



Junior Cycle Final Examination

Sample Paper F Solutions

Business Studies

Common Level

Time: 2 hours

270 marks

Examination number

Centre Stamp

Answer all questions.

All questions carry equal marks.

Question 1

1. Tariffs are a barrier to trade. A tariff is a tax on imports. The added expense encourages people to buy domestic (locally produced) products.
2. An embargo is a barrier to trade. This is when there is a ban on certain goods. For example in 1998 there was an embargo on exporting European beef to the US and China because of BSE (mad cow disease). (6)

Question 2

Any of the following:

Reward:

- Potential for more sales and thus more profit
- Will increase awareness of her brand
- A bigger market – more customers available to her

Cost:

- Financial cost of setting up the online shop
- Cost of hiring IT staff
- Training costs to show Sarah or her staff how to manage the website
- Fulfilling orders will take up staff time (6)

Question 3

- (a)**
- You should research the product in detail and know the ingredients, etc.
 - You should research the company that produces the drink to see if they are ethical, etc.
 - You should ensure that the advertising does not mislead consumers in any way. (3)
- (b)** The Directive on Consumer Rights protects buyers in all EU countries, including Ireland. One provision of the directive is that shoppers can cancel their order for any reason within 14 days. (3)

Question 4

Any three of the following:

Checklist for monitoring expenditure ✓

- Prepare a budget.
- Make a list when shopping.
- Shop around to avail of the best deal.
- Try to avoid impulse buying.
- Do not spend more money than you have.

(6)

Question 5

Discuss two reasons why entrepreneurship is important for the Irish economy.

Reason 1:

Entrepreneurs set up businesses (enterprises) and hire employees, therefore reducing the unemployment rate and government social welfare payments (Jobseeker's Benefit/Jobseeker's Allowance).

Reason 2:

Entrepreneurs' businesses produce goods and services, therefore increasing economic growth and more disposal income. (6)

Question 6

(a) $20 + 15 + 5 + 30 = 70$ (2)

(b) A survey is a form of field research. (2)

(c) Supermarket D is the most popular. (2)

Question 7

(a)

	April	May	June	July	TOTAL
RECEIPTS					
Cash sales	82,000	82,000	82,000	82,000	328,000
Loan	100,000				100,000
TOTAL RECEIPTS	182,000	82,000	82,000	82,000	428,000
PAYMENTS					
Cash purchases	34,000	34,000	34,000	34,000	136,000
Overhead costs	24,000	24,000	24,000	24,000	96,000
Distribution costs	15,600	15,600	15,600	15,600	62,400
New premises		160,000			160,000
Dividends			10,000		10,000
TOTAL PAYMENTS	73,600	233,600	83,600	73,600	464,400
Net Cash Flow	108,400	(151,600)	(1,600)	8,400	(36,400)
Opening cash	36,000	144,400	(7,200)	(8,800)	36,000
Closing cash	144,400	(7,200)	(8,800)	(400)	(400)

(4)

- (b) I don't think this is a good budget because it has a deficit balance. In the months of May and June their expenditure is greater than their income. They took out a loan in April of €100,000 and bought new premises in May costing €160,000. They maybe should have looked at getting a loan to cover the full purchase price. (2)

Question 8

- (a) Department of Finance (1)
- (b) A budget that has more income than expenditure is a surplus budget. (1)
- (c) Opportunity costs occur where there are limited resources, and decisions have to be made. The opportunity cost is the item not chosen (foregone). For example, the government have to decide how to spend their money (because money is a limited resource). In the 2018 budget they decided to spend €15.3bn on health. An opportunity cost may be that they decided not to build a school but instead to build a new children's hospital (financial cost). (4)

Question 9

VAT	Value Added Tax
PRSI	Pay Related Social Insurance
DIRT	Deposit Interest Retention Tax

(6)

Question 10

1. How much will the product cost to make?
2. What are competitors charging?

(6)

Question 11

- (a) 22.5 hours
- (b) Divide the deductions from Gemma's pay into statutory and non-statutory.

(3)

STATUTORY	NON-STATUTORY
PAYE	SAVINGS
PRSI	HEALTH INSURANCE
USC	

(3)

Question 12

Income Statement 1		
	€	€
Sales		190,000
Less cost of sales		
Opening stock	25,000	
Purchases	63,000	
Carriage inwards	1,300	
Cost of goods available for sale	89,300	
Less closing stock	40,000	
Cost of sales		49,300
Gross profit		140,700

(6)

Question 13

1. The Irish economy can receive funding and financial assistance from the EU. For example, in times of economic difficulty.
2. Workers from other member states can become part of Ireland's labour force and contribute taxes.
3. Irish companies can bid for government contracts valued at over €50,000 in other member states. (6)

Question 14

The data shows that the Irish economy has been steadily improving between September 2015 and September 2018 as the numbers on the live register are dropping and more people are employed. The employment rate is an economic indicator so high employment indicates a strong economy. (6)

Question 15

- (a) 16–17 year olds. They might be busy with studying for exams. (2)
- (b) Volunteers may learn new skills that are useful in other areas of life such as the jobs market. Volunteers may get a sense of achievement from giving their time to others and helping their community. (4)

Question 16

- (a) (i) You have purchased a new dress from online retailer gladrags.ie. You ordered it on 12/09/18 and your order reference was IE729. When it arrives, you are disappointed to discover that the product is of very poor quality and the seams are not stitched properly. It is also a different colour to what was shown on the website when you were making your purchase.

Write an email to gladrags.ie customer services including the following information:

- Address your complaint to customerservices@gladrags.ie
- Include a subject line
- Include an introduction and sign off
- State the details of your order
- Outline your complaint
- State the consumer laws that are relevant to your case
- Suggest a suitable solution

From: scarymary@gmail.ie
To: customerservices@gladrags.ie
Subject: Complaint Re Order IE729
<p>To whom it may concern,</p> <p>I am contacting you regarding my order IE729 which I placed on 12/09/18. I ordered a dress from you and when it arrived it was of unacceptable quality and a complete disappointment. The dress material is poor and it is not stitched properly – it is coming apart at the seams. The dress I ordered on your website was orange but the dress I received is green.</p> <p>The Sale of Goods and Supply of Services Act 1980 states that goods must be of merchantable quality, fit for purpose and as described. The dress does not meet any of these standards.</p> <p>As the dress is faulty I am entitled to get my money back. Please refund me immediately.</p> <p>Yours faithfully,</p> <p>Mary McDaid</p>

(20)

- (ii) The Competition and Consumer Protection Commission

(5)

(b) (i) Customers are liable for customs duty and VAT on goods purchased from outside the EU above a certain value. (5)

(ii) Which of the following consumer laws will protect you when making purchases from retailers outside the EU:

The Sale of Goods and Supply of Services Act 1980	
Consumer Protection Act 2007	
Competition and Consumer Protection Act 2014	
The Directive on Consumer Rights	
None of the above	✓
All of the above	

(5)

(iii) This is known as distance selling. (5)

(iv) An environmental cost of shopping online would be the damaged caused by pollution from the distance the item travels. It might travel thousands of miles to get to you causing a lot more environmental damage than a local purchase.

Goods bought online often have a lot of packaging to keep them from being damaged in transit. This contributes to landfill.

A social cost of buying online is that the local community may be affected by a lack of footfall in physical shops and this may lead to closures and a lack of local amenities in the long run. (10)

(c) (i) I could contact the Advertising Standards Authority of Ireland (ASAI). (5)

(ii) Brands might choose this form of promotion as online advertising is cheaper than traditional advertising. An influencer's audience may have similar taste to that person so there is a good chance of the brand reaching their target audience. The influencer's audience might trust their recommendations and be more likely to buy than if they saw the products in a traditional ad. (5)

Question 17

Bunny's Ltd is a hardware store operating in Castlerea, Co Roscommon.

(a) The statement is false. A sole trader has unlimited liability. Bunny's is a limited company. (5)

(b) A loan is money borrowed from a financial institution, for example, Bank/Credit union. It is borrowed for a fixed period (short, medium, long term). It needs to be paid back along with interest. A grant is money received that does not have to be paid back. Certain conditions need to be followed and met. For example, government organisations offer grants to encourage entrepreneurship. (8)

(c) (i)

	JAN	FEB	MAR	APR	TOTAL
RECEIPTS					
Cash sales	41,600	41,600	41,600	41,600	166,400
Capital	10,000				10,000
Grant		12,000		8,000	20000
TOTAL RECEIPTS	51,600	53,600	41,600	49,600	196,400
PAYMENTS					
Cash payments	24,000	24,000	24,000	24,000	96,000
Light and heat	4,000		4,000		8,000
Wages	5,600	5,600	5,600	5,600	22,400
Equipment			86,000		86000
Rent	2,000	2,000	2,000	2,000	8,000
TOTAL PAYMENTS	35,600	31,600	121,600	31,600	220,400
Net cash flow	16,000	22,000	(80,000)	18,000	(24,000)
Opening cash	36,000	52,000	74,000	(6,000)	36,000
Closing cash	52,000	74,000	(6,000)	12,000	12,000

(25)

(ii) One aspect of Bunny's cash flow that is doing well:

The cash flow for the 4 months is a surplus cash of €12,000

One aspect of Bunny's cash flow that could be improved:

In the month of March net cash flow will be -€80,000. This is mainly due to the purchase of €86,000 worth of new equipment. Bunny could improve the cash flow if they spread the payment for the new equipment or looked to finance the new equipment with a medium-term loan.

(12)

- (iii) A cash flow forecast is a budget for the future (management accounting). It looks at how much money you think will come in (receipts) and how much money you think will go out (payments). It is for the future, so it may change.

The return that shareholders get from investing in a business is called a dividend. (10)

Question 18

Ireland expected to record highest economic growth in Europe in 2018

(Source: *Independent*, 12 July 2018)

- (a) (i) Economic Growth is the increase in the production of goods and services (output) from one year to the next. (5)

- (ii) GDP/GNP is the measure of economic growth in Ireland. (5)

- (iii) Irish businesses:

As output is increased this means that they are producing more goods and services. Therefore, there is more demand for their goods and services, which means they will make more profit.

Irish citizens:

Individuals may get wage increases because businesses have had increases in production of goods and services. This means individuals will have more disposable income.

Individuals have higher standard of living as a result of increases in production of goods and services.

Access to more employment/overtime as more goods and services need to be produced.

Irish government:

Irish government has more revenue from taxation.

More corporation tax/self-assessment tax as businesses making more profit.

More revenue from VAT as more goods and services sold.

More revenue from PAYE/PRSI as more employment and thus less spent on social welfare payments. (15)

(b) (i) Negative impact on society:

An increase in disposable income can mean individuals can have a greater focus on material items.

Negative impact on environment:

Increased production of goods and services can lead to pollution. (6)

(ii) Any one of the following:

- Reduce reliance on natural resources and switch to renewable energy sources. Example: wind power/rainwater tanks/solar panels. By reducing the environmental impact of a business it will improve the sustainability of the business. This helps achieve the goal of sustainable development.
- Pollution prevention: To ensure they have procedure/protocols for pollution prevention rather than pollution control. Assess/anticipate before it happens, thus reduce the risk.
- Code of ethics – written document on how it operates in an environmentally conscious way.
- Environmental audits – conduct regular reviews of practice.
- Liaising with EPA (Environmental Protection Agency) – seek advice from government agency.
- Rewarding Green initiatives from employees.
- Offer paper bags rather than plastic bags. (4)

(c) Ireland's corporation tax rate is 12.5%. (5)

Benefit:

It attracts Foreign Direct Investment into Ireland. Multinational companies, for example Apple/Google, choose to operate in Ireland due to our low corporation tax. (5)

(d) Sugar tax is a form of indirect taxation as everybody has to pay the same rate of tax irrespective of how much they earn. The rate of the sugar tax is dependent on the volume of sugar in the drink, not on how much people earn. (5)

(FYI: Drinks with total sugar content above 5 g and below 8 g per 100 ml will be taxed at 16.26c per litre. (20c inc VAT) Drinks with more than 8 g per 100 ml will be taxed at 24.39c per litre. (30c Inc VAT))

Economic Benefit:

The government earns more revenue in the form of taxation – this can then be used to finance essential services, i.e. day-to-day running of hospitals, etc. (5)

(FYI: Government hopes to make €27m from sugar tax this year (2018) alone. SOURCE; <http://www.thejournal.ie/sugar-tax-exchequer-4025259-May2018/>)

Social Benefit:

A taxation on sugary drinks will increase the price of these drinks; therefore, individuals might reduce their consumption of the drinks, which in turn help reduce obesity and diabetes. (5)