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LESS STRESS MORE SUCCESS

Introduction

General Examination Advice: Higher Level

Note: Material that is to be studied only by those taking Higher Level is indicated in the text.

Section 1 Short answer questions

1. Short answer questions only have four lines of space for writing answers, so keep your answers short and to the point.
2. Write two points of information for each answer (unless told otherwise in the question). The first point should be a definition; then you can use an advantage/disadvantage or an explained example as a second point.
3. Answer all ten short questions if you have time. The examiner will mark you on your eight best answers.

Section 2 Applied Business Question (ABQ)

1. The Applied Business Question describes a business situation facing a company or business person.
2. It usually contains three paragraphs of text with three questions based on the information given.
3. It is a compulsory question and carries 20% of the total marks. You must answer all three questions in the ABQ. There is no choice.
4. The ABQ each year is based on three different units of the course.

Advice for answering the Applied Business Question

1. Read the questions first. This will tell you what to look out for when you read the paragraphs of text.
2. Read the information in the ABQ paragraphs. Highlight or underline relevant points as you read the text.
3. Answer each of the three questions as follows:

(A) State the point – give a heading.

(B) Explain and develop the point – theory/textbook knowledge.

If the question says 'describe', 'analyse' or 'evaluate', you must give more detailed information. 'Evaluate' means you must give your opinion on the topic. ('I think it is good (or bad) because . . .') Give a reason why (maybe advantage or disadvantage).

– Always write a heading evaluation in the answer.
– Give an opinion or judgement on the issues covered in the answer.

(C) Quote from the text to back up your point.

You must quote from the text for every point you make in your answer even if not asked to do so in the question. Use a red pen to highlight your quotes.

Section 3 – Long answer questions

1. Answer the required number of questions from Part 1 and Part 2.
2. Read the questions carefully and ensure you give the required information in your answers.
3. Divide the marks by 5 to see approximately how many points you are expected to make in your answer.
4. Answer in point form (no essays).

   Number each point clearly. For each point in your answer:

   - State the point
   - Explain and develop the point
   - Give an explained example, if possible.

exam focus

- In answering the questions on the ABQ, candidates **must** make use of relevant knowledge/theory (and understanding) gained in the subject while studying the course, in addition to the relevant links from the ABQ.
- In relation to the links given, they **must** be a direct, relevant quote/phrase/statement from the ABQ indicating that candidates clearly understand the point(s) of theory presented.
- No marks are awarded for links without relevant business theory.
- Separate links are required in each section.
- No marks are awarded for business theory unless theory is relevant to the ABQ.

Mini ABQ questions

These are appearing frequently in recent years.

Each question contains a short piece of text about a business and then asks questions about it. When answering the questions, you must quote or reference the text in each part of your answer.

Key verbs in the questions that regularly appear at Higher Level

- **Analyse:**
  – State the point
  – Explain the point
  – Make a comment on it, state an advantage or disadvantage.
- **Apply:** Use knowledge or skill for a particular purpose.
- **Compare:** Examine two or more things so as to discover their similarities or differences.
- **Calculate:** Find out or ascertain by using numerical data.

Section 3 past exam paper analysis Higher Level

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Unit 1														
Relationships in Business	Q1(A)	Q1(A)	Q1(B)	Q1(AB)	Q1(B)	Q1(C)	Q1(B)	Q1(A)	Q1(C)	Q1(AB)	Q1(A)	Q1(C)	Q1(AC)	Q1(AB)
Consumer/ Retailer		Q1(C)	Q1(C)		Q1(C)	Q1(B)	Q1(C)	Q1(B)	Q1(B)		Q1(B)	Q1(B)		Q1(C)
Employer/ Employee	Q1(BC)	Q1(B)	Q1(A)	Q1(C)	Q1(A)	Q1(A)	Q1(A)	Q1(C)	Q1(A)	Q1(C)	Q1(C)	Q1(A)	Q1(B)	
Unit 2														
Enterprise	Q3(C)	Q4(A)	Q4(A)			Q4(A)		Q4(A)			Q4(A)	Q4(A)	Q4(C)	
Unit 3														
Management														
Leading, Motivating	Q6(B) Q3(B)				Q4(C)		Q4(C)	Q4(B)		Q4(AB)			Q4(AB)	Q4(C)
Communication		Q4(BC)		Q4(A)	Q4(AB)		Q4(AB)			Q4(C)6(A)	Q4(B)	Q4(BC)		Q4(AB)
Planning, Organising, Controlling	Q3(A)		Q4(BC)	Q4(BC)		Q4(BC)		Q4(C)	Q4(ABC)		Q4(C)			

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Unit 4														
Household and Business: Finance				Q6(C)	Q6(BC)	Q5(C)				Q6(C)	Q6(A)	Q6(B)		
Household and Business: Insurance	Q5(B)			Q6(A)	Q5(C)		Q5(A)	Q5(C)			Q6(B)		Q5(A)	
Household and Business: Taxation	Q6(C)					Q5(A)		Q5(B)			Q6(A)	Q5(AB)		
Human Resource Management	Q6(A)	Q6(A)	Q5(A)	Q6(B)	Q5(A)	Q5(B)		Q5(A)	Q5(A)		Q5(AB)			
Changing Role of Management			Q5(BC)				Q6(A)			Q6(B)	Q5 (C) 6 (C)	Q5(C)		
Monitoring the Business		Q6(BC)			Q5(B)		Q5(B)		Q5(BC)	Q5(C)		Q6(C)	Q5(B)	
Unit 5														
Identifying Opportunities		Q5(A)	Q6(A) Q7(A)			Q6(A) Q7(A)	Q6(B)	Q6(C)	Q7(A)	Q7(A)	Q7(C)			Q6(A)
Marketing	Q7(ABC)	Q5(B) Q7(BC)	Q6(BC) Q7(BC)	Q5(AB) Q7(ABC)	Q7(AB)	Q7(BC)	Q7(AB)	Q7(BC)	Q7(BC)	Q7(BC)	Q7(B)	Q6 (A) Q7(ABC)	Q7 (ABC)	Q6 (B) Q7(ABC)
Getting Started	Q5(C)	Q5(C) Q7(C)		Q5(C)	Q6(A) Q7(C)		Q6(C)	Q7A	Q6(BC)		Q7(A)		Q6(A)	Q5(A)
Business Expansion	Q5(A)					Q6(BC)	Q7(C)	Q6(AB)	Q6(A)	Q5(AB)			Q6(B)	Q5(BC)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Unit 6														
Categories of Industry		Q2(A)				Q2(C)						Q2(A)	Q2(A)	
Type of Business Organisations	Q2(A) Q2(C)		Q2(B) Q2(A)	Q2(A)	Q2(B)	Q2(A)	Q2(A)	Q2(B)	Q2(B)	Q2(A)				Q2(A)
Community Development								Q2(C)				Q2(B)		Q2(B)
Business and the Economy	Q2(B)			Q2(B)				Q2(A)					Q2(B)	
Government and Business		Q2(C)	Q2(A)		Q2(AC)	Q2(B)	Q2(B)		Q2(C)	Q2(C)	Q2(C)			
Social Responsibility of Business		Q2(B)	Q2(C)	Q2(C)			Q2(C)		Q2(A)	Q2(B)	Q2(B)	Q2(C)	Q2(C)	Q2(C)
Unit 7														
International Trading	Q3(C)	Q3(A)	Q3(C)			Q3(AB)	Q3(B)	Q3(A)	Q3(AB)			Q3(A)	Q3(C)	
European Union	Q3(B)	Q3(C)		Q3(C)	Q3(BC)	Q3(C)	Q3(C)	Q3(C)	Q3(C)	Q3(A)	Q3 (ABC)	Q3(C)	Q3(AB)	Q3(AB)
Interionational Business	Q3(A)	Q3(B)	Q3(B)	Q3(AB)	Q3(A)		Q3(A)	Q3(B)		Q3(B)	Q2(A)	Q3(B)		Q3(C)

1 People and Their Relationships in Business

aims

Be able to:

- List the main parties and people in business.
- Describe the relationships between people as workers, trade union members, managers, entrepreneurs, investors and customers.
- Analyse the relationships between people in business.
- HL Outline how the elements of contract law help in dealing with conflict.

Main parties and people in business

Business – business is about producing and supplying goods and services.

Stakeholder – anyone or any group of people that has an interest/involvement in or is directly affected by how a business is run.

People in business – business is concerned with people and their relationships.

exam focus

Parties in business include:

- Entrepreneurs
- Service providers
- Investors
- Employers
- Producers/suppliers
- Employees
- Consumers
- Interest groups

Entrepreneurs

- Individuals or a group who undertake the **risk of establishing and running a business.**
- They follow through on **ideas** and take the chance of failure.
- They **see an opportunity** and set out to exploit that opportunity.
- They take the risk of **organising all the resources** necessary to provide a product or service.

Investors

- Investors provide capital/finance/grants needed for businesses/entrepreneurs.
- **Investors risk money in a project** that may or may not make a profit for them in the future.
- The money is used to **purchase assets and finance the enterprise**.

  Examples:

  (i) Shareholders – with a view to profit/dividend

  (ii) Owner's capital – with a view to profit

  (iii) Lenders (banks) – provide loan capital, which must be repaid with interest

  (iv) Government grants – repayment not required but conditions attached.

Producers/suppliers

- These are the **manufacturers and suppliers** of goods and services.
- Producers make goods that satisfy consumers' needs and wants.
- Producers want high prices and profit.

Consumers

- Are the **users** or purchasers of goods and services for personal use.
- They want **quality** and **service** at reasonable **prices**.

Service providers

- These provide a **range of services** for the efficient operation of business (e.g. banking, insurance, transport).

Employers

- An employer is a person or business that hires employees/staff to produce goods or provide services and pays them agreed wages/salaries for their work.
- Employers want an **honest and reliable workforce** and good quality work.

Responsibilities of an employer

(i) to provide a safe and healthy working environment
(ii) to pay the agreed wage for the work done (at least minimum wage rate)
(iii) to adhere to legislation, e.g. Employment Equality, Unfair Dismissal
(iv) to provide a contract of employment
(v) to keep appropriate records for income tax and PRSI returns
(vi) to provide appropriate annual leave as per legislation.

Employees

- Employees **work for employers**, producing goods or supplying services.
- Their **rights** include reasonable pay, safe working conditions and a contract of employment.
- Their **responsibilities** include honest work, compliance with their contract of employment and compliance with reasonable instructions from their employer.

Interest groups

- An interest group is an organisation which **represents the common viewpoint**, objectives and goals of a particular group.
- Interest groups seek to **influence** decisions and policy affecting their members through negotiation, lobbying, boycotting and possibly legal action.
- Lobbying is the deliberate effort to influence the decision-making process by promoting a particular point of view with government or MEPs or with other organisations.
- Interest groups may or may not succeed in achieving their desired objectives.

Examples

- **Business Associations**:
  - Irish Business and Employers Confederation (IBEC)
    - Represents employers on industrial relations matters
    - Negotiates with government and ICTU on wage agreements
    - Advises members on the effects of new EU legislation, etc.
  - The Irish Congress of Trade Unions (ICTU)
    - Represents almost all trade unions in Ireland
    - Represents and advances the economic and social interests of working people
    - Negotiates national agreements with government and employers
    - Regulates relations between unions and rules on inter-union disputes, etc.
  - The Construction Industry Federation (CIF) represents businesses in all areas of the construction industry.
  - The Irish Farmers' Association (IFA)
    - The IFA lobbies government to initiate pro-farming policies that would improve and consolidate farm incomes.
- **Trade Associations**:
  - The Society of the Irish Motor Industry (SIMI) represents members in the motor industry.
  - The Irish Travel Agents Association (ITAA) represents travel agents.

Relationships between parties in business

HL

People in business can either co-operate with each other and help one another or can compete with each other.

- A **co-operative relationship** exists where stakeholders work together towards a common objective to everyone's benefit.
- A **competitive relationship** exists where stakeholders pursue individual objectives and seek to achieve their objectives at the expense of each other.

1. Relationship between entrepreneur and investor

Entrepreneurs are risk-takers: they exercise initiative and take a risk in starting up a business with the hope of making a profit.

Investors invest finance in an enterprise; investors can be banks or other financial institutions or private individuals with money who wish to invest. If the investor feels that the venture is a good risk when compared to the possible return in the future, then a decision will be made to invest.

Co-operative relationship

When an entrepreneur seeks finance for a new project, they build a strong relationship with an investor. The relationship between the entrepreneur and the investor must be one of co-operation to ensure that both of them gain.

The relationship will remain co-operative as long as the entrepreneur presents a strong business plan with a projected cash flow forecast, profit and loss account and balance sheet.

Investors will also want to see the plans for the repayment of the funds to minimise the risks involved.

Competitive relationship

A competitive relationship will arise if the investor refuses to advance the funds required to establish a new business.

It will also exist if the entrepreneur – having received finance – is not living up to the commitments entered into and is defaulting on repayments.

2. Relationship between producers and interest groups

Producers manufacture goods or supply services that satisfy consumers' needs.

Interest groups are groups that wish to influence the decision-making process but are not part of the accepted political structure.

Interest groups may affect producer interests.

Co-operative relationship

Producers may have their own interest group, which lobbies government on their behalf to change laws relating to taxation or the operation of their industry.

Competitive relationship

Interest groups can affect producer interests.

They can cause bad publicity for a business or cause the image of a business to be damaged (e.g. a fall-off in demand for its products).

This can increase costs as more advertising is needed to counter the bad publicity.

Security may have to be increased because of protest meetings, possible picketing at premises, etc.

3. Relationship between producers and consumers

Producers are the manufacturers and suppliers of goods and services.

Producers are interested in making profit, but they can do so only if they make goods that satisfy consumers' needs and wants.

Consumers are the purchasers or users of goods and services supplied by firms.

Consumers try to satisfy their wants by buying products and services that are of good quality, reasonably priced and come with good after-sale service.

Co-operative relationship

Producers co-operate with consumers and the relationship is good when:

- Producers provide the products/services demanded by the consumer
- Products are top quality and reasonably priced
- Consumers are satisfied with the product

Competitive relationship

The interests of consumers and producers are sometimes in conflict because the consumer wants low prices and high quality, while producers want high prices and profit.

A competitive relationship between producers is beneficial for the consumer as every business must work hard to satisfy consumer needs.

Producers will compete on prices of goods and services, quality, sales, etc.

Consumers will benefit from:

- Improved quality
- Improved customer services
- Better choice of products
- Better value for money

4. Relationship between producers in the same line of business

Co-operative relationship

A co-operative relationship exists where joint action or effort is required so that producers work together to everyone's benefit toward a common objective.

Example

Producers in the same line of business sometimes co-operate with each other to:

- Protect their industry against an outside threat
- Encourage economic development and to create jobs for the benefit of the community
- Lobby the government in order to solve problems of mutual interest, such as achieving a change in legislation or a reduction in VAT
- Agree on a common scale of discounts for their customers

Competitive relationship

A competitive relationship between producers in the same line of business means each is pursuing individual objectives and seeks to achieve these objective at the expense of each other. This is beneficial for the consumer as every business must satisfy consumer needs.

Example

Producers in the same line of business may compete on:

- Prices of goods and services
- Quality
- Sales

5. Relationship between employer and employees

Employers aim to:

- Keep production costs low so that the firm will remain competitive
- Increase profits so that retained earnings can be built up to give a good return on the capital invested for the owners

Employees want:

- Reasonable wages, good working conditions and a good standard of living
- Job security and promotion

A good relationship between employers and employees is vital for the success of the business.

Co-operative relationship

When employers and employees have a co-operative relationship the business can be successful.

Employers and employees co-operate when:

- Agreeing pay and working conditions
- Producing goods and services for consumers
- Consulting each other and making decisions together
- Coming to agreement in relation to issues such as profit-sharing, granting share options, maintaining productivity, etc.

Competitive relationship

Employees may want higher pay, while the employer wants costs kept to a minimum.

Employers want increased profits and cost reductions, which may lead to redundancies, while employees want job security.

A competitive relationship occurs when employees are faced with a wage cut or the threat of losing their jobs.

6. Relationship between an enterprise and its stakeholders

Co-operative relationship

A co-operative relationship exists where an enterprise and its stakeholders work together for their mutual benefit.

This requires joint action or effort and can occur between:

- **People within an organisation** (e.g. employees helping each other in a spirit of teamwork to achieve a certain level of sales or profit), or
- **Organisations** (e.g. one business co-operating with another business in the marketing or distribution of each other's products or services)

Competitive relationship

An enterprise and its stakeholders can pursue different objectives to each other or attempt to achieve particular objectives at the expense of each other.

This can involve people within the enterprise and outside interests which impact on the enterprise.

For example, a competitive relationship **within the organisation** might be where sales people compete with each other for orders or employees compete for promotion. **Outside an organisation** competitive issues can relate to prices, quality, sales, the recruitment of employees, etc.

exam focus

Make sure that you can explain the co-operative and competitive relationship between people in business and are able to give examples. This is examined almost every year.

exam Q

HL

(i) Explain the term **co-operative relationship** between stakeholders in a business.

(ii) Describe **one** example of a co-operative relationship which could arise between **each** of the following pairs of stakeholders:

- Employer and employee
- Investor and manager of a business
- Producer and consumer (20 marks)

Source: 2017 Higher Level Section 3

Suggested solution

(i) A co-operative relationship is where an enterprise and its stakeholders work together for their mutual benefit.

(ii) **Employer and employee**

A fair wage, which reflects work being done and qualifications and skills of employees, is offered by the employer and a fair day's work is provided by the employee.

Wages/good pay and conditions of work

- Employee benefits from being rewarded with good pay and conditions for their work if they meet agreed targets.
- Employer benefits from increased productivity/staff motivation/higher profits caused by employees working harder/job satisfaction.

Safe and healthy work environment

The employer provides a better and healthy working environment, meeting the legal and moral requirements and the employee feels safe, leading to a productive environment.

Investor and manager

The financial resources provided by investors are not wasted but are used productively by management to generate a fair return on investment for the investor.

Transparent financial information

All financial information provided by the manager to the investor is accurate and up to date. The manager uses the investment appropriately.

- Investor will benefit from seeing that their investment is safe.
- Manager will find it easier to acquire the necessary finance to fund new projects.

Producer and consumer

Brand loyalty: Where the consumer repeatedly purchases the product.

- Producer maintains the quality of the product.
- Consumer benefits from certainty in the quality that they purchase, leading to repeat purchase and brand loyalty.

Agreed terms of sale (fair price, profit margin).

- Producer provides a quality product at a reasonable price.
- Consumer pays a reasonable price for the product based on its quality/value for money.

The producer has an open and fair complaints procedure and consumer complaints are dealt with in a fair manner.

Marking scheme

(i) 5 marks (2 + 3)

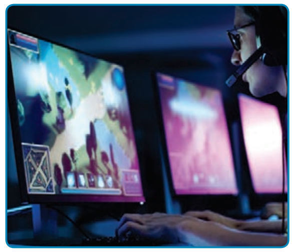
(ii) Three points @ 5 marks each (2 + 3)

Benefit to each stakeholder required.

Applied Business Question (ABQ) (Higher Level)

Based on Units 5, 6 and 7

This is a compulsory question for Leaving Certificate 2023/2028



Galaxy Games Ltd

HL

Galaxy Games Ltd is a small indigenous company, operating in the new gaming technology sector. It was founded by two college graduates, David Whelan and Jane Ward. David is a software engineer and a web architect, while Jane is a marketing graduate. Their design team recently identified some ideas for new games in action–adventure, music, and e-learning.

After reviewing the various ideas put forward, *Knights' Domain*, a new action–adventure game that involved building a fantasy kingdom, was chosen. The design team decided to use Irish music and cutting-edge graphics to set the game apart. Jane completed a business report, including a detailed break-even analysis, to determine the potential of *Knights' Domain*. Following on from this report, the design team introduced more challenging levels to the game and added more 3D graphics. The game was introduced to a group of transition year students from a local secondary school, who commented positively on the different levels and on its distinctive graphics. The product *Knights' Domain* was launched in various games stores with an advertising campaign accompanying the launch.

Social responsibility is a key element in Galaxy Games's corporate business plan. Funding was invested in supporting the development of a highly skilled customer service department. Galaxy Games Ltd attracts and retains high-quality, creative employees. A major European venture capital firm has invested €1.5 million in the company to date. Galaxy Games Ltd maintains good relationships with its suppliers, many of whom have continued a business relationship with the company since its establishment. When choosing a suitable business premises, David and Jane prioritised energy efficiency.

As a result of Ireland's growing international reputation in the gaming technology sector and Galaxy Games's successful company presentation at the 2012 Dublin Web Summit, the company became a target for acquisition. In January 2013 it was taken over by BizzBuzz, a US global gaming company and a market leader in the industry. BizzBuzz implements a global approach to marketing its games. All games are available in ten different languages. Prices per game are set taking account of competitor prices and various economies of scale. Recent developments in technology enable BizzBuzz to distribute its games worldwide through download from the internet to laptops, smartphones and tablets. BizzBuzz is a globally recognised brand name and uses the slogan 'A new game every day' on its website.

(A) Outline the stages involved in the product development process of *Knights' Domain* for Galaxy Games Ltd. (30 marks)

(B) Discuss the social responsibilities of Galaxy Games Ltd to its stakeholders. (20 marks)

(C) Evaluate the global marketing mix of BizzBuzz. (30 marks)

(80 marks)

Suggested solution

(A)

Idea Generation

- Initial ideas for the new product are thought up systematically. They can be internal or external.
- Ideas may be generated by brainstorming sessions, market research, staff suggestions, customer suggestions/feedback on existing products or services, competitors, R&D, etc.

  Link: *'Their design team recently identified some ideas for new games in action–adventure, music and e-learning.'*

Product Screening

- All ideas are vetted and the impractical and unworkable ideas are dropped, leaving the most viable ones for further examination and development.
- Careful screening helps businesses avoid huge expenses in developing ideas that are subsequently not marketable and ensures that good opportunities are not lost.

  Link: *'After reviewing the various ideas put forward,* Knights' Domain*, a new action–adventure game that involved building a fantasy kingdom, was chosen.'*

Concept Development

- This involves turning the idea into an actual product or service that will appeal to/ meet the needs of customers.
- A unique selling point (USP) is identified which will differentiate it from other products on the market.

  Link: *'The design team decided to use Irish music and cutting-edge graphics to set the game apart.'*

Feasibility Study

- This is carried out to assess if a product has potential. It looks at whether it can be produced technically (production feasibility) and if it will be profitable (financial feasibility).
- It seeks answers to questions such as: what demand will there be for the product? What will it cost to produce and can the business afford it?

  Link: *'Jane completed a business report, including a detailed break-even analysis, to determine the potential of* Knights' Domain.