



Junior Cycle Final Examination

Sample Paper E Solutions

# Business Studies

Common Level

Time: 2 hours

270 marks

Examination number

Centre Stamp

**Question 1**

Any two of the following:

- Wages
- Rent
- Light and heat
- Advertising

(6)

**Question 2**

(a) National Debt is the total amount of money borrowed by the government. National Debt is Domestic Debt + Foreign Debt. National Debt is measured as a percentage of GDP. (3)

(b) May increase in government taxes in order to pay back national debt – therefore less disposable income for individuals and less profit for business.

Less money for government to spend on social protection/enterprise/essential services as they have to service (pay back the interest on) the debt. (3)

**Question 3**

Disposable income is the income left over after an individual's or household's tax obligations have been met. (6)

**Question 4**

(a) Any one of the following:

- Inflation
- Interest rates
- National income
- Economic growth
- National debt

(3)

(b) Any one of the following:

- Individuals have more disposable income and a higher standard of living.
- Emigration is reduced and businesses have access to more skilled workers.
- The government has more money to spend on the economy as it is collecting more income tax and spending less on welfare.

(3)

**Question 5**

I would recommend that the Halpins save up for their family holiday. If they take a loan they will have to pay interest which will cost them more in the long run. (6)

### Question 6

- (a) 1. Karen Leigh will need to have good people skills to be a successful entrepreneur.  
2. Karen Leigh will need to have good problem-solving skills to be a successful entrepreneur (4)
- (b) Entrepreneurs provide positive benefits to society such as new products and services that solve consumers' problems and providing employment. It is a positive step by *Irish Tatler* to recognise their work so Ireland is seen as a good place for entrepreneurs to do business and so they can feel rewarded for their work. (2)

### Question 7

Benefit-in-kind is a non-cash form of income such as a company car. (6)

### Question 8

<b>Risk</b>	A sole trader is personally responsible for all business debts. They have unlimited liability.	(6)
<b>Reward</b>	A sole trader is their own boss. They can make all the business decisions and keep all the profits.	

### Question 9

Extract from Balance Sheet of Little Bear Industries Ltd as on 31-12-17	
CURRENT ASSETS	€
Cash on hand	€22,000
Closing stock	€36,540
TOTAL CURRENT ASSETS	€58,540

### Question 10

- (a) Social media is a way for businesses to communicate with and advertise to their customers directly and cuts out the middleman. (3)
- (b) Developing a social media presence might mean that the business needs to hire someone with online skills, which will be a new cost to the business. (3)

### Question 11

- Product: what is the item being sold, what features will it have, what makes it unique?
- Promotion: how the product will be marketed or advertised – how will the target market find out about it?
- Price: how much will be charged for the product?
- Place: where the product will be sold. Will it be sold directly or via retailers or wholesalers? (6)

### Question 12

	€	€
Basic premium		300.00
Add loadings		
Age	15.00	
BMI	15.00	
Dangerous hobbies	20.00	
Yearly premium		350.00

(6)

### Question 13

(a)  $198.70 \times 12 = 2384.40$   
+ 500 deposit  
= €2884.40

(3)

(b) Paul should pay in cash if he can as he will make a saving of €884.40. The cost of the hire purchase is very high and he may be paying more than the item is worth.

(3)

### Question 14

No, Sinéad cannot take out insurance on her neighbour's home. The principle of insurable interest states that an insured person must have a personal interest in the item being insured. They must gain by its existence and suffer from its loss. Sinéad does not have an insurable interest in her neighbour's house.

(6)

### Question 15

Visible import	
Visible export	X
Invisible import	
Invisible export	

(6)

Section B

180 marks

Question 16  
(a) (i)

Analysed Cash Book for Johnson family for June 2018															
DR	DATE	DETAILS	f	BANK	WAGES	OTHER	DATE	DETAILS	f	BANK	Groceries	Motor exp.	Phone	Entert.	Other
	05-Jun	Wages		2,880	2,880		01-Jun	Balance	b/d	200					
	06-Jun	Tax refund		2,000		2,000	03-Jun	Paid for groceries		180	180				
							04-Jun	Paid for petrol		30		30			
							14-Jun	mobile bill		72			72		
							17-Jun	Tayto Park		120				120	
							18-Jun	Holiday shopping		150					150
							21-Jun	Groceries		170	170				
							23-Jun	Car Service		300		300			
							25-Jun	House insurance		480					480
							26-Jun	Phone bill		55			55		
							30-Jun	Balance	c/d	3,123					
				4,880	2,880	2,000				4,880	350	330	127	120	630
	01-Jul	Balance	b/d	3,123											

(15)

(ii) The opening balance means the family are overdrawn by €200. The closing balance means the family have €3,123 in the bank. (4)

(b) (i) A tax refund is money that has been paid as tax but is returned to the taxpayer – perhaps the person paid too much tax. (3)

(ii) Any two of the following:

- VAT
- Motor tax
- Local property tax
- Excise duty
- Customs duty

(4)

(iii) One social purpose of taxation is to collect money and redistribute it for social good. For example, providing welfare for the unemployed or people living with illness or disability.

One ethical purpose of taxation is to use the collection of tax money to make society fairer or encourage people to do the right thing. This could be having penalties for tax evasion so that people and businesses know it is wrong if not everybody pays the tax they owe. Also, governments may tax harmful items such as cigarettes or vehicles with high CO<sub>2</sub> emissions to encourage people not to use them. (10)

(iv)

STATUTORY DEDUCTIONS	NON-STATUTORY DEDUCTIONS
PAYE	Savings
PRSI	Health insurance
USC	Union

(6)

Basic pay = 20.00 p/h

Overtime pay = 20 × 1.5 = 30 p/h

Overtime = 570

$$\frac{570}{30} = 19 \text{ hours}$$

April Johnson worked 19 hours of overtime.

(6)

(c) (i)

Income	Budgeted	Actual	Difference
Wages	2,500	2,880	+ 380
Tax refund	0	2,000	+ 2,000
<b>Total Income</b>	<b>2,500</b>	<b>4,880</b>	<b>+2,380</b>
<b>Expenditure</b>			
Groceries	400	350	-50
Motor expenses	300	330	+30
Phone	150	127	-23
Entertainment	90	120	+30
Other	400	630	+ 230
<b>Total Expenditure</b>	<b>1,340</b>	<b>1,557</b>	<b>+ 217</b>
Net Cash	1,160	3,323	2,163

(10)

(ii) The actual situation is better than the one budgeted for. Income has increased greatly due to the tax refund that was not planned for. (2)

### Question 17

(a) Mary Joyce is a risk-taker, she invested her own money in her start-up business.

Mary Joyce is ambitious. She already has plans to expand into online sales if her shop is successful. (6)

(b) Mary Joyce's business has the positive effect of providing employment in her local area. (4)

(c) (i)

August	Sales (ex VAT)	Vat Rate	Sales + VAT
<b>Week 1</b> 07/08/18	€1,000	23%	230
<b>Week 2</b> 14/08/18	€1,250	23%	287.5
<b>Week 3</b> 21/08/18	€1,300	23%	299
<b>Week 4</b> 28/08/18	€2,000	23%	460

(10)

(ii)

Analysed Cash Account														
DR							CR							
Date	Details	Bank	Sales	VAT	Capital		Date	Details	Bank	Purchases	VAT	Rent	Light & Heat	Wages
01/08/18	Capital	20,000			20,000		01/08/18	Purchases	7,995	6,500	1,495			
07/08/18	Sales	1,230	1,000	230			01/08/18	Rent	1,000			1,000		
14/08/18	Sales	1,537.5	1,250	287.5			08/08/18	Purchases	3,321	2,700	621			
21/08/18	Sales	1,599	1,300	299			30/08/18	Wages	1,440					1,440
28/08/18	Sales	2,460	2,000	460			30/08/18	ESB	262				262	
							31/08/18	Balance	12,818.5					
		26,826.5	5550	1276.5	20,000				26,826.5	9,200	2116	1000	262	1,440
01/09/18	Balance	12,818.5												



Capital Account							
Date	Details	F	€	Date	Details	F	€
				01/08/18	Bank	ACB	20,000

Purchases Account							
Date	Details	F	€	Date	Details	F	€
01/08/18	Bank	ACB	6,500				
08/08/18	Bank	ACB	2,700				
			9,200				

Sales Account							
Date	Details	F	€	Date	Details	F	€
				07/08/18	Bank	ACB	1,000
					Bank	ACB	1,250
					Bank	ACB	1,300
					Bank	ACB	2,000
							5,550

VAT Account							
Date	Details	F	€	Date	Details	F	€
01/08	Bank Purchases	ACB	1,495	07/08/18	Bank	ACB	230
08/08	Bank Purchases	ACB	621	14/08/18	Bank	ACB	287.5
				21/08/18	Bank	ACB	299
				28/08/18	Bank	ACB	460
				31/08/18	Balance		839.5
			2,116				2,116
01/09/18	Balance		839.5				

Rent Account							
Date	Details	F	€	Date	Details	F	€
01/08/18	Bank	ACB	1,000				

Light & Heat Account							
Date	Details	F	€	Date	Details	F	€
30/08/18	Bank	ACB	262				

Wages Account							
Date	Details	F	€	Date	Details	F	€
30/08/18	Bank	ACB	1,440				

(20)

(c) (iii)

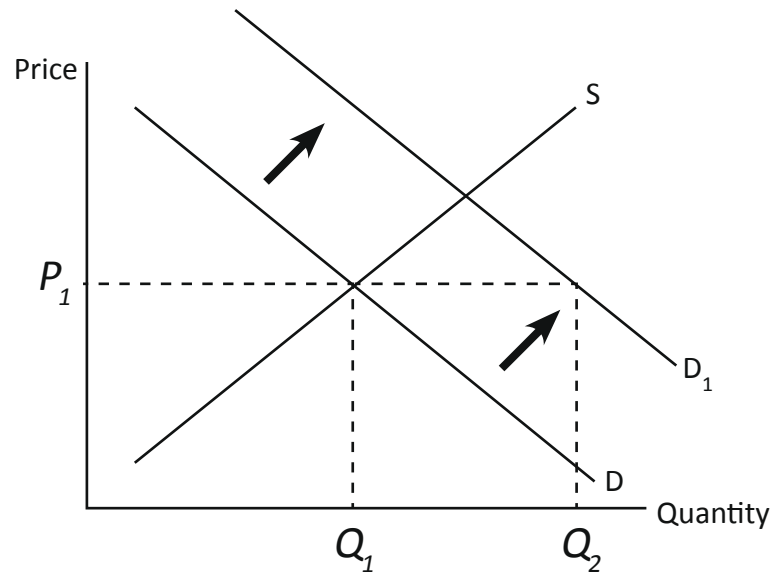
Trial Balance for Blossom Ltd		
Account	Debit	Credit
Bank	12,818.5	
Capital		20,000
Purchases	9,200	
Sales		5,550
Vat	839.5	
Rent	1,000	
Light & Heat	262	
Wages	1,440	
	25,550	25,550

(15)

The balance in Blossom's cash account is €12,818.5 on the debit side. This is a positive bank balance. It means at the start of September 2018 Blossom has €12,818.5 in their bank account. (5)

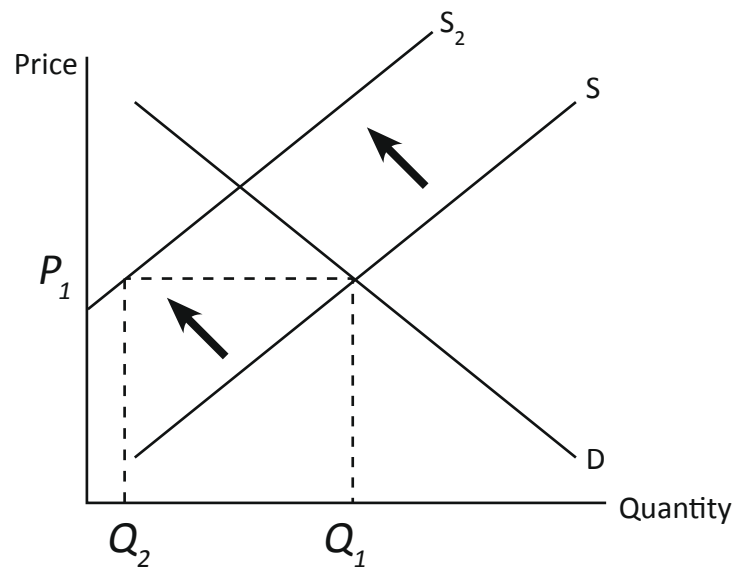
**Question 18**

(a) (i)



Christmas time will lead to an increase in demand for Xbox Ones as people will want them as presents. This will cause the demand curve to shift to the right. (10)

(ii)



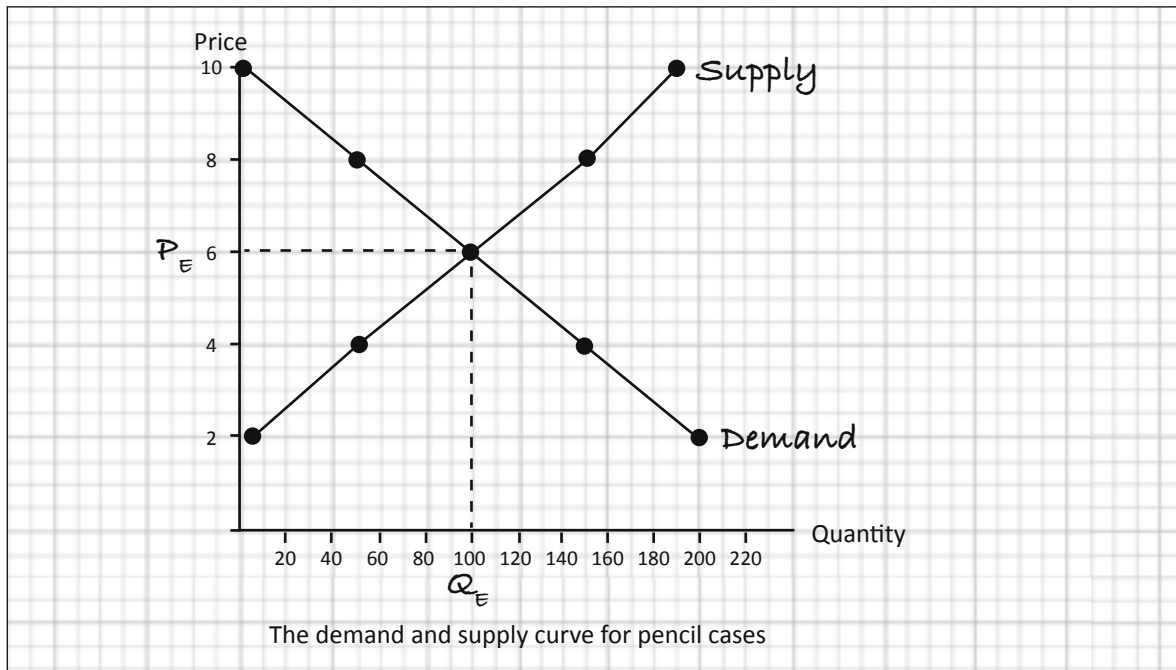
This will cause a decrease in supply of Microsoft Xbox Ones in the market. This will cause the supply curve to shift to the left. (10)

(iii)

FACTORS	
Price	✓
Cost of raw material	
Advertising	✓
Consumers' income	✓
Cost of wages	

(5)

(b) (i)



(10)

(ii) Brexit would have a negative effect on the pencil case business. When the UK is no longer part of the EU there may be trade tariffs on exports sent there. There may be issues with distribution if there are new border crossings. (5)

- (c) 1. I would launch a print advertising campaign to remind customers that War Matte Mousse is the original and best and encourage them to purchase an old favourite.
2. I would launch a social media campaign involving bloggers and influencers and recruit them to test War Matte Mousse for themselves and share the results with their followers. I would distribute special discount codes via bloggers to encourage sales. (10)

(d) Any two of the following:

- Conduct a feasibility study to find out if the product is workable. Can it be produced in a reasonable amount of time and at a profit?
- Make a prototype to highlight any problems with production.
- Test the product on a small group of people and get feedback to make sure it meets consumer needs and wants.
- Launch the product with appropriate advertising to make sure the target market knows about it.

(10)