising &amp; Controlling</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Revision Pit Stop (Units 2 – 3)</td>
<td>17</td>
</tr>
<tr>
<td>9</td>
<td>Human Resources Management (HRM)</td>
<td>18</td>
</tr>
<tr>
<td>10</td>
<td>Changing Role of Management in the 21st Century</td>
<td>20</td>
</tr>
<tr>
<td>11</td>
<td>Managing Business &amp; Household Insurance &amp; Tax</td>
<td>22</td>
</tr>
<tr>
<td>12</td>
<td>Managing Business &amp; Household Finance</td>
<td>24</td>
</tr>
<tr>
<td>13</td>
<td>Monitoring Business Finances Using Accounts</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>Revision Pit Stop (Unit 4)</td>
<td>29</td>
</tr>
<tr>
<td>14</td>
<td>Identifying Business Opportunities</td>
<td>31</td>
</tr>
<tr>
<td>15</td>
<td>Marketing</td>
<td>33</td>
</tr>
<tr>
<td>16</td>
<td>Getting Started</td>
<td>34</td>
</tr>
<tr>
<td>17</td>
<td>Business Expansion</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>Revision Pit Stop (Unit 5)</td>
<td>36</td>
</tr>
<tr>
<td>18</td>
<td>Industries in the Economy</td>
<td>38</td>
</tr>
<tr>
<td>19</td>
<td>Types of Business Organisation</td>
<td>40</td>
</tr>
<tr>
<td>20</td>
<td>Business &amp; the Economy</td>
<td>41</td>
</tr>
<tr>
<td>21</td>
<td>Business &amp; Community Development</td>
<td>42</td>
</tr>
<tr>
<td>22</td>
<td>Ethical, Social &amp; Environmental Responsibilities in Business</td>
<td>43</td>
</tr>
<tr>
<td>23</td>
<td>Government &amp; Business</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>Revision Pit Stop (Unit 6)</td>
<td>46</td>
</tr>
<tr>
<td>24</td>
<td>Ireland &amp; the Global Economy</td>
<td>48</td>
</tr>
<tr>
<td>25</td>
<td>Ireland &amp; the European Union</td>
<td>49</td>
</tr>
<tr>
<td>26</td>
<td>Global Business</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Revision Pit Stop (Unit 7)</td>
<td>52</td>
</tr>
</tbody>
</table>
Chapter 1
Introduction to People in Business

1.

2. List and describe five important stakeholders in business.
   a) Owners / Entrepreneurs / Shareholders / Partners
   b) Customers
   c) Suppliers
   d) Employees
   e) Local community / society / Government

3. Identify one example of an interest group that represents employees.
   a) SIPTU
   b) ICTU

4. Identify one example of an interest group that represents employers.
   a) IBEC
   b) ISME
   c) SFA

5. Explain, using an example, the difference between an entrepreneur and an investor.
   An entrepreneur takes the initiative to start a business (e.g. Jackie Skelly).
   Investors provide a business with the finance it needs (e.g. Enterprise Ireland investing in shares or a bank providing a loan).

6. Give two brief examples of possible conflicts that can arise between a supplier and a producer.
   a) Supplier wants to keep costs down by reducing quantity; Producer wants high quality.
   a) Supplier wants to be paid the highest possible price; Producer wants to pay suppliers the lowest possible price.
7. List the potential benefits that each stakeholder wants and what they can offer in return.

<table>
<thead>
<tr>
<th>Wants</th>
<th>Can offer in return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers</td>
<td></td>
</tr>
<tr>
<td>Honesty, reliability, hard work</td>
<td>Pay and financial rewards, training, promotional opportunities</td>
</tr>
<tr>
<td>Investors</td>
<td></td>
</tr>
<tr>
<td>Profit on investment, possible share in ownership</td>
<td>Finance needed by a business</td>
</tr>
<tr>
<td>Customers</td>
<td></td>
</tr>
<tr>
<td>Quality goods and services, fair and affordable prices</td>
<td>Payment for goods / services, customer loyalty / repeat business</td>
</tr>
<tr>
<td>Employees</td>
<td></td>
</tr>
<tr>
<td>Good pay and conditions, secure employment, opportunities to develop.</td>
<td>Skills and qualifications, hard work and motivation.</td>
</tr>
<tr>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>Favourable public opinion, tax revenue, essential goods and services to be provided</td>
<td>Tax incentives, laws, grants and business support</td>
</tr>
<tr>
<td>Suppliers</td>
<td></td>
</tr>
<tr>
<td>Reliable customers, payment on time, highest possible prices, profitable business</td>
<td>Products and services at the right quality and highest price.</td>
</tr>
</tbody>
</table>

Chapter 2
Resolving Conflict in the Marketplace

1. 

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>E</td>
<td>A</td>
<td>H</td>
<td>D</td>
<td>I</td>
<td>G</td>
<td>B</td>
<td>J</td>
<td>F</td>
<td></td>
</tr>
</tbody>
</table>

2. Laura brought a sample of paint home to check if it suited her house. It did and she ordered seven tins of the paint by telephone. The paint was delivered but she found that the colour did not match the sample tin. Laura telephoned the shop but the assistant refused to take back the tins of paint.

a) Name the law that protects the consumer in this case.
Sale of Goods and Supply of Services Act 1980

b) Outline one non-legislative (non-legal) method of solving the above problem. Contact the shop and explain what happened. Ask for a replacement set of paint tins that do match the sample or seek money back.

c) Explain one legal rights of Laura and one duty of the shop in this case.
Shop has a duty to ensure goods sold are as described (and also fit for purposes intended and of merchantable quality).
3. Brian bought a bicycle for his daughter, Anna, as a birthday present. When Anna tried out the bicycle on her birthday the chain kept coming off. Eventually the chain broke. One week later Brian rang the bicycle shop 'Wheely-go-round' to complain. The shop assistant said that the best that Brian could do was to return the bicycle to the manufacturer, based in Taiwan.

a) Name the law that protects the consumer in this case.
Sale of Goods and Supply of Services Act 1980

b) Outline one method of solving the above problem.
Contact the shop and politely explain what happened. Ask for a replacement bicycle or seek money back.

c) List the legal rights of Brian and the legal responsibilities of 'Wheely-go-round'.
   • Bicycles sold must be of merchantable quality, i.e. they must be reasonably durable and the chain must not fall off repeatedly.
   • Bicycles sold must be fit for the purpose intended, i.e. owner should be able to cycle the bicycle without the chain must repeatedly coming off.
   • Bicycle sold must be as described by the shop / sales assistant / advertising / packaging.
   • Buyer of a bicycle is entitled to sole legal ownership and quick possession of the bicycle – that is, be able to use the goods as they wish. Quick possession applies even if goods are bought on hire purchase, although full legal ownership does not transfer until final payment is made.

4. List three circumstances in which a person cannot legally enter into a contract:
   (a) Under 18 years of age
   (b) Drunk, insane or of ‘unsound mind’
   (c) Diplomats
   (d) Companies acting Ultra Vires.
Chapter 3.
Resolving Conflict in the Workplace

1. Column 1 is a list of business terms; Column 2 is a list of explanations. Match the two lists by placing the letter of the correct explanation under the relevant number in the box below.

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>E</td>
<td>D</td>
<td>A</td>
<td>B</td>
<td>N</td>
<td>C</td>
<td>F</td>
</tr>
<tr>
<td>K</td>
<td>I</td>
<td>P</td>
<td>M</td>
<td>J</td>
<td>L</td>
<td>H</td>
<td>O</td>
</tr>
</tbody>
</table>

2. Distinguish between an official and an unofficial dispute

Official disputes have been approved by the workers involved using a secret ballot and confirmed by the ICTU. Unofficial disputes have no ICTU or union approval.

3. Name the law that sets out the rules for regulating/governing industrial disputes.

Industrial Relations Act 1990

4. List five possible causes of conflict in the workplace.

a) Poor pay
b) Poor working conditions
c) Proposed staff redundancies
d) Autocratic management styles
e) Discrimination or bullying by management
f) Unrealistic employees who ignore financial pressures on a business
g) Poor communications between management and staff

5. Distinguish between arbitration and conciliation.

Conciliation means having an independent third party talk to both sides separately and then bring them together to help each appreciate the other side’s point of view. Arbitration involves getting an independent third party to hear both sides and then to recommend a solution.

6. Give three examples of a fair dismissal:

(a) Employee is incompetent, e.g. a bus driver who constantly crashes his bus.
(b) Employee’s conduct is unacceptable, e.g. theft, violent behaviour.
(c) Job has become redundant due to new technology required to reduce costs.
7. **Give three examples of an unfair dismissal:**
   (a) Dismissal because someone joined a union is unfair.
   (b) Dismissal because someone went on strike is unfair.
   (c) Dismissal because someone is of a particular religion or political opinion, or race, or colour or sexual orientation or becomes pregnant or is involved in a dispute
d) Or if fair and proper procedures are not followed before a person is dismissed (i.e. knowing the reason for the dismissal, having a right of reply, having the right to be accompanied by a representative and being given a fair hearing by management).

8. **Name the most appropriate organisation to resolve the following conflicts:**

   (a) **An employer wants advice on how to prevent industrial disputes**
   Labour Relations Commission

   (b) **An employee is sacked because he joined a trade union**
   Employment Appeals Tribunal

   (c) **An employer and trade union are unable to resolve a dispute in the LRC**
   The Labour Court

   (d) **An employee is not promoted because of ‘her nationality’**
   The Equality Authority.
Revision Pit Stop Covering Unit 1

Food World Supermarkets

As the new manager of Food World Supermarkets, Patricia Coote is very aware that problem solving and conflict resolution are essential parts of being in business. The firm owns a chain of stores throughout Ireland. Although the chain has been very profitable, Patricia has arrived at work to face a range of business problems sitting on her desk that need to be resolved.

Some of the investors in the company are unhappy with the level of profits being ploughed back into the business, which they regard as excessive. They would prefer the profits to be paid out in dividends but Patricia has to persuade them that the profits need to be invested in new technology and refurbishment of outlets. Patricia argues that this “will pay off in the long term in terms of lower costs, increased sales and higher profits.”

Food World has a very poor industrial relations record and there is currently discontent among staff because their wages are not keeping up with those of workers in similar companies. If this is not resolved soon, Patricia fears that the staff trade union may hold a ballot to go on strike.

Customer complaints about the quality of some of the products stocked by Food World have increased sharply. Patricia is concerned about how this will affect the firm’s reputation among customers and the knock-on effect on sales and profits. She believes that part of the problem lies with the supermarket’s suppliers who, she claims, are not ensuring consistent quality standards. However, the suppliers blame Food World, claiming that the company’s insistence on large discounts has forced them to cut costs to the bone. Some of these suppliers fear that they will no longer be able to make a profit and will be forced out of business.

A rival supermarket chain, Mega Mart, has started selling food and other domestic items at extremely low prices, accompanied by a very flashy advertising campaign. Patricia suspects it is selling its goods at below-cost prices to build market share.

A transportation firm cancelled a contract with Food World to bring a large delivery of refrigerated supplies from The Netherlands. Alternative transport could not be arranged in time and Food World were left with €30,000 worth of rotting food lying in a warehouse in Rotterdam. Patricia wants compensation for breach of contract from the transportation company.

A local pressure group in Cork has organised a petition complaining about the firm’s poor record in recycling the huge amounts of packaging waste generated by the firm every day. This campaign is beginning to attract considerable attention in the local media.

"Conflict, conflict and more conflict. How am I going to solve these problems?" thought Patricia.
1. Explain the following terms.
   (a) Manager: The person/people employed to be specifically responsible for achieving the objectives of a business.
   (b) Investors: The people who provide a business with the finance it needs.
   (c) Profits: What is left over when a business takes in more from sales than it pays out in costs.
   (d) Industrial Relations: The quality of the relations that exist between the managers and employees in an organisation.
   (e) Trade union: Organisations that represent the interests of employees in their dealings with an organisation's employers.
   (f) Contract: A legally binding agreement that can be enforced in a court of law.
   (g) Compensation: Paying money to make up for damage done.
   (h) Pressure group: Organisations that represent a group of people sharing a common interest or goal.

2. List the different stakeholders with whom Food World is in conflict.
   • Investors (unhappy about the level of dividends being paid)
   • Employees (unhappy because wages are not keeping up with those of competitors)
   • Customers (unhappy about the quality of some goods)
   • Suppliers (transport company that cancelled its contract)
   • Society (pressure group complaining about the firm’s poor recycling record).

3. List five possible causes of conflict between stakeholders in business.
   a) Suppliers breaking their contract (competing objectives between suppliers and producers)
   b) Customers unhappy with product quality (competing objectives between customers and producers).
   c) Employees unhappy about wages (competing objectives between employees and employers).
   d) Investors unhappy with the level of profits (competing objectives between owners and investors).
   e) Society unhappy about the environmental standards of a business (competing objectives between society and owners).
   f) Aggressive / unhelpful negotiating styles.
   g) Lack of trust between stakeholders.

4. Outline three consequences that could arise for Food World if these conflicts are left unresolved.
   a) Decline in sales due to customers’ dissatisfaction with quality.
   b) Possible strikes by employees that could close Food World Supermarkets.
   c) Investors unwilling to provide more finance to the business.
   d) Consumer boycott of shops due to poor recycling record.
5. **Every valid contract must...**

<table>
<thead>
<tr>
<th>True?</th>
<th>False?</th>
</tr>
</thead>
<tbody>
<tr>
<td>True</td>
<td>False (can be verbal)</td>
</tr>
<tr>
<td>True</td>
<td>False (Can be verbal. If written then must be signed by all parties)</td>
</tr>
<tr>
<td>True</td>
<td>False</td>
</tr>
</tbody>
</table>

6. **Explain the difference between competitive and co-operative business relationships.**

- A co-operative business relationship involves different stakeholder groups viewing their relationships as potential win / win situations where everyone can benefit.

- A competitive business relationship involves different stakeholders viewing their relationships as win / lose situations where there must always be a winner and a loser.

---

**Chapter 4**

**Entrepreneurs & Enterprise**

1. **Outline eight characteristics and skills of an entrepreneur.**

- Innovative / creative attitude
- Confident / positive about their abilities
- Proactive approach
- Realistic about their own strengths and weaknesses
- Moderate risk-takers
- Decisive – willing to make decisions
- Flexible / resilient – willing to adapt or change plans if necessary
- Good communicators – or ‘people person’
- Energetic
- Able to identify opportunities
- Able to assess and manage risks
- Able to set goals and make plans
- Able to prioritise work
- Able to choose correct timing
- Able to manage people
p) Able to maintain inner control
q) Able to manage stress

3. **List four examples of enterprise in action in different areas of life.**
   a) Making own furniture / growing own vegetables
   b) Student setting up a mini enterprise / organising a study group
   c) Someone setting up a new sports club / raising money for a local charity
   d) Someone setting up a new commercial business selling flowers.

---

**Chapter 5**

**Introduction to Management**

1. 

2. **List four examples of management in action in different areas of life.**
   a) Managing finances in a household
   b) Managing a timetable in a school
   c) Running a local residents’ association or community group
   d) Running a shop – planning stock, organising staff, organising a shop layout, and controlling the finances.

3. **Outline three differences between an entrepreneur and a manager.**
   a) Entrepreneurs have ideas and initiatives for new businesses. Managers plan, organise and control the business.
   b) Risk-taking – entrepreneurs take personal financial risks; managers do not.
   c) Managing day-to-day activities is what managers do best – entrepreneurs are better at starting new projects.

4. **List three management skills**
   a) Leadership – influencing and directing others.
   b) Motivating – staff
   c) Communicating with staff and other stakeholders.

5. **List three management activities**
   a) Planning
   b) Organising
   c) Controlling
Chapter 6
Management Skills of Leadership & Motivation

1.

2. Draw and label a diagram illustrating Maslow's hierarchy of needs.

Chapter 7
Management Skill of Communication

1.
2. What do the following stand for?
   - AGM  Annual General Meeting
   - EGM  Extraordinary General Meeting
   - ICT  Information and Communications Technology
   - EDI  Electronic Data Interchange
   - AOB  Any Other Business

3. List five barriers to effective communications in business
   a) Message not accurate
   b) Message not brief
   c) Message not clear
   d) Unsuitable medium used
   e) Medium does not allow for feedback

4. Give examples of five types of internal communication used in business.
   a) Informal chats / conversations
   b) Telephone / text messages
   c) E-mail / websites
   d) Noticeboards / signs / newsletters / notices / reports
   e) Body language / physical appearance.

5. Give examples of five types of external communication used in business.
   a) TV advertisements
   b) Radio advertisements
   c) Internet sites
   d) E-mail
   e) Posters
   f) Letters
   g) Newsletters
   h) Flyers / brochures
   i) EDI

6. Describe one thing that can go wrong with each of the following elements of the communications process:
   a) Sender: sends message at wrong time (e.g. too late / too soon)
   b) Message: inaccurate, not clear or to the point (e.g. rambling and confused)
   c) Medium: unsuitable medium that is too slow, unreliable or lacks confidentiality
   d) Receiver: message sent to wrong person, misunderstood or not listening

7. List three items that might appear on an agenda for a meeting.
   a) Apologies
   b) Minutes (of previous meeting)
   c) Correspondence received
   d) AOB
   e) Date of next meeting

   a) Ensure data stored is accurate
   b) Ensure data stored is up-to-date
c) Ensure data stored is kept secure against unauthorised access

9. Illustrate the following Net Profit figures for a bookshop using (a) a bar chart and (b) a line graph.

<table>
<thead>
<tr>
<th>Year</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit</td>
<td>€8000</td>
<td>€12000</td>
<td>€18000</td>
<td>€24000</td>
<td>€30000</td>
</tr>
</tbody>
</table>

Bar Chart:

Line Graph
10. List four factors to be considered when deciding on the most effective methods of communications to use to send an important message in business.
   a) Will the message be communicated accurately?
   b) Will the message be brief and to the point?
   c) Will the message be clearly understood?
   d) Is the medium to be used suitable in terms of speed / confidentiality?
   e) Is feedback required? Will the medium allow such feedback?
   f) Cost?
   g) Is it necessary to keep a written record?
   h) Does the communication satisfy any legal requirements?

Chapter 8
Management Activities of Planning, Organising & Controlling

2. In planning what does SMART stand for?
S  Specific (clear and precise?)
M  Measurable (success easily measured?)
A  Agreed (have agreement and support of key staff?)
R  Realistic (in terms of finance, staff, time and other resources available?)
T  Timed (allow sufficient time for proper implementation)
3. **Using the example of a car company, explain what is meant by a SWOT analysis.**

   **S** Strengths – prestige brand name
   **W** Weaknesses – poor quality control
   **O** Opportunities – increasing demand for fuel-efficient / low CO₂ cars
   **T** Threats – low cost competition from Korea.

4. **Distinguish between a strategic plan and a tactical plan.**
   - A strategic plan is a long-term plan, typically for at least five years.
   - A tactical plan breaks the strategic plan down into shorter, more manageable steps, often lasting just one year.
5. Draw a functional organisational chart for a car company.

A functional organisational chart for a car company
6. List four types of control used by management
   a) Stock control
   b) Credit control
   c) Financial control
   d) Quality control

Revision Pit Stop Covering Units 2 and 3

Murphy’s Ice Cream

Inspired by Ben & Jerry’s international success, Sean and Kieran Murphy decided to go into business with the goal of making the best ice cream in the world. The two entrepreneurs invested their own savings and, with financial help from their parents, they raised the €40,000 they needed to open their first Murphy’s Ice Cream shop in Dingle, County Kerry.

The kitchen in Murphy’s Ice Cream shop became an ice cream laboratory and growing numbers of customers began flowing in to taste and sample the different experimental flavours.

‘The ice cream went down very well but the first year was not very profitable – we lost money,’ says Sean. The entrepreneurs discovered that they were now competing in a tough market with major companies like HB and realised that it was tough producing a really good ice cream that was also affordable. They decided that they would have to charge much higher prices to cover the higher costs of their premium ingredients.

‘Sean admits that it was easily the most expensive ice cream in Ireland. People said, “you’re mad, at that price no one is going to appreciate the quality.” Instead, sales went up and up and the business started to become a local success.’

Over the next few years the business grew, with Murphy’s Ice Cream expanding into a brand new, state-of-the-art production facility and supplying local restaurants and shops. They then invested in a van and began supplying their unique ice cream to outlets around the country as well as opening a second ice cream shop in Killarney.

1. Identify four ways in which Sean and Kieran demonstrated entrepreneurial characteristics. Refer to the text in your answer.
   a) Risk-takers – “invested their own savings”
   b) Flexible – changed their strategy in order to charge higher prices in order to cover costs of ingredients.
   c) Confident in their own abilities – if Ben and Jerry could do it, so could they!
   d) Decisive – able to make decisions like going into business, investing savings, changing strategy, investing in a van and opening a second shop.

2. List three internal and three external methods of communication that could be used by Murphy’s Ice Cream.
   (a) Internal
      (i) Verbal conversations between Sean and Kieran
      (ii) Putting notices on the wall concerning, for example, health and safety practices
      (iii) Text messages to staff
3. Briefly explain why leadership and motivational skills will have to become more important to Sean and Kieran as the enterprise grows and as staff are hired to assist in the business.

A growing business will need extra staff. Sean and Kieran will have to provide leadership to their staff to ensure that they are all influenced to work in the same direction to achieve the goals of the business. Motivational skills will be needed to ensure that staff are willing to work hard and contribute their best effort.

4. Briefly describe how the management activities are necessary to running Murphy’s Ice Cream.

Planning is needed to ensure that Murphy’s Ice Cream is clear about the goals of the business and the strategies to achieve them. Organising is necessary to ensure that all the resources of and people of the business are brought together efficiently and effectively. Controlling is needed by Murphy’s Ice Cream to ensure that goals achieved are in line with targets set. If not, changes may have to be made.

5. As Murphy’s Ice Cream expands, the entrepreneurs will need to learn how to motivate different staff. According to Maslow’s theory, what level of needs are being met by each of the following initiatives:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Level of Need</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Providing family-friendly working time</td>
<td>Social needs</td>
</tr>
<tr>
<td>(b) Luxury company cars for sales reps</td>
<td>Self-esteem needs</td>
</tr>
<tr>
<td>(c) Basic salary</td>
<td>Safety needs</td>
</tr>
<tr>
<td>(d) Pensions for staff on retirement</td>
<td>Safety needs</td>
</tr>
<tr>
<td>(e) Free employee medical insurance and treatment</td>
<td>Physical needs / safety needs</td>
</tr>
<tr>
<td>(f) Christmas parties and ‘get togethers’</td>
<td>Social needs</td>
</tr>
<tr>
<td>(g) Company sports activities</td>
<td>Social needs</td>
</tr>
<tr>
<td>(h) Interesting and personally fulfilling work</td>
<td>Self-actualisation needs</td>
</tr>
<tr>
<td>(i) Prestigious job titles</td>
<td>Self-esteem needs</td>
</tr>
<tr>
<td>(j) Proper rest and lunch breaks</td>
<td>Physical needs</td>
</tr>
<tr>
<td>(k) Paying college fees for part-time study</td>
<td>Self-actualisation needs</td>
</tr>
<tr>
<td>(l) Providing overtime pay</td>
<td>Physical needs</td>
</tr>
</tbody>
</table>

Chapter 9

Human Resource Management (HRM)
2. List seven elements involved in human resource management.
   a) HR planning
   b) Staff recruitment and selection
   c) Staff training and development
   d) Appraising staff performance
   e) Rewarding staff
   f) Protecting staff health, safety and welfare
   g) Maintaining positive industrial relations

3. What do the following letters stand for?
   a) C.V. Curriculum Vitae
   b) H.R.M. Human Resource Management

4. Outline five measures that an organisation can take to improve the relationship between employers and employees.
   a) Regular and effective communications
   b) Employee participation in management decision-making
   c) Motivate staff by meeting their different needs through work
   d) Financial rewards that recognise and reward effort
   e) Non-financial rewards that encourage / reward employee effort
   f) Job security to earn employee commitment
   g) Create a friendly and co-operative workplace culture
   h) Have clear and speedy grievance procedures

5. Distinguish between flat rates and piece rates of pay.
   • Flat rate pay is paid according to the number of hours worked per week / month.
   • Piece rate pay is paid according to the amount of work done – that is, the number of items (or pieces) produced that meet the required quality standard.

6. Outline six non-financial rewards that can be provided to staff.
   a) Flexible working hours
   b) Extra holidays
   c) Non-stressful work
   d) Pleasant physical work environment (clean, warm, natural light, plants, etc.)
   e) Friendly sociable working environment
   f) Job-sharing arrangements
   g) Job rotation
   h) Job enrichment

7. List the seven steps involved in the staff recruitment process.
   a) Prepare job description
   b) Prepare person specification
   c) Find suitable candidates / advertise job
d) Shortlist applicants  
e) Interview applicants  
f) Check references  
g) Make offer to successful applicant

Chapter 10  
Changing Role of Management  
in the 21st Century

1. 

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>H</td>
<td>I</td>
<td>J</td>
<td>D</td>
<td>B</td>
<td>M</td>
<td>A</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>K</td>
<td>F</td>
<td>E</td>
<td>L</td>
<td>C</td>
</tr>
</tbody>
</table>

2. Outline two benefits of a team-based organisational structure.  
a) Decision-making can become faster  
b) Employee job satisfaction and levels of motivation rise.  
c) Quality of work done by members of team improves.

3. Explain the four stages involved in forming a successful team.  
a) Forming – team comes together and members get to know each other  
b) Storming – conflicts may emerge over the role of the team and its members  
c) Norming – team settles down as rules and roles become clear  
d) Performing – all members are working together effectively to achieve the team’s goals.

4. What do the following letters stand for:  
a) ICT Information and Communications Technology  
b) CAD Computer Aided Design  
c) CIM Computer Integrated Manufacturing  
d) EDI Electronic Data Interchange  
e) JIT Just-In-Time

5. List two benefits of employee empowerment.  
a) Increases staff creativity and entrepreneurship  
b) Increases staff motivation and job satisfaction  
c) Frees up managers’ time as responsibility is delegated.

6. Distinguish between the following:  
(a) A controller manager has an autocratic leadership style and a negative (Theory X) attitude to staff motivation.
(b) A facilitator manager has a democratic or laissez-faire leadership style and a positive (Theory Y) attitude to staff motivation.

7. Decide whether each of the following statements suggests a ‘Controller’ or ‘Facilitator’ manager

<table>
<thead>
<tr>
<th>Quote</th>
<th>Controller</th>
<th>Facilitator</th>
</tr>
</thead>
<tbody>
<tr>
<td>‘Employees dislike and will always resist change’</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>‘Toilet breaks will not be tolerated’</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>‘Employees can be trusted to work on their own if the work is interesting and challenging’</td>
<td></td>
<td>YES</td>
</tr>
<tr>
<td>‘Are there any problems you need help with?’</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>‘Do you need any extra training to advance your career?’</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>‘Employees are lazy and must be forced to work’</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>‘Just do as I say and don’t ask questions’</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>‘Have that work finished by 2 pm or else...’</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>‘All decisions must by approved by the manager’</td>
<td>YES</td>
<td></td>
</tr>
</tbody>
</table>
Chapter 11
Managing Business & Household Insurance & Tax

1.

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>P</td>
<td>J</td>
<td>H</td>
<td>G</td>
<td>F</td>
<td>K</td>
<td>M</td>
<td>L</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
<th>16</th>
</tr>
</thead>
<tbody>
<tr>
<td>O</td>
<td>N</td>
<td>I</td>
<td>E</td>
<td>C</td>
<td>A</td>
<td>B</td>
<td>D</td>
</tr>
</tbody>
</table>

2. John and Jill Metcalfe have been in partnership running CompuWorld, a computer sales and servicing business, for the last five years. They currently employ six sales people and two van drivers. They own premises in a local business park and are planning to lease a retail outlet in the centre of town. They have applied to the bank for a loan to fund this expansion.

a) Identify two taxes that Jack and Jill would be expected to pay.
   (i) Self-assessment income tax (Corporation tax if they were trading as a limited company)
   (ii) VAT (collected on sales)
   (iii) Capital Gains Tax on any profits earned from the sale or disposal of a business asset.

b) List four different types of insurance policy that the CompuWorld business should have and give a reason for each one.
   (i) Property insurance on premises to protect against fire, flood, storm or malicious damage
   (ii) Motor insurance – comprehensive covering third party, fire, theft or accidental damage
   (iii) Public liability insurance to protect the business against claims if a member of the public has an accident that is the fault of the business
   (iv) Employers’ liability insurance to protect the business against claims arising from accidents, illnesses or injuries suffered by employees as a result of their work
   Also:
   Product liability insurance
   Consequential loss insurance
   Key person insurance
   Fidelity guarantee insurance

3. A house and its contents were valued at €300,000 and the owner insured them for €240,000. A fire caused €6,000 of damage to the contents. Calculate the compensation to be paid to the owner.

<table>
<thead>
<tr>
<th>Workings</th>
</tr>
</thead>
<tbody>
<tr>
<td>240,000 = 4 of €6,000 = €4,800</td>
</tr>
<tr>
<td>300,000</td>
</tr>
</tbody>
</table>

- 23 -
If a business premises had a market value of €450,000 and was insured for €350,000 when a partial loss of €124,000 was caused due to a fire in the office part of the building, calculate the amount of compensation to be paid to the insured.

**Working**

\[
\frac{350,000}{450,000} = \frac{7}{9} \text{ of } €124,000 = €96,444
\]

4. List three differences between insurance for a household and for a business.
   a) Businesses face a far greater range of insurable risks.
   b) Businesses can suffer far greater financial losses (running into millions).
   c) Businesses can treat insurance as a legitimate business expense and reduce their tax bill. Households cannot.

5. Outline three differences between managing household taxation and business taxation.
   a) Households and businesses must pay different taxes.
   b) Different systems of tax collection are used.
   c) There are more tax allowances (similar to tax credits) available to a business than to a household.
   d) Businesses can claim VAT refunds, households cannot.
   e) Businesses act as unpaid tax collectors for the Government.
   f) Businesses and self-employed people are subject to random tax audits.
Chapter 12
Managing Business & Household Finance

1.

<p>| | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>D</td>
<td>F</td>
<td>E</td>
<td>H</td>
<td>J</td>
<td>I</td>
<td>A</td>
<td>G</td>
<td>B</td>
</tr>
</tbody>
</table>

2. Outline three ways to pay money out of a current account.
   a) Standing Order (an agreement to pay a regular fixed amount out of your account to another person / organisation)
   b) Direct Debit (an agreement to pay varying amounts out of your account to someone else).
   c) Cheques (write a cheque giving someone permission to withdraw funds for a certain amount from your account).

3. Complete the following grid by listing three types of short-, medium- and long-term finance for a business.

<table>
<thead>
<tr>
<th></th>
<th>Short-term finance</th>
<th>Medium-term finance</th>
<th>Long-term finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Credit purchases</td>
<td>Hire purchase</td>
<td>Equity</td>
<td></td>
</tr>
<tr>
<td>(b) Bank overdraft</td>
<td>Leasing</td>
<td>Long-term loans / debentures</td>
<td></td>
</tr>
<tr>
<td>(c) Invoice discounting</td>
<td>Term loan</td>
<td>Sale and leaseback</td>
<td></td>
</tr>
</tbody>
</table>

4. Complete the following grid by listing three types of short-, medium- and long-term finance for a household.

<table>
<thead>
<tr>
<th></th>
<th>Short-term finance</th>
<th>Medium-term finance</th>
<th>Long-term finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Credit purchases</td>
<td>Hire purchase</td>
<td>Savings</td>
<td></td>
</tr>
<tr>
<td>(b) Bank overdraft</td>
<td>Leasing</td>
<td>Mortgages / long term loans</td>
<td></td>
</tr>
<tr>
<td>(c) Credit cards</td>
<td>Term loan</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Distinguish between the following:
   (a) A credit card allows users to buy goods on credit up to a certain limit and pay for them later
   and
   A Laser card allows deductions to be made from a user’s current account every time the card is used to purchase something.

   (b) Hire purchase allows a household or business to buy an asset but pay for it later in installments
   and
   Leasing means renting an item such as a vehicle for a number of years.

6. Identify three pieces of information required by a bank when someone applies for a personal loan.
a) Name, address, occupation  
b) Amount required  
c) Ability to repay – e.g. evidence of income (wages/salary slips, assets, investments, other loans/debts).

7.  

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Cheque No.</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 June</td>
<td>Lodgement</td>
<td></td>
<td></td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>14 June</td>
<td>Cheque</td>
<td>120006</td>
<td>200</td>
<td></td>
<td>300</td>
</tr>
<tr>
<td>21 June</td>
<td>ATM</td>
<td></td>
<td>100</td>
<td></td>
<td>200</td>
</tr>
<tr>
<td>24 June</td>
<td>Lodgement</td>
<td></td>
<td></td>
<td>300</td>
<td>X</td>
</tr>
</tbody>
</table>

a) Name the above household document.  
Bank account statement

b) What is the balance in the box marked X?  
€500

c) Explain the letters ATM.  
Automated Teller Machine – it provides automatic access to cash withdrawals, bill payments, chequebook / statement requests.

d) Distinguish between a deposit and a current account.  
A deposit account pays savers interest on the money they have saved.  
A current account pays no / negligible interest but allows customers to withdraw cash by using cheques, ATM machines whenever required.

8. Outline five criteria to use when selecting a suitable source of finance for a business.  
a) Purpose of finance  
b) Amount required  
c) Cost of the finance  
d) Effect on the control of an asset such as a house or vehicle  
e) Timing of repayments

Chapter 13  
Monitoring Business Finances Using Accounts

1.  

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>H</td>
<td>I</td>
<td>L</td>
<td>K</td>
<td>A</td>
<td>E</td>
<td>F</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>D</td>
<td>J</td>
<td>E</td>
</tr>
</tbody>
</table>
2. Write TRUE or FALSE after each of these sentences:

- Cash is a current liability. False
- Land is a fixed asset. True
- Creditors are a current asset. False
- Ordinary shares are a liability. True
- Bank overdraft is a fixed asset. False

3. Ark Limited
Memo
From: Finance Department
To: Managing Director
Subject: Accounts Spreadsheet

<table>
<thead>
<tr>
<th>Final Accounts</th>
<th>(extract)</th>
<th>Balance Sheet</th>
<th>(extract)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 2</td>
<td>Year 1</td>
<td>Year 2</td>
<td>Year 1</td>
</tr>
<tr>
<td>€</td>
<td>€</td>
<td>€</td>
<td>€</td>
</tr>
<tr>
<td>Sales</td>
<td>100,000</td>
<td>60,000</td>
<td>Current Assets</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>20,000</td>
<td>6,000</td>
<td>Current Liabilities</td>
</tr>
<tr>
<td>Net Profit</td>
<td>5,000</td>
<td>3,000</td>
<td>Closing Stock</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Retained Earnings</td>
</tr>
</tbody>
</table>

(a) Calculate the gross margin and the net margin for Ark Limited for Year 2 and Year 1. Comment on the trend.

(i) Gross Margin

\[
\text{Gross Profit} \times \frac{100}{\text{Sales}}
\]

Year 1:
\[
\frac{6,000 \times 100}{60,000} = 10\%
\]

Year 2:
\[
\frac{20,000 \times 100}{100,000} = 20\%
\]

A rising margin is positive. 20% is a healthy margin, as it should allow most businesses to cover their expenses.

(ii) Net Margin

\[
\text{Net Profit} \times \frac{100}{\text{Sales}}
\]

Year 1:
\[
\frac{3,000 \times 100}{60,000} = 5\%
\]

Year 2:
\[
\frac{5,000 \times 100}{100,000} = 5\%
\]
100,000

5% margin is ok but should be higher to compare favourably with bank deposit rates. No change from Year 1 to Year 2 despite rising gross margins suggests that expenses are rising too quickly. This is a cause for concern.

(b) Calculate the working capital ratio and the acid test ratio for Ark Limited for Year 2 and Year 1. Comment on the trend.

(i) Working Capital Ratio

\[
\text{Current assets} \quad \text{Current liabilities}
\]

Year 1:
\[
\frac{60,000}{40,000} = 1.5
\]

Year 2:
\[
\frac{40,000}{80,000} = 0.5
\]

Significant disimprovement. 0.5 means that the firm may have serious liquidity (cashflow) problems.

(ii) Acid Test Ratio

\[
\frac{\text{Current Assets} - \text{Stock}}{\text{Current liabilities}}
\]

Year 1:
\[
\frac{60,000 - 10,000}{40,000} = \frac{50,000}{40,000} = 1.25
\]

Year 2:
\[
\frac{40,000 - 20,000}{80,000} = \frac{20,000}{80,000} = 0.25
\]

Significant and serious disimprovement. 0.25 acid ratio means that the business is unable to pay all its bills and has serious liquidity problems.

c) List four pieces of information a Balance Sheet can provide to a manager.

(i) Value of assets (fixed and current)
(ii) Value of working capital
(iii) How the business is being financed (Equity? Loan?)
(iv) Value of loans
(v) Value of equity capital

d) Distinguish between a debtor and a creditor.

- Debtors are people who owe the business money (they are an asset).
- Creditors are people to whom the business owes money (they are a liability).
4. *Sunrise Ltd. is a fruit and vegetable wholesale business supplying fresh fruit and vegetables to local retailers and to some hotels and restaurants. They give goods on credit (one month) to their longest-serving customers. Although they have been very busy, managers are worried because some of these customers do not pay their bills on time. They have prepared a Cash Flow Forecast for the first three months of the year to see if they need to get a bank overdraft.*

**Cash Flow Forecast**

<table>
<thead>
<tr>
<th></th>
<th>January</th>
<th>February</th>
<th>March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Sales</td>
<td>46,000</td>
<td>45,000</td>
<td>44,000</td>
</tr>
<tr>
<td>From Debtors</td>
<td>18,000</td>
<td>15,000</td>
<td>17,000</td>
</tr>
<tr>
<td>Other receipts</td>
<td>0</td>
<td>1,200</td>
<td>800</td>
</tr>
<tr>
<td>Total receipts</td>
<td>64,000</td>
<td>61,200</td>
<td>61,800</td>
</tr>
<tr>
<td>Payments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Purchases</td>
<td>36,000</td>
<td>34,500</td>
<td>36,500</td>
</tr>
<tr>
<td>Payments to Creditors</td>
<td>23,000</td>
<td>22,500</td>
<td>24,000</td>
</tr>
<tr>
<td>Wages</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Other Payments</td>
<td>2,500</td>
<td>4,500</td>
<td>1,500</td>
</tr>
<tr>
<td>Total Payments</td>
<td>63,000</td>
<td>63,000</td>
<td>63,500</td>
</tr>
<tr>
<td>Net Cash</td>
<td>1,000</td>
<td>(1,800)</td>
<td>(1,700)</td>
</tr>
<tr>
<td>Opening Cash</td>
<td>100</td>
<td>1,100</td>
<td>(700)</td>
</tr>
<tr>
<td>Closing Cash</td>
<td>1,100</td>
<td>(700)</td>
<td>(2,400)</td>
</tr>
</tbody>
</table>

(a) **What is a bank overdraft?**
It allows current account holders to spend more money than they actually have in their account, up to a pre-set limit.

(b) **In which month(s) will Sunrise Limited need a bank overdraft?**
February (when there will be a €700 cash shortfall) and March (when there will be a €2,400 cash shortfall)

(c) **Outline three reasons why Sunrise Ltd. would prepare a cash flow forecast.**
(i) Provides an early warning system of cashflow shortages
(ii) Allows better financial planning and control
(iii) Assists in budgeting the financial needs of a new enterprise

(d) **List two ways in which Sunrise Ltd. could persuade their customers (debtors) to pay on time.**
(i) Offer discounts for prompt payments
(ii) Enter prompt paying customers into raffles for prizes

(e) **Briefly explain why a business would calculate the Debt/Equity Ratio.**
It indicates how much interest a business is likely to have to pay on its borrowings before it is able to pay out dividends or reinvest in the business.
A low debt-equity ratio (less than 50%) indicates that a firm will find it easier to pay dividends or reinvest in the business.
A high debt-equity ratio means that interest payments will soak up cash and reduce the amount available for other purposes.

5. **Doubleday Limited**

<table>
<thead>
<tr>
<th></th>
<th>Year 2</th>
<th>Year 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Loans</td>
<td>€310,000</td>
<td>€307,000</td>
</tr>
<tr>
<td>Ordinary Share Capital</td>
<td>€210,000</td>
<td>€150,000</td>
</tr>
<tr>
<td>Reserves</td>
<td>€98,000</td>
<td>€55,000</td>
</tr>
</tbody>
</table>
Overdrafts
€56,000  €76,500

**Calculate the Debt / Equity Ratios for Doubleday Ltd. for each Year. Comment on the trend.**

Debt-Equity ratio: \( \frac{\text{Debt} \times 100}{\text{Equity}} \)

Year 1:
\[
\frac{307,000}{150,000 + 55,000} = \frac{307}{205} = 1.5 \text{ times}
\]

Year 2:
\[
\frac{310,000}{210,000 + 98,000} = \frac{310}{308} = 1.006 \text{ times}
\]

**Note:** Long-term fixed interest debt / loans do not include overdrafts (which are short-term loans).

Very high debt-equity ratio in Year 1. This high level of fixed interest debt will be expensive to service and will reduce cash available for dividends or ploughing back into the business.

Year 2 sees a major improvement as debt and equity are now nearly exactly matched. Doubleday Ltd should try to reduce this ratio further in order to reduce the risk to the business.

6. **List four qualities of useful financial information.**
   a) Relevant to the needs of the user
   b) Accurate
   c) Complete – allowing informed decisions to be made
   d) Understandable and easy for users to follow
   e) Timely – available at the right time to make prudent decisions

---

**Revision Pit Stop Covering Unit 4**

**Hammer Headz**

Cathy and Maura Winston shared a passion for clothing and had an idea to open a shop selling outdoor lifestyle clothing – “clothing with attitude” they describe it. Setting up in business would mean taking a big pay cut from the salaries they were previously used to, but they felt it would be worth it in the long run.

Using €15,000 of their own savings, they decided to open their own shop in Greystones, Co. Wicklow. They came up with the name ‘Hammerheadz’ and put together a detailed business plan to persuade their bank to provide them with a term loan to get the business started. They also secured an overdraft facility on their business current account to finance the purchase of stock.

For their retail outlet, Cathy and Maura also had to purchase the right business insurance and protect the shop against theft. This meant investing thousands of euro in an electronic tagging system.
Despite all this start-up spending, after just six months in business their sales income was 30% better than their cashflow forecast had predicted and the business was well on its way to profitability.

1. Explain the following terms:
   (a) Term loan: A medium-term loan from a bank that is repaid in monthly instalments over a number of years.
   (b) Overdraft: Short-term bank loans giving a current-account holder permission to write cheques for sums greater than they actually have in their account.
   (c) Current account: Allows users to withdraw money whenever they want, using cheques, ATM machines. Also allows payment by direct debit and standing order.
   (d) Insurance: A contract to pay compensation to the insured in the event of a financial loss occurring.
   (e) Cashflow forecast: A document that predicts the flows of money in and out of a business or household over a period of time.

2. List the types of insurance that you consider most suitable for a business like Hammerheadz.
   • Property insurance on their shop and contents
   • Public liability insurance against claims from the public
   • Employers’ liability insurance for their staff
   • Consequential loss insurance in the event of a major risk occurring to the business
   • PRSI for employees
   • Fidelity guarantee insurance against staff dishonesty

3. Outline the different types of taxes that Cathy and Maura may have to pay as a result of running their own business.
   • Corporation tax if they set up as a limited company or income tax (via self-assessment system) if a partnership.
   • VAT will have to be added to stock and proceeds passed to the Revenue Commissioners.
   • Customs duties on stock imported from outside the EU.
   • Commercial rates will be payable to Wicklow County Council.

4. Describe three types of internal and external communication that you think are essential to the success of Hammerheadz.
   (a) Internal:
      (i) Face-to-face discussions and meetings between Cathy and Maura
      (ii) Mobile phone contact when one is out of the shop
      (iii) Office notice board.

   (b) External:
      (i) Shop-front advertising
      (ii) Telephone
      (iii) Post

5. List three types of short-term finance and three types of medium-term finance that Hammerheadz could use to finance the running of the business.
   (i) Overdraft
   (ii) Credit purchases (trade credit)
(iii) Accrued expenses

(b) List three types of medium-term finance that Hammerheadz could use to finance the running of the business.
(i) Hire purchase
(ii) Leasing
(iii) Term loan

6. List three ways that Hammerheadz can manage its working capital.
   a) Maintain an up-to-date cashflow budget
   b) Maintain a proper stock control system
   c) Keep proper credit control. Ideally, don’t give credit to customers.
   d) Don’t buy too much stock – sell off slow-moving stock to convert it to cash.
   e) Maintain an overdraft facility
   f) Increase prices and profit margins.

Chapter 14
Identifying Business Opportunities

1.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>E</td>
<td>A</td>
<td>G</td>
<td>H</td>
<td>I</td>
<td>J</td>
<td>K</td>
<td>L</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>C</td>
<td>B</td>
<td>M</td>
<td>D</td>
</tr>
</tbody>
</table>

2. Label the following diagram indicating:
   (a) Fixed costs
   (b) Total costs
   (c) Total revenue
   (d) Break-even point
   (e) Area where profits are made
   (f) Area where losses are incurred
Chapter 15
Marketing

1.  

|  |  |  |  |  |  |  |  |  |
|---|---|---|---|---|---|---|---|
| E | F | M | H | A | J | K | C |

2.  
List **four factors** that should be considered when designing a product.
   a) Practicality, costs and aesthetics
   b) Branding – name and logo to use
   c) Product life cycle – how durable will it be? Fashionable? Obsolescence?
   d) Packaging – practical, attractive, cost-efficient and recyclable?
   e) Legal and social responsibilities – e.g. health and safety needs, environmental responsibility and recyclability

3.  
Identify **four factors** that influence the choice of distribution outlet.
   a) Target market for the product
   b) Desired product image
   c) Ease of transport
   d) Payment arrangements can differ between outlets
      Any special conditions that may apply.

4.  
Distinguish between **desk research** and **field research** and illustrate your answer with examples of each.
   • *Desk Research*: Accessing information that has already been gathered by others – trade magazines, company reports, Internet and government statistics (also known as secondary research).
   • *Field research*: Going out into the marketplace to gather information directly from customers, distributors and competitors. Can involve using consumer surveys, observing people shopping or doing business.

5.  
List **three methods** of promotion that could be used to promote a new brand of cosmetics.
   a) Special sales promotions – such as free samples or money-off vouchers
   b) Merchandising displays in shops to attract shoppers’ attention
   c) Advertising in magazines read by the target market
6. Draft and label a product life cycle diagram.

![Product Life Cycle Diagram](image)

7. Identify three main functions of advertising.
   a) To inform consumers that a product or service exists
   b) To persuade consumers to buy a particular product or service
   c) To remind consumers and maintain brand loyalty

Chapter
Getting Started

1. Explain the term 'mass production' and use an example to illustrate your answer.
Mass production is the continuous production of large quantities of identical goods. For example, Ford Focus cars are mass-produced in highly automated factories and are aimed at a very large target market.

3. **List four forms of business organisation available to entrepreneurs**
   a) Sole trader
   b) Partnership
   c) Limited company
   d) Co-operative

4. **Outline three benefits for an entrepreneur in forming a private limited company.**
   a) Limited liability protection for owners reduces risk
   b) Can raise finance by selling shares
   c) Easy to transfer ownership of the business by selling the company’s shares

5. **List three sources of long-term finance available to an entrepreneur setting up a business.**
   a) Equity investment is finance provided by the owners
   b) Grants – free gift of finance, usually from state organisations
   c) Long-term loans

6. **Outline five piece of information that should be included in a business plan.**
   a) Description of the product / service / business idea
   b) Description of the entrepreneurs / owners
   c) Description of how the business will be managed
   d) Description of production processes to be used
   e) Description of marketing plans to be followed and USP
   f) Description of finance needed and sources
   g) Description of projected profitability and level of sales of the business.

7. **Identify one major difference between:**
   (a) **A sole trader and a limited company**
     - Sole traders have unlimited personal liability for all debts.
     - Limited companies give owners protection of limited liability.
   (b) **A sole trader and a partnership**
     - Sole traders must make all decisions on their own.
     - Partnerships have the benefit of a number of owners to share decision-making responsibilities.
   (c) **A partnership and a limited company**
     - Partnerships have unlimited liability.
     - Companies have limited liability.
   (d) **A limited company and a co-operative**
     - Limited companies are owned by shareholders who play no active part in the running of the business.
     - Co-operatives are democratically owned and controlled by their members who may be the firm’s workers, suppliers or customers.

8. **Match the description with the production method**
<table>
<thead>
<tr>
<th>Produced by robots on an automated assembly line</th>
<th>Job</th>
<th>Batch</th>
<th>Mass</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each product is a unique design</td>
<td></td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>Typically requires the lowest skilled labour</td>
<td></td>
<td></td>
<td>YES</td>
</tr>
<tr>
<td>Products are produced in identical groups</td>
<td></td>
<td></td>
<td>YES</td>
</tr>
<tr>
<td>Requires flexible, highly skilled labour</td>
<td>YES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requires the heaviest financial investment in</td>
<td></td>
<td></td>
<td>YES</td>
</tr>
<tr>
<td>machinery and equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Chapter 17
Business Expansion

1. 

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>H</td>
<td>E</td>
<td>J</td>
<td>A</td>
<td>D</td>
<td>I</td>
<td>B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>C</td>
</tr>
</tbody>
</table>

2. Outline four ways in which a business could expand.
   a) Use existing products to sell to new markets
   b) Develop new products to sell to existing or new markets
   c) Form a strategic alliance to co-operate with another business to grow / expand together
   d) Merge with / acquire another firm with existing sales

3. List three advantages of expansion to a business.
   a) Can help reduce average costs by achieving economies of scale
   b) Larger, more diversified firms are less exposed to economic risks
   c) Can help protect supplies of labour / raw materials
   d) Can help business to compete against competition
   e) Increased profits

4. List three possible disadvantages to business expansion.
   a) Business becomes more complex and difficult to manage
   b) Communications and management control are more complex and difficult
   c) Loss of control if ownership is shared with new partners or shareholders
   d) Diseconomies of scale may arise if the organisation becomes too large, unwieldy and inefficient
   e) Staff morale may decline in a larger, more impersonal organisation.
   f) Less personal service may turn away customers

Revision Pit Stop Covering Unit 5

A good business plan attracts investors
Michael Carey worked as a manager in various food businesses including Jacobs, Batchelors and Kellogg’s, gaining wide management experience before deciding it was time to become an entrepreneur and go into business for himself.

Michael contacted Enterprise Ireland and asked them if they had any ideas that could assist him in setting up his own food business. From the State agency, he learned that the Swiss multinational Nestlé wanted to sell one of its struggling Irish businesses, Fruitfield. This included well-known Irish products such as Chef Sauces, Fruitfield Jams and Silvermints.

Michael was very interested but Nestlé wanted €8 million for the business. He did not have that kind of money, so he set about looking for investors who did. Using a well-prepared business plan, he managed to persuade various investors to come on board and back his plan, raising €1 million. He then managed to persuade Anglo Irish Bank to lend him the rest of the money he needed and he was able to buy the business from Nestlé.

Although Fruitfield’s products were well known, Carey had bought a business where staff morale was low and which was struggling against major multinational competitors. The huge bank loan from Anglo Irish Bank meant that his business was very highly geared. Fruitfield needed to start generating profits quickly and begin paying off the large loans.

Michael immediately set about reorganising the business. Marketing was revamped with a bigger emphasis on putting together a more effective marketing mix for each product. Packaging was redesigned to make it more attractive. Advertising campaigns were designed and launched to rebuild brand awareness, while a PR company was hired to promote the business to external stakeholders through favourable media reports.

On the HR side, the 130 staff in the factory were given the clear message that “the doss days under Nestlé” were over: Absenteeism dropped from 20% to 3%. A brand new ICT system was also introduced to make business communications faster and more efficient.

Michael’s efforts worked and the business became profitable again. A few years after buying it, the business had become so successful that it was able to expand by taking over Jacob’s biscuits, with the new, enlarged firm being renamed Fruitfield Jacobs.

1. Explain the terms
   a) Entrepreneur: someone who has the initiative and takes the risk to start a new business
   b) Enterprise Ireland: The State agency specifically responsible for supporting the development and growth of indigenous Irish firms.
   c) Investors: The people who provide a business with the finance it needs – usually in return for a share of the business.
   d) Business Plan: A document drafted by entrepreneurs detailing who is setting up the enterprise and describing the business idea, how the goods / services will be produced and sold, where the finance is expected to come from and how much profit the business expects to make.
   e) Morale: Staff morale refers to staff feelings of confidence or satisfaction with the organisation where they work.
   f) Highly geared: Means having long-term fixed interest debt of over 50% of capital employed. This means a firm must spend large sums simply paying interest on loans.
   g) Marketing mix: Consists of four elements that are used to turn the marketing strategy into reality: product, price, place and promotion.
2. **Having a well-prepared business plan was essential to Michael when raising finance. List five elements of a business plan.**
   a) Description of the business
   b) Description of Michael Carey, his qualifications and experience
   c) Description of how the business will be managed
   d) Description of the marketing strategy that the business will use
   e) Description of the production processes
   f) Description of the financial needs of the business
   g) Projected future sales and profitability

3. **Explain trade credit, retained profits and a long-term loan as methods of financing business expansion for Fruitfield.**
   a) **Trade credit:** means buying goods from suppliers now (e.g. sugar, fruit, packaging) but paying for them later (with the suppliers’ agreement).
   b) **Retained profits:** also known as retained earnings, this term refers to the profits retained in the business to allow it to expand in the future.
   c) **Long-term loan:** also known as debentures, these are fixed interest loans secured on a valuable asset such as the business premises.

4. **Michael Carey got the idea for his business by contacting Enterprise Ireland. List six other possible sources of new business ideas for an aspiring entrepreneur.**
   a) Brainstorming ideas
   b) Family and friends may have ideas
   c) Media (TV, radio, magazines, internet)
   d) Networking with useful people already in business
   e) Golden Pages telephone directory
   f) Copying an existing successful business idea
   g) Ideas picked up from foreign travel
   h) Franchising a ready-to-go business
   i) Management buy-out, where managers in an firm buy it from the owners.

---

**Chapter 18**

**Industries in the Economy**

1. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
---|---|---|---|---|---|---|---|---|
| F | D | A | G | E | C | H | B |

2. **List the four factors of production.**
   a) Land – all resources provided by nature
   b) Labour – human work and effort
   c) Capital – money, equipment, premises needed
d) Enterprise – creativity, initiative and risk-taking abilities needed to pull together the other factors of production in order to start a business.

3. **Distinguish between the role of Enterprise Ireland and IDA Ireland.**

   - Enterprise Ireland assists Irish firms to expand by selling goods / services internationally. This creates jobs and tax revenue in Ireland.
   - IDA Ireland attracts foreign firms to locate in Ireland to create additional jobs in this country and also tax revenue for the government.

4. **Outline four trends facing Irish manufacturing industry.**

   a) Decline of traditional manufacturing, such as clothing and footwear.
   b) Emergence of indigenous Irish high-tech firms
   c) Pressure for greater automation and subcontracting is leading many firms to ‘downsize’ by reducing employment levels.
   d) Emergence of the EU market as a very important source of new customers and competitors.
   e) Emergence of niche marketing by Irish manufacturers to survive in the very competitive global marketplace.
Chapter 19
Types of Business Organisation

1. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>C</td>
<td>A</td>
<td>D</td>
<td>G</td>
<td>H</td>
<td>B</td>
<td>E</td>
</tr>
</tbody>
</table>

2. Outline two benefits of a sole trader as a type of business organisation.
   a) Very easy to form
   b) Ownership is not shared or diluted
   c) Sole trader has complete control over the business
   d) Owner keeps all the profits (if any)

3. Explain what is meant by a private limited company.
   Private limited companies are registered with the Companies Registration Office (CRO) and are owned by shareholders who are protected by limited liability.

4. Identify the two documents required to form a private limited company.
   a) Memorandum of Association
   b) Articles of Association

5. Explain the term 'franchising' and illustrate your answer with an example.
   Franchising means renting out a complete business formula including business brand name, logo, products / services. Supermacs is a franchise that allows the franchisee to use the name, logo and business plan of the parent company (franchisor) and to benefit from the franchisor’s advertising and established reputation.

6. Name the law that governs the formation of a limited company.
   Companies Act (1963-1999)

   a) Name of company
   b) Address of the company
   c) Objectives (purpose) of the company
   d) Share capital issued by the company
   e) Names of the founding shareholders

8. List four reasons why a business might change its legal structure over time.
   a) To raise new finance (partnership becoming a limited company)
   b) To bring in new skills and expertise (e.g. sole trader becoming a partnership)
   c) To reduce risk for the owners (sole trader becoming a limited company)
   d) New owners of a business may prefer a different legal structure to enhance the image or prestige of the business.

9. Company responsibilities – Tick who is responsible for what

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>Board of Directors</th>
<th>Company Chairperson</th>
<th>Company Secretary</th>
<th>Managing Director /</th>
</tr>
</thead>
</table>
Chapter 20
Business & the Economy

1.

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2. **Outline three effects that a rise in interest rates can have on a business.**
   a) Sales decline as the cost of credit (borrowing) has risen.
   b) The increased cost of borrowing finance raises business costs and makes it more expensive for a business to expand.
   c) Business confidence in future profitability is eroded as loans that are more expensive deter consumer spending and business borrowing.

3. **Outline three effects that a fall in economic activity can have on a business.**
   a) Level of consumer sales will fall, eroding business profitability.
   b) Falling economic activity can lead to increased unemployment, thereby increasing the supply of labour and reducing demands for wage increases.
   c) Decline in tax revenue for the government, leading to reduced government expenditure and / or increased taxes.

4. **Outline three effects that a rise in inflation can have on business.**
   a) High inflation can make consumers more price-sensitive.
   b) Employees may look for cost-of-living wage increases.
   c) High inflation makes planning and budgeting more difficult and can discourage further investment by businesses until the economic climate settles down.

5. **Outline three effects that high levels of taxation can have on business.**
a) High income taxes can reduce consumers’ disposable incomes, thereby reducing demand in the economy.
b) High VAT can discourage sales and reduct profits.
c) High income taxes can force workers to look for higher wages, thereby pushing up business costs.
d) High taxes on profits can discourage entrepreneurship and new business creation.

Chapter 21
Business & Community Development

1. B D E A G C F

2. Outline four elements needed for successful community development.
   a) A group of interested local people
   b) An organisation structure in which they can work productively
   c) A plan of action based on a SWOT analysis
   d) Finance to implement the plan and make it a reality

3. List five factors that can influence where a business locates.
   a) Marketing considerations – proximity to customers / target market
   b) Good transport links and local infrastructure (energy, waste services, water)
   c) Availability of sufficient skilled labour locally
   d) Availability of supplies of raw materials
   e) Suitable local climate / geography
   f) Cost of land / premises locally
   g) Availability of grants / tax incentives locally
   h) Good social environment – no crime or vandalism

4. Moneyhill is a deprived area of a large city. There are few local businesses, crime and vandalism are commonplace and unemployment is high. Identify three measures that could attract entrepreneurs and new business to locate in the area.
   a) Reduced levels of crime and vandalism, better community involvement in improving the area
   b) Better education and training opportunities for local people
   c) Investment in improving the physical appearance of the area and local amenities
   d) Tax incentives / grants
   e) If a large and reputable business decides to locate there it may be seen as a vote of confidence that could attract other businessess to do likewise.
Chapter 22
Ethical, Social & Environmental Responsibilities in Business

1. 

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>G</td>
<td>H</td>
<td>I</td>
<td>B</td>
<td>C</td>
<td>E</td>
<td>D</td>
</tr>
</tbody>
</table>

2. List four ways that managers can encourage ethical behaviour among their staff.
   a) Strong leadership and a clear example set by senior managers
   b) Introduce a clear code of ethics for business decision-making
   c) Proper management control to detect and deal with ethical misconduct
   d) Staff induction and training should include the importance of ethical conduct
   e) Clear disciplinary procedures in place to deal with unethical conduct

3. Outline six social responsibilities of business.
   a) Fair and safe treatment of employees
   b) Honesty and openness in dealings with investors
   c) Fair treatment of suppliers, including paying all bills on time
   d) Selling safe and reliable goods to customers at fair prices
   e) Paying the right amount of tax on time to the government
   f) Supporting and enhancing the well-being and quality of life of the local community
   g) Protecting the environment for future generations and being a positive influence on society generally
4. **List five characteristics of an environmentally friendly business.**
   a) Conducts regular environmental audits
   b) Produces goods that are durable and capable of having a long lifespan (no 'built-in' obsolescence)
   c) Produces goods in an environmentally-friendly manner (e.g. minimising pollution and waste) that does not encourage excessive consumption
   d) Products are designed for easy reuse, repair or recycling after use.

5. **An environmental audit is...**
   An independent study of the impacts of a business on the environment, including what is produced, how it is produced, how it is marketed and how the goods produced will be disposed of after use.

6. **List five environmental issues facing businesses today.**

<table>
<thead>
<tr>
<th>Environmental Issue</th>
<th>Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>Emissions of carbon dioxide from economic activities</td>
</tr>
<tr>
<td>Destruction of natural resources</td>
<td>Unsustainable consumption of natural resources</td>
</tr>
<tr>
<td>Air pollution</td>
<td>Dirty production processes and technologies; poor waste management</td>
</tr>
<tr>
<td>Water pollution</td>
<td>Dirty production processes and poor waste management</td>
</tr>
<tr>
<td>Waste disposal</td>
<td>Excessive waste, too little reuse or recycling</td>
</tr>
<tr>
<td>Intensive farming / agribusiness</td>
<td>Excessive use of chemicals by farmers and agribusiness</td>
</tr>
</tbody>
</table>

7. **Identify six benefits to a business of meeting its environmental responsibilities.**
   a) Enhances a firm’s brand image and reputation
   b) Increased customer loyalty
   c) Better able to attract and retain high quality, ethically-minded staff
   d) Reduced waste can lead to significant cost savings and increased profitability
   e) Avoid fines for pollution
   f) Avoid negative publicity
   g) Ethical and socially responsible firms are more likely to attract investors, loans and grants than irresponsible firms, who will be seen as more risky.
Chapter 23
Government & Business

1. Outline five reasons why governments may intervene in business and economic affairs.
   a) Free markets can lead to monopolies and unfair competition.
   b) Free markets can ignore those without money to buy in the marketplace.
   c) Free markets can lead to unethical or socially irresponsible behaviour.
   d) Governments may want to protect strategically important products / services for the common good.
   e) Government investment may be needed to ensure the timely and proper development of a natural resource (e.g. forestry).

2. List five ways in which governments can intervene in economic affairs.
   a) Government economic planning
   b) Government taxation policies
   c) Government expenditure policies
   d) Providing a range of services to businesses
   e) Introducing laws and regulations to control business conduct in the interests of wider society

3. Explain what is meant by:
   (a) a budget surplus: government income (revenue) exceeds spending
   (b) a budget deficit: government income (revenue) is less than what it is spending
   (c) a balanced budget: government spending and income (revenue) are equal. Also known as a natural budget.
Revision Pit Stop Covering Unit 6

Unethical management hits NIB with a huge bill

National Irish Bank (NIB) is a business operating in the tertiary sector of the economy. As a bank, it provides financial services to consumers and also to businesses operating in the primary, secondary and tertiary sectors. The performance of the bank is heavily influenced by the performance of the wider economy, including such factors as inflation, unemployment and the overall level of economic activity.

Like all businesses, National Irish Bank is also affected by government taxes and regulations. Following an investigation, the bank was ordered to pay €64 million in costs and compensation for its deliberate evasion of paying taxes to the government and also for deliberately overcharging its customers. In court, NIB was found to have been involved in these "deeply disturbing" practices over a ten-year period. Almost all the managers were implicated in the firm's ethical misconduct.

At the time, NIB was owned by National Australia Bank (NAB), which was also embroiled in scandals that led Australian financial regulators to identify a fault in the ethical standards of management of NAB. The regulators said the company was pursuing profit at the expense of ethics and the public good.

In a statement on the scandals, NIB said it had since overhauled its operations and was now a "very different organisation". After this ethical scandal, NIB was sold to a Danish Bank and new senior managers were recruited to run the business. However, many consumers may be very wary about dealing with the bank, given the extent of the unethical conduct that was uncovered.

Briefly explain the following terms:

a) Tertiary sector: refers to service industries such as retailing, financial services, tourism and transport
b) Inflation: refers to the average rise in the price of goods in the economy
c) Unemployment: refers to the number of jobless people available for work expressed as a percentage of the total labour force.
d) Management: refers to the ability to achieve results through people by planning, organising and controlling work using skills such as communication, motivation and leadership
e) Profit: profits are made when a business takes in more money from sales than it pays out in costs.
f) Ethics: refers to the moral rules that guide decision-making
g) Organisation: refers to groups of people who work together in a structured way to achieve clearly-stated common goals.

2. Describe three types of organisational structure that a business, such as a bank, may have.

a) A functional structure
b) A geographic structure
c) A matrix (or team-based) structure

3. Discuss the importance of ethical behaviour to NIB's stakeholders.

Ethical behaviour reassures stakeholders that a business is being properly managed and has a co-operative / partnership approach to business. An unethical business can lose the confidence of its staff, customers, investors and suppliers, thereby undermining its ability to service and prosper.
4. Identify two effects that you think the scandal described above would have on the NIB bank.
   a) Existing customers would be tempted to switch to a different bank and it would be harder to win over new customers.
   b) Talented and ethically minded employees could leave and be difficult to replace.

5. List five pieces of information that a bank would look for before providing a business loan.
   - Applicant Name
   - Applicant Address / contact details
   - Amount required
   - Purpose of the loan
   - Ability to repay the loan
   - Any security available
   - Business Plan

6. If a bank gets into financial difficulty, it is sometimes argued that the state should nationalise it in order to protect savers deposits.
   a) What is meant by ‘nationalisation’? Transferring ownership of a company from the private sector to the public (state) sector.
   b) What is meant by ‘privatisation’? Selling state-owned companies to buyers in the private sector.

7. List one state body that provide services to businesses in each of the following areas.

<table>
<thead>
<tr>
<th>Service Area</th>
<th>State Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic planning</td>
<td>Forfas</td>
</tr>
<tr>
<td>Collecting taxes</td>
<td>Revenue Commissioners</td>
</tr>
<tr>
<td>Regulating businesses</td>
<td>Equality Authority / Environmental Protection Agency / Health &amp; Safety Authority</td>
</tr>
<tr>
<td>Enterprise development</td>
<td>Enterprise Ireland / County Enterprise Boards / IDA Ireland</td>
</tr>
<tr>
<td>Transport</td>
<td>CIE (Bus Éireann, Iarnrod Éireann)</td>
</tr>
<tr>
<td>Marketing</td>
<td>Failte Ireland / Bord Bia</td>
</tr>
<tr>
<td>HRM</td>
<td>FAS / Labour Relations Commission / Labour Court</td>
</tr>
</tbody>
</table>
Chapter 24
Ireland & the Global Economy

1.

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>E</td>
<td>F</td>
<td>D</td>
<td>H</td>
<td>I</td>
<td>J</td>
<td>K</td>
<td>B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>14</th>
<th>15</th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>N</td>
<td>C</td>
<td>D</td>
<td>O</td>
<td>A</td>
<td>L</td>
</tr>
</tbody>
</table>

2. **Explain the term 'export' and give two examples of Irish exports.**

Goods and services sold by Irish-based firms to customers in other countries.

(i) Butter
(ii) Software

3. **Explain the term 'invisible exports'.**

Invisible exports are services that generate sales income from foreign customers, e.g. tourism, banking, consultancy services.

4. **List two examples of invisible exports.**

   a) Tourism
   b) Financial services (e.g. banking / insurance)

5. **Identify three reasons why Irish firms export goods and services.**

   a) To increase sales and business growth
   b) Helps firms achieve the economies of scale needed to survive against larger competitors
   c) Less dependence on the Irish market helps to spread the business risk.

6. **List five barriers encountered in international trade.**

   a) Tariffs (taxes) on imports into a country
   b) Quotas that restrict the quantity of goods that can be imported into a country
   c) Embargoes – bans on the international trade of certain goods or with particular countries
   d) Government rules and regulations can make international trade difficult
   e) Subsidies are grants given by government to assist firms in their own country to compete against international competition.

7. **Visible Imports** €900m

   **Visible Exports** €550m

   From the above information, calculate the Balance of Trade. (Show workings).
   State whether it is a surplus or a deficit. [LCQ]

   

   €900m imports
   less €550m exports
   = €450m Balance of Trade deficit

   - 49 -
8. **Outline six challenges facing Irish firms if they wish to enter export markets.**
   a) Competition is intense in the globalised marketplace.
   b) Irish firms often have very high transport and labour costs.
   c) Language differences can cause communication difficulties.
   d) Cultural differences can be significant.
   e) Different countries require product designs to be changed to satisfy local laws and regulations.
   f) Many Irish firms lack the economies of scale needed to compete on price in the global marketplace. Political risks and instability can make exporting to some countries very difficult.

---

**Chapter 25**

**Ireland & the European Union**

1. 

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>E</td>
<td>B</td>
<td>A</td>
<td>G</td>
<td>I</td>
<td>J</td>
<td>F</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>H</td>
<td>C</td>
</tr>
</tbody>
</table>

2. **Describe three reasons why Ireland trades with the countries in the European Union.**
   a) Easy access to a very large and affluent market thanks to the Single European Market policy.
   b) Can help firms to increase sales and profitability
   c) Reduces dependence on the small Irish market (spreads business risk)

3. **List three benefits of EU membership to Ireland.**
   a) Access to a large and wealthy market
   b) EU membership has attracted many TNCs to locate in Ireland who would otherwise have located elsewhere in the EU.
   c) It has forced Ireland to improve laws protecting employees, consumers and the environment.

4. **Outline three challenges facing Ireland as a member of the European Union.**
   a) Ireland is now a net contributor to the EU budget.
   b) Increased competition from other EU countries to attract TNCs to locate manufacturing activities on their territory
   c) Proposal on EU tax harmonisation may mean losing the freedom to set many of our own tax rates.

5. **Name and briefly explain three important EU policies.**
a) The Single European Market policy has removed many of the barriers to the free movement of goods, services, people and capital within the EU.
b) European Monetary Union has introduced a common EU currency (the Euro) that has been adopted by most EU member states.
c) EU Social Policy is aimed at improving and harmonising working conditions and consumer rights throughout the EU.

Also: EU Environment Policy / CAP / Competition Policy

6. List the three main institutions involved in making EU policies and laws.
a) The Council of the European Union
b) The European Parliament
c) The EU Commission

7. List three functions of the EU Commission.
a) Proposes new laws
b) Implements EU laws and policies
c) Manages the EU budget

8. List and briefly explain the five stages that all proposals must go through before becoming EU law.
a) Proposal stage – idea for a new law is proposed by the EU Commission
b) Consultation stage – idea is sent to the EU Parliament, national governments and other interested bodies for feedback
c) Redrafting stage – to take into account feedback received
d) Approval stage – final version of proposed new law is sent to the European Council for approval or rejection
e) Implementation stage – if approved, the European Council (of Ministers) will decide how the law should be implemented (i.e. by regulation, directive or decision).
Chapter 26
Global Business

1. List the eight headings of the table below.

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>D</td>
<td>B</td>
<td>E</td>
<td>F</td>
<td>A</td>
<td>H</td>
<td>G</td>
</tr>
</tbody>
</table>

2. List three attractions of Ireland as a location for transnationals.
   a) Low rate of Corporation Tax (tax on company profits)
   b) Skilled labour force
   c) Membership of the EU and easy export access to the rest of the EU
   d) Low levels of strikes / industrial unrest

3. Outline four reasons for the global growth of transnational corporations.
   a) Home market becomes saturated – look for new global opportunities
   b) Desire to achieve maximum economies of scale
   c) Deregulation and the spread of free trade agreements globally
   d) Improved transport and communications links.

4. List three advantages of global business for Ireland
   a) TNCs create jobs in Ireland to produce goods for export
   b) Pay wages / suppliers in the local economy
   c) Local / Irish people can learn specialised and valuable skills working for the many TNCs based here
   d) TNCs pay taxes to the government that help to finance government / stage services.
Revision Pit Stop Covering Unit 7

A global cola based in Cork

The Pepsi Corporation is a transnational corporation and one of the world's largest soft drinks manufacturers with over 500 plants and hundreds of thousands of employees globally in more than 150 countries. Besides Pepsi Cola, the company also produces 7Up, Tropicana and hundreds of other snack food and soft drinks products.

Pepsi's plant in Carrigaline in Cork is one of the biggest soft drinks plants in Europe. The factory produces Pepsi's 'secret recipe' concentrate for export to bottling plants across five continents. The Irish plant has become so successful that it is now an international centre of technical excellence for Pepsi, with many employees recruited from Cork for similar plants in Europe, North America, Asia and Africa.

"The plant has a brilliant reputation and is seen as the standard to be followed by other Pepsi plants around the world", says the managing director of Pepsi in Ireland. The Cork plant also undertakes research and development to develop new flavours and products, and provides technical advice and support to Pepsi bottlers around the world.

Besides employing hundreds of local people, raw materials for the factory are sourced in Ireland, further contributing to the local economy.

1. Explain the following terms:
   (a) Transnational corporation is a firm that produces and markets goods in more than one country (e.g. Microsoft, Toyota).
   (b) Research and development refers to firms investing finance in the development of new and improved products.

2. List the three benefits to a community of having a major employer like Pepsi locate locally.
   a) Provides jobs and incomes directly for local people
   b) Buys raw materials and supplies from other local businesses
   c) Will attract more residents to an area, thereby making local schools, post offices, hospitals, etc. more viable.

3. Describe four attractions of Ireland as a manufacturing location for a global business like Pepsi.
   a) Access to the huge EU market
   b) Skilled and educated labour force
   c) Low rates of Corporation Tax compared to most other EU countries
   d) English language spoken in Ireland and Pepsi’s home market and HQ in the USA
   e) Political stability
   f) Similarities in culture to the US

4. Outline three measures that Irish governments have taken to promote Ireland to transnational corporations as a location for investment.
   a) Setting up IDA Ireland to attract TNCs to Ireland
   b) Reducing corporation tax to 12.5%
d) Investing in training and education  
e) Investment in improving roads, energy supplies, waste services and other important infrastructure.

5. **Identify four factors that could discourage foreign direct investment in Ireland.**  
a) Higher corporation tax  
b) If Ireland were to leave the EU or the Eurozone  
c) Increased crime, civil disorder or political instability  
d) Increased strikes and industrial unrest  
e) Poor infrastructure (e.g. transport, energy, waste disposal facilities)

6. **Briefly illustrate what is meant by a ‘global marketing mix’ means and how it might apply to Pepsi Cola.**  
A global marketing mix means marketing goods globally using broadly the same marketing mix, as though the world were a single marketplace. For Pepsi, this means:  
- selling the same product using the same ingredients and similar packaging  
- charging similar prices in different countries (local taxes, costs and competition may mean some variation)  
- distributing Pepsi through similar distribution channels in every country  
- using similar promotional techniques and messages, while respecting unavoidable local language and cultural differences.

7. **Identify the benefits and risks to an Irish firm of seeking to operate globally.**

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Economies of scale</td>
<td>a) Possible diseconomies of scale and increased costs</td>
</tr>
<tr>
<td>b) Large discounts from suppliers</td>
<td>b) Not adequately satisfying consumer needs</td>
</tr>
<tr>
<td>c) Global marketing is cheaper</td>
<td>c) Fewer brands means bigger risks</td>
</tr>
<tr>
<td>d) Tax bills are reduced by using transfer pricing</td>
<td>d) Management becomes more complex and difficult</td>
</tr>
</tbody>
</table>