



# Coimisiún na Scrúduithe Stáit State Examinations Commission

---

JUNIOR CERTIFICATE EXAMINATION, 2004

---

## BUSINESS STUDIES – HIGHER LEVEL – PAPER I

### SECTION B

(160 Marks)

---

WEDNESDAY, 16 JUNE 2004 – MORNING, 9.30 to 12.00

---

- All questions carry equal marks.
- Attempt any **FOUR** questions.
- Marks will be awarded for layout and presentation including, where appropriate, Folios and Dates showing the day, month and year.
- Calculators may be used.

## SECTION B (160 marks)

All questions carry equal marks.

Attempt any **FOUR** questions.

Marks will be awarded for layout and presentation including, where appropriate, Folios and Dates showing the day, month and year. Calculators may be used.

1. **Answer ALL sections. This is a Household Budget Question.**

A. At the end of **Section A page 7** is an original Budget and a revised Budget form for the O'Mahony family from July to September 2003. After preparing the Budget for July to September 2003 Mr. O'Mahony was informed that he would be getting a promotion in his job. This would result in an increase in the family income starting in July. The O'Mahony family decided to revise their Budget in view of the changed circumstances.

You are required to complete the revised Budget form, taking the following into account:

- Mr. O'Mahony's annual salary will be €28,560 net payable monthly.
- Ms. O'Mahony decided to go job sharing which would result in a 30% reduction in her net salary from the beginning of July.
- The O'Mahony family decided to buy a second car by getting another loan. The total cost of this new loan including interest will be €12,000 repayable monthly over 4 years beginning in August.
- The insurance on the new car will cost €450 for the year payable in full in July.
- Household costs will be reduced by €80 per month immediately.
- Car running costs will increase by 40% per month beginning in July.
- They decided to take a holiday in July at a cost of €1,600.
- They intend to postpone the house decorating until November.
- All other income and expenses are to remain the same.

**(30)**

B. Answer the following questions in the space provided at the end of **Section A, page 7**.

- (i) In the original Budget name a month in which planned income is greater than planned expenditure.
- (ii) Comment on the O'Mahony's finances before July.
- (iii) Is their revised budget a good one for their new circumstances? Give reasons for your answer.

**(10)**

**(40 marks)**

2. **Answer ALL sections. This is a Banking Document and Club Account Question.**

The Rovers Football Club, Park Road, Cork have a bank current account number 91327566 at the Bank of Ireland, Wilton, Cork. On the 13 May 2004 William Smith lodged to the club's account the proceeds of a game held in the club's grounds. The lodgment consisted of the following amounts:

Cheque valued €75.50	13 notes of €20 each
24 notes of €10 each	20 notes of €5 each
81 coins of €2 each	143 coins of €1 each
90 coins of 50 cent each	

- A. Assume you are William Smith, complete a lodgment form from the information supplied above. Use the blank document supplied at the end of **Section A page 8**, and show your workings in the space provided. **(13)**
- B. The Treasurer has prepared the following Receipts and Payments Account for the year ending 31/12/2003.

		€			€
1/1/03	Balance b/d	2,000		Telephone	464
	Membership fees	2,400		Rent	5,800
	Raffle Receipts	10,394		Purchase of Equipment	11,750
	Match Receipts	4,759		Insurance	2,877
31/12/03	Balance c/d	3,822		Coaching Expenses	1,860
		23,375		Travel Expenses	624
		23,375			23,375
			1/1/04	Balance b/d	3,822

The following additional information is available on 31/12/2003:

- (a) Insurance prepaid €150
- (b) Travel Expenses due €200
- (c) Membership fees due €85
- (d) Depreciation of Equipment 10% per annum.

You are asked to assist the treasurer in finalising the accounts for the AGM.

- (i) Prepare the Income and Expenditure Account for the year ending 31/12/2003.
- (ii) What is the club's financial position in the Bank on 31/12/2003?

**(27)**

**(40 marks)**

**OVER →**

3. **Answer ALL sections. This is a National Budget, Factors of Production and Trade Question.**

A. The Minister for Finance in his recent budget decided to:

- increase spending on **roads**;
- sell part of **Aer Lingus**;
- increase spending on **social welfare**;
- increase **income tax** rates.

From the above decisions identify **one** example in each case of:

- (i) Government Current Expenditure;
- (ii) Government Capital Income;
- (iii) Government Capital Expenditure. **(6)**

B. Study the following newspaper report and answer the questions that follow:

**Shock Closure of Eurocom Ltd**

Eurocom Ltd, the large electronic company which employs in Ireland a skilled workforce of two thousand people announced its intention to close its plant in Ireland and to relocate its production in Poland. It is the only manufacturer of high-grade computer chips which are used by Irish and European computer manufacturers. The redundant workforce will find it difficult to secure alternative employment in the immediate future.

Explain the effects of this closure on:

- (i) Government Current Income;
- (ii) Government Current Expenditure;
- (iii) Ireland's Balance of Trade. **(12)**

C. The Government has decided to build more hospitals.  
Identify and explain **one** opportunity cost of this decision, for the Government. **(4)**

D. Name the **four** factors of production and state **one** example in each case. **(12)**

E. Explain **two** of the following terms:  
(i) National Budget;  
(ii) Trade Surplus;  
(iii) Economic Growth. **(6)**

**(40 marks)**

4.

**Answer ALL sections. This is an Insurance Question.**

John works as an office manager. He owns a house and a motor car. He has four young children and a large mortgage on his house. He is considering not renewing the insurance on the house and car due to increased insurance costs.

A. (i) What is the term used for the amount paid by John to take out insurance? (3)

(ii) Is John required by law to insure

- His house;
- His car.

Explain your answer in **each** case. (6)

(iii) Outline **two** possible reasons why John's insurance costs have increased. (6)

B. John was advised by his broker to take out adequate insurance cover and to remember the principle of 'utmost good faith' when taking out insurance.

(i) Explain the need for adequate insurance on his car and house. (4)

(ii) Name the document completed by John when taking out insurance. (3)

(iii) When applying for car insurance state **three** pieces of information other than name, address and telephone number which John must supply. (6)

(iv) Explain what is meant by the principle of 'utmost good faith'. (4)

C. John wishes to insure the family house for €160,000 and its contents for €70,000. He received a quotation from his broker of €12 per €10,000 for the house and €8 per €1,000 for the contents. There is a 15% reduction because the home has a house alarm.

Calculate the cost of insurance on the family home. Show your workings. (8)

**(40 marks)**

5. **Answer ALL sections. This is a Banking and Borrowing Question.**

Kitty O’Shea has an account in the Ulster Bank. She received the following bank statement on 2 June 2004.

<b>Statement of Account</b>				
Kitty O’Shea, Main Street, Claremorris, Co. Mayo.		Ulster Bank, Claremorris, Co. Mayo.		
		Branch Code: 91-05-09 Account No: 1961218 Date: 31 May 2004		
Date	Details	Debit €	Credit €	Balance €
1 May 2004	Balance Forward			679
3 May 2004	Cheque 73	174		505
15 May 2004	Paypath		1,450	1,955
17 May 2004	DD – ESB	750		1,205
20 May 2004	ATM – Ballina	400		805
24 May 2004	Cheque 72	340		465
28 May 2004	Bank Charges	18		447

Study this Bank Statement and answer the following questions:

- A. (i)** Is this a deposit account or a current account? Give a reason for your answer. **(4)**
- (ii)** State **two** advantages of paying a debt by cheque. **(4)**
- (iii)** Explain how the DD system operates. **(4)**
- (iv)** Explain the transactions that occurred on the following dates:  
 • 15 May; • 20 May; • 28 May. **(6)**
- B.** Kitty is considering borrowing €4,000 from the Bank to purchase a second hand car. She is unsure if she should ask for a loan or an overdraft.
- (i)** State **two** differences between a loan and an overdraft. **(6)**
- (ii)** Explain **three** factors which the bank would consider before granting a loan to a customer. **(9)**
- C. (i)** If the bank refused Kitty’s request for finance, state **one** other suitable source of finance she could choose to obtain the car.
- (ii)** State **one** advantage and **one** disadvantage of the source of finance chosen. **(7)**

**(40 marks)**

6.

**Answer ALL sections. This is a People at Work Question.**

A. Joan works for Fresh Fruit Ltd selling and delivering fruit and vegetables to shops and hotels in Leitrim. She is paid a basic wage of €160 per week plus a 5% commission on weekly sales in excess of €3,000. Her sales last week were €8,440.

Calculate Joan's gross pay for the week. (5)

B. Joan is considering becoming self employed in the fruit and vegetable business. She will have to recruit one employee.

(i) Explain, with an example, how work differs from employment. (4)

(ii) Outline **two** rewards and **two** risks of being self employed. (8)

(iii) Outline **three** responsibilities of the new employee. (9)

(iv) State **two** statutory deductions taken from an employee's gross wages. (4)

(v) Outline the purpose of each of these statutory deductions. (4)

C. Joan estimates that the total annual expenses of her new business would be €150,000.

Calculate the average monthly sales required if Joan is to receive an average monthly profit of €4,500. (6)

**(40 marks)**

Blank Page