

LONG QUESTIONS

(A) Outline, using examples, the relationship that can exist between 'Investors' and 'Entrepreneurs' in business.

(15 marks)

Entrepreneur

- This person is the promoter of the business who combines the factors of production into a business unit.
- He takes moderate risks and takes the initiative after spotting a gap in the market and encounters success or failure
- He is the ideas person.

Investor

- Supplies the finance for the project after examining the business plan.
- Expects an adequate return; shareholders are investors and their return is called a dividend
- Money on deposit in a bank is the least risky but provides the smallest return.

A ***co-operative relationship*** exists where joint action or effort is required to enable people to work and operate together so that all parties will benefit.

This is a winner winner relationship.

Example The entrepreneur has a good business plan and the investor is happy to advance funds

A ***competitive relationship*** exists when people inside and outside the business have common areas of competition and are competing against each other.

They compete on a basis of price quality and labour,

This is a winner-loser relationship.

The investor refuses to fund the project

Explain how consumers may benefit from the existence of a competitive relationship between producers. (15 marks)

- A competitive relationship exists when people inside and outside the business have common areas of competition and are competing against each other e.g. Coca Cola v Pepsi
- They compete on a basis of price quality and labour, this is a winner-loser relationship. A relationship can be competitive and co-operative in an ever-changing business world.

Price

Consumers benefit from lower prices as producers attempt to gain market share by competing on a basis of price.

Quality

Standards of quality are improved due to the existence of competition and this benefits the customers who get more for less.

IN MORE RECENT YEARS DISCUSS MEANS EXPLAIN AND EXPLAIN

LCHL 2003 Q1

Illustrate the role of interest groups in business

(10 marks)

An interest group is a representative organisation outside of the political system, which puts pressure on other bodies to achieve an aim. This pressure can take the form of demonstrations, bad publicity, letters, petitions, strikes etc.

They attempt to influence policy decisions, which affect their members and are also called pressure groups.

Example

The Consumer Association of Ireland constantly put pressure on the Irish government to change legislation to protect consumers e.g. the laws on unlicensed money lenders were tightened in 1995.

LCHL 2002 Q1

Describe, using examples, one co-operative and one competitive relationship that may exist either between or within organisations

(20 marks)

A co-operative relationship is one where joint action or effort is required to enable people to work and operate together so that everybody will benefit. It is a winner-winner relationship. There is a mutual benefit to each party

Example

The entrepreneur has a suitable idea and puts together a business plan to persuade the investor to advance funds. The entrepreneur makes a tidy profit and pays a good return to the investor. Both are happy.

A competitive relationship means that the parties are on different sides or have conflicting or are directly competing with each other.

This is a win lose situation

Example

A chemical producer dumps its effluent into the Irish sea as this is the cheapest method of disposal. The interest group Friends of the Earth stage a protest to highlight the damage caused to the environment and consumers boycott the producer's chemicals.

SAMPLE QUESTION

Define contract. Outline why an invitation to treat is not a contract

(20 marks)

A contract is a legally binding agreement between 2 or more parties and, if necessary, the parties may resort to the courts to decide. It gives rights to the parties, but they also have legal obligations under the contract.

An invitation to treat invites a person to make an offer to buy something but it is not necessarily an offer for sale by the shopkeeper. If the shopkeeper rejects the offer to buy, then there is no agreement as there is not offer and acceptance. A contract is therefore not possible.

However, if the shopkeeper agrees to accept the offer then there is agreement, which could lead to a contract.

Example

If goods are on display in a shop, the shopkeeper's actions at the checkout, (acceptance or rejection of customer's offer to buy), determine whether a contract may take place or not.

Evaluate how under the terms of the Industrial Relations Act 1990 the Labour court deals with Industrial Relations conflict.

(15 marks)

1. It solves difficult deadlocked cases.

If both parties are making no progress, they may request Labour Court intervention and agreed to be bound by its findings, then both parties are legally bound to accept the findings of the Labour Court.

2. It registers employment agreements.

These procedures have been agreed by both sides (unions and management) for a single firm or industry and are registered by the labour court. These agreements are legally binding on both sides e.g. in 1967 workers and management in CIE agreed that track maintenance staff would not have to work with outside building contractors.

3. It set up Joint Labour Committees.

These committees contain representatives from both sides (workers and management) in non-unionised industries where employees could be particularly vulnerable. Rates of pay and working conditions are agreed and enforced in law by the Labour Court. This greatly reduces industrial relations conflict in these sectors.

EVALUATION

In my opinion or judgement, the Labour Court has reduced the levels of Industrial action and has facilitated industrial peace

Identify the personal characteristics normally associated with entrepreneurial business people.

(20 marks)

These are the special traits that a person possesses.

1. Confidence

They have a very positive self-image and look for solutions and not problems. They have great self-belief and usually good intelligence levels.

2. Flexibility

They can change at short notice and are adaptable in their approach. They are prepared to deviate from plans when necessary.

3. Moderate risk taker

They would take calculated risks, which have been minimised. These would be financial and a person's reputation.

4. Decisive

They have an ability to act on the spot and a willingness to take responsibility for decisions. They are single minded in their approach.

IN ENTERPRISE AVOID THE USE OF MANAGEMENT SKILLS OR ACTIVITIES

Define Intrapreneurship and outline methods that EDUCAPRINT can use to encourage it

(20 marks)

VERY POPULAR WITH EXAMINER

Intrapreneurship involves **entrepreneurial activity within** the business /employees come up with new ideas/take personal responsibility which may turn into profitable activities.

Intrapreneurs are inventive, creative and innovative; they are constantly looking for ways of growing/expanding the business; and improving business processes/ product without the financial risk.

Methods of encouraging Intrapreneurship EDUCAPRINT QUESTION

- Empowerment/employee participation encourages creativity as it allows employees greater freedom on how to do their job by placing real power, responsibility and authority in the hands of employees.
- Create a culture within the organisation where it's okay to make mistakes.

- Financial rewards for effort and creativity. These rewards could involve a mixture of pay, incentives and benefits. For example, a bonus or profit-sharing scheme or share ownership scheme. John O’Leary could be given share options as a reward for his innovation.
- Teamwork encourages creativity among employees as it facilitates brain storming sessions as part of the product development process. The matrix structure used by EducaPrint Ltd could encourage further intrapreneurship.
- Resource provider. Make resources available to help employees to pursue their ideas (e.g. finance, time).
- Training program for employees and management, training them on the implementation of an intrapreneurial culture within a business

Differentiate between enterprise and management. Illustrate your answer.

(15 marks)

If the entrepreneur is the ideas person who spots the gap in the market and sets up the business then the manager carries out the daily tasks by using the management activities of *Planning, Organising and Controlling*. These tasks are performed by people and therefore the management skills of *Leadership, Communications and Motivation* are used.

The entrepreneur is the risk taker who has shown the original initiative whereby the manager also shows initiative (Intrapreneurship) but a core element for a manager would be communicating with the various parties in a business (see Unit one). In a small firm the entrepreneur would also be the manager whereas entrepreneurs like Michael Smurfit or Richard Branson employ managers to run daily operations while they dream up their next venture.

Sample Question**Describe leadership. Outline three leadership styles.****(25 marks)**

Leadership is the ability to influence others and to direct them towards achieving goals. It allows a manager to have a positive impact on how others behave. The authority of the leader must be recognised by the group. The group must have a shared common objective. The leader delegates tasks among the subordinates.

The main leadership styles are:

1. Autocratic

This type of leader prefers to rule with an "iron fist". Persuasion is using intimidation and fear tactics. This type of leader has no place in modern educated workplaces.

This manager does not trust the workforce and does not include them in the decision-making process.

The result is poor morale and an unhappy workforce.

2. Democratic

This leader brings the workforce along with them rather than forcing them to follow. Workers are trusted therefore work is delegated.

Responsibility is shared and persuasion corresponds to the wishes of the majority of workers.

The result is a highly productive workplace with high morale

3. Laissez-faire

This type of manager sets targets and then steps back and lets the worker get on with the work. The only interference is in extreme circumstances. Workers have a "free reign" but this style only suits highly skilled jobs e.g. computer programmers.

Sample Question

Explain, using examples from a business, how each of Maslow's hierarchy of needs can be met. (20 marks)

A business can meet Maslow's five needs in the following way:

Physiological needs

The firm should pay over and above the legal minimum wage to ensure that the worker can afford to pay for basic food and shelter for their dependents.

Safety needs

A firm should ensure that the worker feels safe from the fear of redundancy. The firm could offer a guarantee of employment to the staff e.g. a letter of guarantee.

Social needs

The firm should provide time for social interaction both in the workplace and outside working hours e.g. rotating seating arrangements in the work canteen and free meals after work on a Friday.

Esteem needs

Management should recognise an employee's efforts and praise them when necessary. The firm could promote staff as a reward for their efforts and offer them visible rewards e.g. a bigger office. They should also be included during the decision-making process.

Self-actualisation

Management should recognise that workers are the best at what they do and have reached the pinnacle of their career. These employees should be encouraged to train and develop new staff and be rewarded for doing so.

Draft a memo from management to all staff in an enterprise, outlining to them a recently agreed method of staff reward.

(15 marks)

MEMO

To: All staff at Rapidair
From: Senior Management

Date:14/07/2003
Re.: Staff reward

Please note that all staff will be entitled to a share of 10% of the firm's net profit for the year 2003.
Keep up the good work.

Signed

Sean Forde

Outline the factors that affect a firm's span of control.

(15 marks)

Skills of manager

The personality, skills and attitude of the manager will affect the span of control as some charismatic managers can handle larger groups e.g.an unruly group of trainees would be suited to a narrow span of control.

Type of work

If it is a simple task and involves unskilled labour, then the span can be large but if it is complex with greater interaction needed it should be narrow e.g. straight forward factory machine work may lend itself to a wide span of control.

Subordinates

The education, commitment, experience and expertise of those being controlled will have a major bearing. Highly trained motivated staff would be suited by a wide span, but inexperienced unmotivated staff would need a narrow span.

DISCUSS the statement that Planning is the most important management activity". Do you agree with this statement? Support your opinion with reasons and examples.

(20 marks)

Yes, it is the most important activity.

- Planning is setting objectives for the organisation and choosing the best course of action to achieve them. The firm maps out a successful route to achieve its targets e.g. Coillte plans to quadruple timber production by the year 2030
- It improves co-ordination. It links all the various people in the organisation towards achieving the firm's goals. This helps to prevent the duplication of tasks and reduces levels of conflict.
- It includes the views of all employees and plans have been agreed. It is the best method available of achieving objectives. As employees are included at the planning stage, they will stick to the plan.
- It pinpoints underlying problems. As a plan maps out the firm's future it forecasts future events and helps the firm to pinpoint problems e.g. cash flow problems, stock shortages.

Examples

A firm strategic plan maps out its long-term future e.g. Diageo, makers of Guinness stout are targeting drinkers in the under 30 age bracket. Their marketing strategy has identified this section of the market as having greatest potential.

A firm would have a contingency plan in the event of a power failure, and it would include the activation of backup generators. This reduces the chaos factor.

Outline the factors to be considered when choosing a correct form of communications.

IT IS WISE TO REFER TO STAKEHOLDERS IN THIS SECTION

Appropriate Language (E.g. stakeholder, the consumer)

If the language is too technical or too difficult for the customers to understand then the message may be misinterpreted. The business needs to choose language appropriate to its audience. In the case of customers, short clear sentences and visual supports etc. may be suitable for product assembly e.g. flat packs.

Confidentiality (E.g. stakeholder, the employee)

The medium chosen must be appropriate to the message been given. If the message is sensitive for the stakeholder e.g. terminating the employment contract of an employee, then a meeting would be more appropriate than a letter or an e-mail.

Cost (E.g. stakeholder, the manager)

The expense of the communication process is a very important factor. A CEO communicating with his managers worldwide may choose to hold a virtual meeting to cut down on travel and subsistence costs.

Urgency (E.g. stakeholder, the supplier)

If a crucial piece of information must be communicated instantly to a supplier, then a phone call, a text or e-mail may be appropriate e.g. to arrange a change in delivery times.

Feedback (E.g. stakeholder, the Government)

The business may be looking for feedback in order to take further action. Communication with the revenue commissioners may require regular correspondence and written records and in this case business letters and e-mail can provide formal evidence of the feedback process, eliminating misunderstandings.

Sample Question

Outline three sources of finance available to a householder for the acquisition of a car

(15 marks)

Hire Purchase

A person can obtain full use and “quiet possession” of the goods by paying a deposit and a minimum of five instalments at regular intervals to the hire purchase company.

It is more expensive than a cash purchase as interest is charged (as high as 20% Annual Percentage Rate)

Ownership passes only after the final instalment has been made.

Leasing

Like Hire Purchase in that the lessee obtains full use and quiet possession of the goods immediately.

No interest is charged but a lease payment is made at regular intervals.

Ownership will never pass between the owner and the user.

Medium Term Bank Loans

The home-owner takes out a bank loan to cover the cost of the goods.

The capital sum + interest is repaid at regular intervals.

The home-owner may be asked for collateral against the loan i.e. deeds of house.

The person owns the goods and owes the bank.

Sample Question

Illustrate the usefulness of the debt equity ratio in helping a manager to monitor the financial performance of the business.

(20 marks)

Definition + Example = 7 marks

The Debt Equity Ratio is used to measure a firm’s long term financial make up i.e. its capital structure.

“Debt” is long-term debt provided by people outside of the business in return for annual interest plus full capital repayment on a specific date.

“Equity” is ordinary shares and retained earnings and belongs to the owners of the business. They may receive dividends.

The ratio is:

$$\frac{\text{Long Term Debt}}{\text{Issued Ordinary Shares} + \text{Retained Earnings}}$$

The relationship between debt and equity is also known as *gearing*.

1. If debt exceeds equity, the firm is said to be *highly geared* and this means that large amounts of funds are used to pay interest. This reduces the firm’s profits and its ability to pay a dividend to the ordinary shareholder (owners).
2. If debt is less than equity the firm knows that it can obtain further borrowings and profits are not eroded by interest repayments

Examine the following figures from Savin Ltd.

	1997	1996
Current Assets	£ 91,500	£ 80,450
Current Liabilities	£ 62,400	£ 43,200
Closing Stock	£ 49,000	£ 40,100
Equity Share Capital	£ 250,000	£ 250,000
Long Term Debt	£ 253,000	£ 120,000
Retained Earnings	£ 20,000	£ 18,000

- (i) Calculate for 1997 and 1996:
 The Working Capital Ratios
 The Acid Test Ratios
 The Debt Equity Ratios
- (ii) Applying your knowledge, comment on two trends that you notice developing in the business. Suggest what you would do about them.

(40 marks)

Answer

Working Capital Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

1997 = $\frac{91500}{62400} = 1.47 : 1$

1996 = $\frac{80450}{43200} = 1.86 : 1$

Acid Test = $\frac{\text{Current Assets} - \text{Closing Stock}}{\text{Current Liabilities}}$

1997

$\frac{91500 - 49000}{62400} = 0.68 : 1$

1996

$\frac{80450 - 40100}{43200} = 0.93 : 1$

Debt Equity Ratio

$\frac{\text{Long Term Debt}}{\text{Equity Share Capital and Retained Earnings}}$

1997 = $\frac{253000}{250000+20000}$

0.94: 1

$$1996 = \frac{120000}{250.000 + 18.000}$$

0.45: 1

Comment

Liquidity has disimproved.

WC ratio 1.86: 1 to 1.47: 1

This is well below the ideal of 2: 1.

AT Ratio 0.93: 1 to 0.68: 1

This is well below the ideal of 1:1.

The firm could introduce a Just in Time stock system to release cash.
It could also introduce a stricter credit control policy.

The gearing position has moved from a low position of 0.45: 1 in 1996 to almost neutral 0.94: 1 in 1997.

This is because they received a long-term loan of 133,000 in 1997 (253,000 – 120,000).

This means higher interest. The firm could issue more shares or plough back more profits into the company.

LCHL 2000 Short Question Q7

	2000	1999
Long term loans	€310,000	€307,000
Ordinary Share Capital	€210,000	€ 150,000
Reserves	€98,000	€55,000
Overdrafts	€56,000	€76,500

Calculate the Debt-Equity ratio for each year and comment on the trend.
(10 marks)

Debt/Equity

2000

$$\frac{310}{210 + 98} = 1.006:1$$

1999

$$\frac{307}{150 + 55} = 1.5:1$$

In 1999 the firm was highly geared, but it moved to neutral gearing in 2000 (1:1). This means that the firm is funded equally by outsiders and owners. The change was caused by issuing more shares and by retaining more earnings.

Sample Question

Outline the benefits of teamwork in an organisation.

(20 marks)

- Teamwork is an advanced form of participative delegation, which removes the layers in an organisation and organises the workers into small groups. It encourages Intrapreneurship and problem solving.
- *It improves decision making*
A wide range of experience on the team means better decisions and teams come up with more creative and balanced solutions than individuals.
- *It improves motivation.*
Workers are encouraged to think and participate in a constructive fashion and members see and appreciate each other's' efforts.
- *There is a greater utilisation of talents.*
As people work in small groups without rank or layers, they are encouraged to use all their skills and efforts. This improves morale and productivity.

Sample Question

Explain five different methods of reward for employees in a business organisation.

(15 marks)

Basic Salary

The employee receives a fixed monthly or weekly amount. It provides stability of earnings but may discourage motivation.

Piece Rate.

The employees' pay is linked to productivity e.g. block- layer paid per block. It offers flexibility to the employee and serves as a good motivator.

Bonus

Exceptional performance is rewarded with a cash lump sum e.g. a sales person who passes their targets receives a €5,000 cash bonus.

Benefit in kind

The employees reward is in a non- cash or monetary form e.g. use of a company car, free food, free accommodation or staff discount.

Profit Sharing

Employees receive an agreed portion of profits, divided between them. This discourages waste and absenteeism and improves quality.

Sample Question

Illustrate how a good relationship between employer and employees can be developed.
(20 marks)

Open Communications

A good two-way communication system should always exist between management and staff. Meetings could be held to exchange information including good and bad news about the firm.

Grievance Procedure

An agreed set of rules between employers and employees should be put in place as this helps to avoid conflict. These rules should be fair to both sides, fast to use and uncomplicated (simple).

Valuing Employees

Employees should be viewed as assets. They should be treated fairly and with respect. They should be offered better levels of pay e.g. twice the minimum wage.

Leadership Style.

Democratic-style leadership can be used whereby the manager brings the staff along with them rather than forcing them to follow. Managers should be facilitators and not controllers.

Sample Question

Describe what is meant by Performance Appraisal of employees.
(20 marks)

This is a systematic approach towards assessing an employee's progress over a given time span in the firm. It helps all people in the firm to maximise their performance. It can be used to pinpoint training needs and takes the form of interviews, tests etc.

It looks at previous targets and the employees' strengths and weaknesses.

Benefits:

Provides information on staff

It allows the Human Resources manager to identify high performing staff and to recognise the difficulties faced by weaker staff and identify a strategy to overcome these weaknesses.

Motivates people.

The fact that peoples' progress is monitored and analysed, means that they will constantly strive to improve and to reach those targets. They are aware that high performance will be rewarded.

Drawbacks:

Cost

Performance appraisal means lost labour hours and a series of tests and interviews that adds to the paperwork and bureaucracy in the organisation.

Personality clashes

Performance of the employee is usually done by an immediate superior, who may be influenced by the horns/halo effect on an individual employee. The appraisal will therefore be biased and lack objectivity.

Sample Question

Outline the uses of Employee Participation in an organisation.

(20 marks)

The uses of employee participation are:

It improves quality for the customer

The customer is the most important aspect of any business. Their satisfaction is the only lasting means of business success.

The employee develops new skills

Employees are given the chance "to think" as well as "to do" and are encouraged to fulfil their potential. This improves their productivity.

Better decision making

The employee is in touch at "grassroots" level in the organisation and can pinpoint problems and is encouraged to take initiative and develop new ideas (intrapreneurship)

Better morale

Employees taking part at management level boosts the morale and improves the Industrial Relations climate, resulting in a lower labour turnover.

Is the training and development of staff important for the success of the organisation? Illustrate your answer clearly.

(20 marks)

Training prepares a worker for the challenges, which lie ahead and enables them to carry out the basic tasks for which they were recruited in the first place.

It is the acquisition of basic skills and knowledge, which allows them to perform effectively. Development is a wider process that enhances the workers personality, traits and growth in the organisation. It gives the worker confidence and familiarises them with the firm's corporate culture.

They are both important because:

- (i) They improve efficiency.
Workers know the job at hand and have the skills and knowledge to carry out tasks effectively. They will focus on quality and waste will be minimised as they have been taught the basic skills.
- (ii) They improve motivation and morale.
Workers are happy in an environment where they are familiar with the workings of the job and the firm's ethos or corporate culture. Workers are confident enough to look for promotion.

Discuss the importance of TQM.

(20 marks)

- Total Quality Management is a systematic approach whereby quality permeates the entire firm and includes all employees, all resources and all of the various departments.
- It focuses on a customer- orientated approach and is based on continuous improvement, which ultimately satisfies more needs and wants of customers and their satisfaction is the only lasting means of business success.
- It reduces waste and associated costs as there will be fewer mistakes, fewer delays and a better use of time. This also improves the firm's profits.
- There is greater job satisfaction as empowerment, intrapreneurship and participatory decision-making are encouraged. Employees are faced with greater challenges and labour turnover is usually reduced.

Discuss the changing role of a manager from controller to facilitator. Refer to areas such as the Empowerment of workers and Total Quality Management in your explanation.

(25 marks)

- Modern managers are facilitators and use a democratic leadership style whereas traditional managers were controllers and used an autocratic leadership style. Modern managers have recognised that due to marked improvements in education there is a greater need for consultation. Workers can now make a valid contribution (Intrapreneurship) and new ideas are welcomed.
- Modern managers are aware of the importance of delegation and its contribution to the decision-making process. Empowerment is the transfer of real power to the employees. It allows him/her to work on their own within agreed time limits and with agreed resources. Workers are encouraged to develop an entrepreneurial style within the firm.
- Team- work is encouraged and modern managers may lack the technical skills and are acutely aware of the need for a cooperative relationship with employees who have modern high-tech skills. In many sectors, employees know more than managers and therefore change was inevitable. Teamwork also improves productivity and morale in the organisation.
- Total Quality Management is a state of mind, a way of doing business, which means that the organisation continues to improve. It is a set of rules for enhancing customer satisfaction by providing higher quality products and services in a rapidly changing world. This is a customer-orientated approach and needs full cooperation from all employees to make it work. The change from controller to facilitator was therefore inevitable.
- The growth of technology has transformed the way that workplaces operate. A change in management style was inevitable due to the growth of electronic mail and the introduction of teleworking i.e. employees working from home. A facilitator type manager is much more suited to the implementation of new technology to improve production and enhance customer satisfaction.

Outline the strategies that could be used to successfully manage change in an organisation. (15 marks)

The strategies to successfully implement change are:

- Openness
Consultation between management and staff is essential through all stages of the process. A meeting could be held outlining the details in an open and honest fashion.
- Decision-Making
Staff should be included in the decision-making process and workers' opinions are essential to future progress. Staff inclusion helps to implement the proposed changes. The economic benefits of change should be explained clearly to all employees of the firm.
- Training
Staff should be prepared properly by the firm for the challenges, which lie ahead. Staff will fear change until they understand the new systems and work practices.
- Patience and commitment
It is important that management give the project their full commitment. Patience is imperative for all parties as all new projects have teething problems. All changes should be monitored and reviewed on a regular basis.

Define Risk Management and outline the strategies used by a business to reduce risk

20 Marks

Answer

Risk management and Insurance

Risk Management is a **planned approach** to the handling of the risk that the individual or business is exposed to.

It involves:

The **identification of all possible risks/losses** e.g. the risk of fire, employer negligence, personal injury loss, legal liability etc.

Calculating costs of protection from loss.

Strategies used to reduce risks

Insurance: Transfer the risk to an insurance company for a premium where the company will make good any loss suffered.

Safe procedures: The manner/act of doing something is strictly laid out and adhered to/stringent monitoring procedures/secure procedures for managing cash.

Health and Safety:

Health and Safety statements: Regulations, identification of hazards, etc.

Training of personnel in health and safety.

Drills, courses of action and medical training. Provision of safety equipment, protective clothing and training in same. Appoint Health and Safety representatives in the work force.

Report safety issues. Regular safety inspections/audits. Investment in new, replacement, upgraded equipment.

Tax Calculations last asked in 2018

Audrey Stapleton is an employee at BAT Resources Ltd and earns a gross annual salary of €78,000. Her employer provides her with a holiday voucher worth €2,000. This is treated as a benefit-in-kind for tax purposes and is taxed accordingly.

The standard rate band for a single taxpayer is €32,800. (This means that the first €32,800 is taxed at the 20% standard tax rate, and the remainder is taxed at the higher tax rate of 41%.)

Audrey has the following tax credits:

Single Person Tax Credit €1,650, PAYE Tax Credit €1,650 and Rent Tax Credit €320.

The Universal Social Charge (USC) rates on Audrey's gross income are 2% on the first €10,036, 4% on the next €5,980 and 7% on the balance of her gross income.

Audrey pays employee PRSI at 4% of her gross income.

(A) Calculate Audrey Stapleton's net monthly take-home pay. (20 marks)

Tax Computation for Audrey Stapleton

	€	€	€
Gross Salary			78,000
Add Benefit in kind			<u>2,000</u>
Gross Income			<u>80,000 (2m)</u>
PAYE Tax payable calculation			
€32,800 @ 20%		6,560 (1m)	
€47,200 @ 41% (1m)		<u>19,352 (1m) OF</u>	
Gross PAYE Tax		25,912 (1m) OF	
Less Tax credits			
Single Person	1,650 (1m)		
PAYE	1,650 (1m)		
Rent	<u>320 (1m)</u>		
	3,620	<u>(3,620)</u>	
(A) Net Tax Payable		22,292 (1m) OF	
(B) Employee's PRSI			
€80,000 @ 4%		3,200 (2m)	
(C) Universal Social Charge (USC)			
€10,036 @ 2%	200.72 (1m)		
€5,980 @ 4%	239.20 (1m)		
Balance of €63,984 @ 7% (1m)	<u>4,478.88 (1m) OF</u>	<u>4,918.80 (1m) OF</u>	
Total Statutory Deductions			
(A+B+C)			<u>(30,410.80)</u>
Net Income (Take-home Pay) p.a.			
(€78,000 - €30,410.80)			47,589.20
Net Income (Take-home Pay) p.m.	(47,589.20 ÷ 12) (2m)		<u>3,965.77 (1m)</u>
			OF ■ Own Figure

Sample Question

Outline the functions of a business plan.**(20 marks)**

- It outlines the future direction of a business. It maps out the best course of action to achieve pre-agreed tasks.
- It shows evidence of research and highlights the capabilities of the project. It includes details about the product, key personnel, details of competition and a market overview.
- It provides projections of future trading expectations and cash flow and demonstrates the business' repayment capacity for outside investors.
- It coordinates all the people within the organisation and directs them towards achieving tangible results. It acts as a useful guide or benchmark.
- It communicates important information to key staff and investors both internally and externally.

Example: Irish water plans to spend €326 million every year until 2021 on infrastructure upgrades

Describe the main challenges to be considered when setting up a business**25 marks**

The factors to be considered when setting up a business:

Product or service

The firm must carry out research. The product or service should match the needs and wants of customer. It should look for "niche" supplying to exact customer requirements

Raising Finance/Capital: The business will have to choose suitable short-term (a bank overdraft to pay wages), medium-term (leasing equipment and machinery) and long-term finance (mortgage to purchase buildings) sources of finance. The business will have to raise finance to establish itself and survive. It will have to manage its cash flow and in particular its loan repayments.

Ownership Option: The business will have to choose a suitable ownership option e.g. Sole Trader, Partnership or Private Limited company. A company may be attractive because it offers the benefit of **limited liability**. A partnership allows new skills to be acquired whereas a sole trader may be attractive because the owners retain control.

Production Method (Manufacturing Firm): The business must choose a suitable method of production e.g. job, mass or batch production. The method chosen must suit the business, guarantee quality and ensure competitive prices.

Recruitment/Lack of expertise. The business must recruit suitable staff with the right skills and qualifications that will enable the business to achieve its objectives. Trying to find workers who can

work in teams, have good communications skills and work ethic is a challenge associated with a business start-up.

Sample Question

Distinguish between the main production options available to a new business.

(20 marks)

The main production options are:

Job production

- Usually exclusive and expensive goods are involved e.g. tailor-made suit
- Production will incorporate the use of skilled labour.
- There will be no stock of finished goods left over.
- A level of automation is involved.

Batch production

- Usually limited groups of identical cheap product are made e.g. tins of beans
- There is the use of skilled and unskilled labour.
- There will be a stock of finished goods left over.
- There is a level of automation and machines are flexible.

Example: Brewing of Guinness

Mass production

- There is usually a cheap product e.g. biros
- Unskilled labour is usually used
- There will be a large stock of finished goods left over.
- A high level of automation is used

Example: watch parts

Distinguish between Mergers and Takeovers as methods of expansion 15 marks

Merger:

A friendly or voluntary amalgamation **or joining together of two or more** firms for their mutual benefit, **trading under a common name**.

A single new legal entity is formed once it is approved by shareholders.

E.g. Irish Permanent and Trustee Savings Bank merged to form Permanent TSB.

Avonmore Co-op and Waterford Foods merged to **form Glanbia plc**.

Takeover:

COMPLETE CONTROL

This occurs when **one company purchases 51%** or more of the shares in another company in either a hostile or friendly manner.

The acquiring company **absorbs the other company**, which loses its identity after the acquisition **and becomes part of the acquiring company**.

The cost of the takeover can be very expensive.

Eircom took over Meteor mobile phone company for €420 million.

Sample Question

Contrast Equity and Loan Capital as sources of finance for expansion.

(30 marks)

The main differences are:

- Equity is supplied by the owner of the firm, whereas Debt comes from people who are outside the firm.
- Equity consists of Issued Ordinary Shares and Retained Earnings (ploughed back profits), whereas Debt consists of long-term loans.
- The providers of the Equity for expansion would have a vote and could take part in decision making whereas providers of Debt have no say in running the expanded business.
- The providers of Equity may or may not receive a dividend, depending on profitability but outsiders must receive interest.
- Expansion using Equity does not require collateral but expansion by debt will require collateral, usually deeds to the premises.
- Expansion by Debt carries greater risk than the equity option as if the expanded business defaults on the loan (which is repayable) on a specific debt, the company may be closed down whereas equity has no specific repayment date.

Explain the advantages for a Business Enterprise of adopting the marketing concept.

(10 marks)

Two expanded points @ 5 marks

- The marketing concept is a customer-orientated approach whereby the firm focuses its energies on satisfying the customers' needs and wants. It is about delivering the right goods.
- This firm will focus on what the customer needs rather than attempting to get customers to purchase what the firm has produced. This greatly reduces waste and minimises costs for the firm and helps to increase profits.

Evaluate the elements of the marketing mix using a product or service of your choice.

(35 marks)

Name: Yoplait Bioplus Yoghurt

Company: Glanbia

Product:

The product Bioplus is aimed at the ever-growing number of health-conscious people who like their yoghurt with something extra. The “extra” is bifidus, a natural substance which aids digestion.

The package was designed to show product differentiation, to distinguish each of the three flavours and to give a premium feel.

Yoplait is a well-known brand.

Price.

The price was set at €2.50 for a pack of four.

This was in line with market rival Danone and also takes into account the fact that “green” consumers are prepared to pay more for the health benefits. It takes the retailers margin into account. It takes its own profit margin into account.

Place

As the product is in multi-pack format the firm concentrated on the manufacturer direct to retailer Channel of Distribution

In this case the main retailers are the multiples as this is where maximum sales of multi-pack products can be achieved.

Promotion

Glanbia have a bigger budget available to boost the brand “Yoplait” but use mainly “below the line expenditure” for promoting individual products like “Bioplus”. It used promotional literature and posters. It used merchandising to maximise impact and to achieve market stand out. It the Sales Promotion gimmick “6 for the price of 4”. It sponsors sporting events and community organisations.

Evaluation:

Overall, the marketing mix chosen allowed the product to make an impact on the “healthy” yoghurt market and match “Danone” in this area, and to take advantage of the growth in green marketing.

Evaluate three promotional methods for a product or service of your choice.

(30 marks)

Promotion is the 4th P and is concerned with communicating with customers and potential customers. Its purpose is to inform the public that the firm has something available, which will exceed the customers' needs and wants.

The main elements are:

Advertising

Is the communication of information about a product or service to the general public in the hope of selling the good or service?

An advert attempts to:

- Inform the general public about a product uses and characteristics. Persuade the customer that they need (usually non-essential) items.
- Remind the customer that the product hasn't gone away and maintain a high profile.
- Increase sales and profits.

Ryanair runs a very successful "in your face" advertising campaign. It targets customers everywhere e.g. newspapers, TV, billboards. The adverts are difficult to escape.

Sales Promotion

This is the use of attention seeking methods to attract customers to the product or service used. It is used in conjunction with normal advertising and the product usually receives short-term attention.

The bonus or incentive offered is usually related to the product. Examples of the gimmicks used:

- Money off coupons
- Free gift with the product
- 25% extra
- Buy one get one free
- 6 for the price of 4
- Free samples
- Tokens
- Games and scratch cards

Ryanair offer free flights if you book before a certain date and regularly have massive sales of millions of cheap tickets.

Public relations and sponsorship

PR concerns the firm's relationship with the general public and the communication of its policies, ideals, and products and services.

- Publicity is the unpaid mention of the firm in the media.
- Public Relations promote the name of the firm in the public mind and generates goodwill for the firm's products.
- Ryanair spend as little as possible on advertising.

They sponsor major horse racing festivals and engage in controversy to gain attention.

Outline the uses of a breakeven chart.

(15 marks)

- It shows the point of production at which the firm makes no profit or loss i.e. it has broken even, and total costs are equal to total revenues.
- It allows us to show the effects of an increase in our costs.
- It allows us to show the effects of a change in selling price.
- It shows the profit or loss made from a specific level of production.
- It shows our margin of safety i.e. the number of units by which we can afford to reduce production before we start to make a loss.

Analyse the development process of a new product or service of your choice under the following headings:

- (i) Idea generation**
- (ii) Product screening**
- (iii) Concept development**
- (iv) Feasibility study**
- (v) Prototype development**

(40 marks)

1) **Idea generation**

the search for all possible products that could be offered to the consumer. Several ideas gathered should eventually lead to a few good ones. **Brainstorming** is often used. This means forming a think tank of employees from a cross section of the firm. The session, which is often held “off-site”, must produce definite ideas before it is concluded.

This is an efficient, methodical way of finding ideas for new products and services and can come from internal or external sources.

Baileys looked for a drink of contrast to reflect our landscape weather etc.

2) **Screening ideas**

At this stage they eliminated unsuitable ideas and concentrated on those with the greatest potential. Screening eliminates poor ideas as early as possible and concentrates on turning good ones into profitable ones.

The search was narrowed to whiskey and cream

3) **Concept development**

This means that a product must be put together in a meaningful manner for consumers. It must satisfy consumer needs and wants and be in some way different.

A unique selling point is highlighted to distinguish the product from the rest.

When it was first launched over 30 years ago, Baileys Original Irish Cream created a type of drink never tasted by consumers before. Its rich combination of fresh dairy cream, Irish whiskey, finest spirits and natural flavours provides a luxurious drinking experience.

4) **Feasibility study**

The firm looked at the impact of the product on the area of costs, revenues and profits. The demand for sales was forecasted and contribution and breakeven point were established. Can the product be made successfully?

The feasibility study takes place after the concept development phase and investigates how **viable** it will be to produce the product in terms of production, cost and profitability. A feasibility study is an investigative report into the potential and profitability of a business idea.

Market feasibility i.e. is there a demand for the product/what is the best marketing mix for the product and what are the sales figures likely to be?

Financial feasibility i.e. can the business finance the development, production and marketing of the product?

Production/technical feasibility i.e. does the business have the machinery, equipment and buildings to manufacture the product?

Skills feasibility i.e. does the business have the requisite skills to make the product e.g. management skills and employee skills or will training be required and if so how much will this training cost?

Environmental feasibility i.e. will the production processes necessary for the new product have an impact on the local environment? Will planning permission be required?

Over 40,000 dairy cows produce the daily cream requirement and most of the premium-quality ingredients and packaging are sourced in Ireland. This has reduced costs

Excise duty and VAT applies.

5) Prototype development

is the creation of the first working model/mock-up/sample of a new product/producing an update/improvement of an existing product?

This cycle is the only method for refining the original design to create a fully functioning product.

At this stage the original of the species is put together in a form suitable for testing

It is important that the idea and design can be “married “into a product suitable for the consumer the prototype must be suitable for full-scale production so testing is carried out. It is a lengthy and expensive phase

It is important to develop a prototype for test marketing.

At this point the appearance shape taste and smell became clear

The carrying out of market research is a vital element in marketing strategy.

Illustrate how successful market research can be achieved through:

- i) **Field studies**
 ii) **Desk research**

(20 marks)

- Market research is the gathering, recording and analysing of all information involved in the transfer of the good from the producer to the consumer. This reduces the risk of business failure.
- Fresh information that the firm obtains by going out into the market is referred to as “field studies” or “primary research”.
- Existing information that the firm uses is referred to as “desk research” or “secondary research”.
- Desk research tends to give general information and if we want to find specific information, we would use primary (field) research.

Types of primary research

Direct observation: involves monitoring behaviours and habits in the marketplace

Questionnaire: this should be a well-prepared structured document designed to achieve maximum response, and accurate answers.

Telephone survey: It is difficult to gather information and keeping the persons attention is an art form. “Distracting” questions are often used.

Consumer panel: A sample of entire market is chosen to give their views and allow their consumer behaviours to be monitored e.g. Neilsen TV ratings.

Types of Desk Research

Desk research means that the information is already available, and this makes it a low-cost method.

There are both internal and external sources.

Internal

- Customer records
- Sales figures and reports
- Importance of customers by rank
- Computer databases

External

- Central Statistics office
- Enterprise Ireland
- Trade associations
- Interest groups
- Third level colleges
- Internet

The use of primary and secondary research provides very useful information for the firm and improves the decision-making process. This reduces the risk of business failure.

John and Margaret want to set up their own beauty salon on the main street of their own home town. They heard that forming a company would be a good idea. Advise the couple on the opportunities and risks attached to the idea.

(20 marks)

Advantages

Limited Liability

This concept is of particular benefit to smaller investors in the event of things going wrong e.g. they may only lose a maximum of what they had invested and not their private wealth.

Corporate status

The company would have separate legal status from John and Margaret and can sue and be sued in its own name. Once they obey the Companies Act, they are not held personally liable for the debts of the business.

Disadvantages

Legal costs

It costs about €635 in legal fees to set up a private limited company and this can prove to be expensive for a small business. There are also accounting charges.

Taxation

If the company makes a profit it is liable for corporation tax. If John and Margaret are employees which they will be, they will be liable for Pay As You Earn. If they receive dividends they will also be taxed.

Sample Question

Outline four advantages of indigenous Irish firms.**(20 marks)**

Indigenous firms are set up in Ireland by Irish people. They are home-based and home-owned they are not multinational companies. They are promoted by the state-sponsored body Enterprise Ireland. E.g. Qualceram ceramics.

The advantages are:

These firms are loyal to the Irish economy.

Unlike multinational companies, these firms tend to stay in Ireland during harsh economic times.

They do not look for cheaper labour abroad and have a social responsibility to the Irish people.

These firms have a direct interest in the wellbeing of the Irish economy.

These firms promote an enterprise culture.

Indigenous firms foster the spirit of enterprise in Ireland. They encourage people to take the initiative and this reduces our dependence on foreign companies. Small Irish businesses are given every opportunity to supply larger Irish owned firms.

These firms create employment.

Irish firms create direct jobs at home and contribute greatly to wealth production in the Irish economy e.g. Allied Irish Banks plc employs 6,000 people in the Republic of Ireland. These wages are spent in the economy creating a knock on or multiplier effect, which indirectly creates jobs.

Profits are kept at home.

Unlike multinational companies, who tend to repatriate their profits (i.e. send them home) the wealth generated by indigenous firms tends to stay in the Irish economy.

The activities of indigenous firms boost economic growth in Ireland.

Contrast a Private Limited Company with a Public Limited Company as a form of business organisation

(20 marks)

Number of members

A private limited company has a minimum of one shareholder and a maximum of 149. A public limited company has a minimum of seven shareholders and no maximum.

Transfer of shares

A private limited company has a restriction on the transfer of shares. A public limited company has its shares bought and sold freely on the stock exchange.

Publishing of information

Small and medium sized private companies only needed to publish restricted versions of their final accounts. All public limited companies must publish full set of final accounts.

Cost of formation

A private company can be set up for as little as €635 but to become a Public Company, certain stock exchange regulations must be met, and a financial institution has to back the share issue i.e. buy surplus shares. There are also expensive public relations fees.

List FOUR programmes that promote community development

(10 Marks)

- Area Partnership Company
- Local Enterprise Office
- LEADER +
- SOLAS

Describe how the services provided by one Community Development Organisation in your locality helps business enterprises.

(20 marks)

The **Local Enterprise Office** is the *First Stop Shop* for anyone seeking information and support on starting or growing a business in Ireland.

The Local Enterprise Office provides advice, information and support to entrepreneurs in starting up or growing your business

- **Support and advice** the LEO provide a full information and advice service to expanding and potential entrepreneurs on all aspects of setting up and running a business LEOs are a first port of call for those needing information and advice on how to go about setting up or expanding a micro business venture. E.g. Barron lifts aided by Wexford LEO
- **“Soft supports** Critically important success factors, for enhancing business growth include knowledge and intellectual input and skills/expertise.

The range of "soft" supports on offer can vary from LEO to LEO but would typically include training programmes, work-shops, seminars and mentoring services. E.g. Limerick LEO offers heavily subsidizing training courses to help aspiring entrepreneurs.

- **Mentoring**

A significant and much utilised component of the "soft" support intervention of LEOs is their mentor programme. This particular programme seeks to match up the knowledge, skills, insights and entrepreneurial capability of experienced business practitioners with small business owners who need practical help. E.g. Rachel Quinn Ceramics Sligo was helped with business planning and cash flow forecasting.

- **Equity investment-**

The LEO might invest in a project with high potential for growth with the financial projections demonstrating an ability to repay e.g. up to €75,000 may be invested by the LEO in a venture.

- **Feasibility grants**

may be provided to assist with the cost of necessary pre-start-up studies carried out for the purposes of assessing market interest in and demand for a proposed new product or service, the appropriateness of the associated funding plans and the general viability and sustainability of the venture. The maximum feasibility grant available is €20,000

Analyse how the economic variables (factors) in the Irish economy have an impact on a local economy.

(20 marks)

DEFINITION AND IMPACT ON BUSINESS IN LOCAL ECONOMY NEEDED

The performance of the Irish economy has a huge bearing on Irish Business. We will look at the key economic variables and their effect on a local economy.

1. Interest Rates (currently 0%)

- This is the cost of borrowing.
- It depends on the demand and supply of money.

A low interest rate means that it is cheap for firms to borrow money.

- They will expand, creating jobs
- Consumers will borrow and spend
- Firms are more profitable

This boosts the local economy as the cost of credit is lower for consumers and investors.

2. Inflation (currently .7%)

This is a sustained growth in the general level of prices based on the Consumer Price Index and the average family.

Low inflation means

- More competitive exports
- Good for investment in the local economy
- Better standard of living in the local economy
- Less Industrial Relations unrest and labour days lost
- Low inflation means that spending power is boosted in the local economy

3. Unemployment

- The current rate is 5% (full employment in Ireland is 4.2%)
- It is the number of people who are available and seek work unsuccessfully.

Low unemployment is good for business as consumers have greater incomes and therefore greater purchasing power. This boosts the local economy.

4. Taxation

- It erodes a consumer's purchasing power (income)
- It reduces company profits (corporation tax)
- PRSI increases the cost of employing someone and this reduces job creation potential in the local economy
- VAT is an extra burden and inconvenience on a business
- Low tax rates benefit a business and boost the local economy as factory owners and employees are better off.

Sample Question

Illustrate environmental and ethical initiatives used by forward-thinking businesses (15 Marks)

Treatment of stakeholders

The sports wear company “adidas” tries to give long term contracts to its suppliers to improve working relationships. They also put pressure on suppliers to pay adequate wages and overtime pay to its employees.

Environmental issues

“Puma” has banned the use of hazardous substances in its production processes. The Body Shop “dedicates itself to the pursuit of social and environmental change.

Sponsorship

Many firms contribute generously to charities. AIB has a Better Ireland programme which provides educational opportunities for disadvantaged students

Outline the characteristics of an environmentally conscious business enterprise.

(20 marks)

USE THE STRUCTURE CHAOS FOR YOUR ANSWER

Characteristics of an Environmentally Conscious Business Enterprise:

An environmentally conscious firm should be:

- Sensitive:** to all environmental needs and makes a voluntary effort to incorporate environmental issues into its overall policy e.g. Nokia makes smaller product and consequently uses less raw materials.
- Open:** to new environmentally friendly methods and to new ideas e.g. the Greenstar Waste Management firm welcome new ideas from stakeholders.
- Committed:** to rectifying all mistakes in the most efficient environmentally friendly way possible e.g. DCC has implemented production changes to minimise waste.
- Honest:** it must disclose all relevant facts which may affect the environment e.g. accidents reported immediately.

Illustrate how firms can be socially responsible.

(20 marks)

Business has social responsibilities to the following:

Investors

- To act in accordance with its Memorandum and Articles of Association
- Provide a fair return on the investment by shareholders
- Avoid excessive payments to senior management
- To present a true and fair view of the financial performance and standing of the business and maintain a proper set of accounts.

Example high risk lending at Anglo Irish Bank was not socially responsible to investors.

Employees

- Adhere to Employment Law, Health and Safety Regulations etc.
- Pay a fair wage to all employees
- Provide a safe working environment
- Treat employees with dignity and respect/no discrimination
- Provide equal opportunities for promotion, pay etc. to all employees.

Bank of Ireland measures job satisfaction and connectivity to the job. It also believes in providing state of the art equipment for employees.

Customers

- Fair and honest advertising of its product
- Abide by health and safety regulations; products must be safe.
- Goods must be of merchantable quality, match their description, fit for purpose etc.
- Uphold the right of the customer to complain and to investigate such complaints
- Good after-sales service
- Charge a fair price.

JL furniture staff misleading customers over status of the business as it was on the point of liquidation

Society

- To be environmentally conscious; to implement environmentally friendly business practices

- Co-operate with government offices e.g. EPA
- Openness and transparency
- Recyclable packaging, clean manufacturing, sustainable development

Shell gave €450,000 in sponsorship and donations to Belmullet GAA club in Mayo in 2010

Explain the decision-making process of the European Union. Include the relevant institutions in your answer.

(25 marks)

The EU decision making process;

The **EU Commission** proposes a new law. This body oversees the running of the European Union on a daily basis. It consists of EU Commissioners appointed by the member states.

The new law is then discussed by the **European Parliament**, which is sometimes referred to as a “talking shop”. This institution debates the pros and cons of the proposed new legislation and takes on board the views of special interest groups e.g. IFA

The proposed new law is then passed back to the **EU Commission** and then take on board any useful amendments as decided by the **EU Parliament**. The EU Commission then redrafts the proposed bill.

The proposed legislation is passed on to the main decision-making body of the EU, which is the **EU Council of Ministers**. This collective institution consists of the various ministers from each member state who are most affected by the new legislation e.g. the EU Council of Ministers for finance ultimately ratified the euro. The new legislation is accepted or rejected by the European Council of Ministers.

This new legislation, if accepted, may be implemented by the EU Commission as follows:

- 1) *By regulation*: These have immediate effect e.g. a regulation that prevents airlines from leaving passengers stranded through overbooking.
- 2) *By directive*: The EU specifies what has to be done but leaves its implementation up to the individual member states e.g. EU Waste Management directive.
- 3) *By decision*: This only applies to individual members or companies e.g. the members of a vitamin cartel were fined €855m for price fixing.

Distinguish between each of the following EU institutions:

- **European Commission**
- **EU Council of Ministers**
- **European Parliament**
- **European Court of Auditors**

(40 marks)

European Commission

- This body consists of Commissioners who are appointed by the member states.
- This body oversees the implementation of new legislation.
- It manages the daily affairs of the EU.
- It defends EU interests at world level.

EU Council of Ministers

- This is the main decision-making body of the European Union.
- It decides which policies to adopt and which laws to implement.
- It coordinates national policies of the member states.
- It controls the EU budget.
- All legislation must be passed by the Council.

European Parliament

- This democratically elected body is often referred to as being a “talking shop”.
- This is due to its propensity towards discussion rather than its ability to act.
- It monitors the performance of the EU Commission.
- It gives advice to the EU Commission.

European Court of Auditors

- This institution monitors the usage of the EU budget.
- It carries out random spot checks on various projects throughout the EU.
- It prepares financial reports.
- It tries to eliminate the wasting of funds and to reduce levels of fraud.

- **Outline the opportunities and challenges for Irish business as a result of engaging in foreign trade.**

- **(30 marks)**

Access to bigger Markets

Export markets provide a larger potential market for a firm and provide an opportunity to increase sales and profits.

Economies of Scale

An economy of scale reduces cost per unit as a firm increases in size i.e. reductions in costs that come from buying, producing and selling in large quantities.

Reduced Risk

By diversifying into a new market a firm is spreading its risk making it less dependent on one market.

Free movement of services, labour and capital

The Irish construction sector benefited hugely from the availability of Polish and other EU workers during the boom years.

Business may also source the best investment/borrowing opportunities in EU.

Workforce

We have a well-educated young workforce with up to date skills which gives us a competitive advantage in hi-tech areas and a well-developed knowledge economy

Challenges to Irish business in International trade

Competition

Traditionally the Irish government would have protected the “infant” industry from the full force of competition through trade barriers. Deregulation of EU markets means that only competitive firms will survive, and this may affect employment here.

Development of Human Resources

Training and development programmes will have to be introduced as apart from the highly competitive markets (in which strikes would have serious implications), we also have language problems, marketing changes and the introduction of technology to deal with.

Dumping

Excess production from larger countries could be sold here below cost as a means of using up surplus supply. This would damage domestic firms.

Costs

Our geographical location at the edge of Europe means that we have extra transport and great distribution costs. We should hope that a focus on quality and improvements in technology and logistics would help us overcome this challenge.

Describe how the changing nature of the International economy affects Irish business 30 Marks

The main changes that affect Irish businesses are

World Trade Organisation

This was set up post world War II as the General agreement on tariffs and Trade and has been hugely successful at opening up markets to free trade. This is very important for an export orientated country like Ireland.

96% of our GDP comes from exports.

The European Union

We are part of an economic trading bloc, which has grown in strength since Economic and monetary union. This offers benefits and opportunities for Ireland and operates a trading area without barriers that has common external tariffs on outsiders.

It is the third largest market in the world

Transnationals

We live in a world of global business and a single brand worldwide. The attraction of these companies to Ireland has been high on IDA Ireland's priority list and gives massive employment.

It is estimated that €7Bn is the annual payroll from TNCs and they spend €19 Bn in the economy.

Technology

This has rendered location to be less important and developments should reduce transport costs.

The use of "logistics" is becoming more common.

Much of our exports are technology related as we have concentrated on the knowledge economy.

- **8 of the top 10 firms in ICT**
- **8 of the top 10 firms in Pharmaceuticals**
- **15 of the top 25 firms in Medical Devices have all set up in Ireland.**

Emerging countries

The development of the Pacific Rim and South American countries e.g. China and Brazil who are producing high-quality low-cost goods will prove a threat to EU countries. Ireland must concentrate on hi-tech industries

Sample question

Discuss the role of trading blocs for trade. Illustrate your answer with an example.

(30 marks)

- A Trading Bloc is a group of countries that organise a free trade area amongst themselves to promote trade and to eliminate barriers such as tariffs and quotas e.g. the European Union.
- The European Union has free movement of goods, services, labour and capital, which facilitates trade among members and show preference to EU output using common external tariffs on non-members.
- The EU has had a huge impact on trade for Ireland, which is a small open economy, which relies heavily on foreign trade. Our combined exports and imports exceed our national income.
- We have access to a market of 500 million people, which provides great opportunities for exports. We now send 60% of our exports to other countries in the Trading Bloc.
- Deregulation of markets within the EU has allowed Irish firms who produce high quality goods and services to prosper as only the best and most efficient will survive. This has meant lower prices and better quality for consumers in the EU e.g. price of airline tickets.

Sample question

Outline the purpose of the European Union's competition policy.

(10 marks)

- The purpose of the policy is to ensure uniform practices in businesses throughout the European Union and to outlaw agreements, which prevent, restrict or distort trade and eliminate fair competition.
- It prevents cartels and unfair trading practices e.g. in the cement industry and vitamin tablet industry whereby consumers were being cheated by unscrupulous producers who fixed prices and carved up markets between them.
- Competition stimulates innovation and efficiency among businesses and consumers best interests are safeguarded e.g. Aer Lingus has reduced its commission to travel agents and thus benefiting the consumer.

Sample question

Explain how important the European Union is to Ireland.

(15 marks)

Enlarged markets

The European Union has given Irish producers the opportunity to gain access to a market of 500 million and to trade in an area without barriers. These enlarged markets allow smaller Irish companies to benefit from large- scale production and the resulting cost savings i.e. economies of scale.

Financial Aid

Over the past thirty years for every 1% that we contributed to the European Union budget we received 11%. This money was used to upgrade our infrastructure and to make us attractive to foreign investors e.g. the 1300 Transnational companies would not have been attracted by 1973 Ireland.

Single Currency and Economic and Monetary Union

We now have closer economic and political ties throughout the EU. Uniform interest rates, free movement of capital and labour and a single currency have facilitated trade and tourism. As we have a small open economy this has had a major impact.

Sample question

Evaluate the impact of European Union Directives on Irish business.

(20 marks)

An EU directive requires existing National law to be amended or a new law introduced so that it can be applied to a member state.

The EU Waste Management Directive of 1993 suggested that Irish must reduce its mountains of waste and develop a meaningful environmental policy. The very effective plastic bag tax of 15 cent per bag has had a major impact on Irish businesses as retailers and consumers have changed their attitudes towards the environment.

The EU postal directive means that Irish businesses will have a choice when sending post and the An Post monopoly will be broken up and this should reduce costs for Irish businesses and improve service and efficiency.

The EU product liability directive puts the pressure on all Irish producers to reduce the level of defective products and to improve standards of quality. The onus is on the manufacturer to ensure that excellent quality originates in their factories.

The EU work consultation directive means that employee representatives must be consulted before major organisational changes can be implemented in a business. This protects the employees' position within the business.