



**Coimisiún na Scrúduithe Stáit**  
**State Examinations Commission**

*Scéimeanna Marcála*

*Scrúduithe Ardteistiméireachta, 2003*

*Gnó*

*Gnáthleibhéal*

*Marking Scheme*

*Leaving Certificate Examination, 2003*

*Business*

*Ordinary Level*

<b>LEAVING CERTIFICATE BUSINESS ORDINARY LEVEL 2003</b> <b>MARKING SCHEME</b>
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**SECTION 1:**

Marking Scheme  
Answer 10 questions.

Available marks 100 marks  
Each question carries 10 marks.

Question	Scheme	Sub-totals	
1	(i) 3 @ 1 mark each (ii) 4 @ 1 mark each (iii) 3 @ 1 mark each	3 4 3	<b>10</b>
2	4, 3, 3		<b>10</b>
3	Role @ 4 marks Examples @ 3 marks each	4 6	<b>10</b>
4	2 points @ 5 marks each	5 5	<b>10</b>
5	5 @ 2 marks each		<b>10</b>
6	Explanation @ 5 marks Example @ 5 marks Entrepreneur + example = 5 marks	5 5	<b>10</b>
7	5 @ 2 marks each		<b>10</b>
8	Explanation @ 5 marks Example @ 5 marks	5 5	<b>10</b>
9	Explanation @ 5 marks Example @ 5 marks	5 5	<b>10</b>
10	2 points @ 5 marks each	5 5	<b>10</b>
11	4, 3, 3		<b>10</b>
12	2 points @ 5 marks each	5 5	<b>10</b>
13	2 points @ 5 marks each	5 5	<b>10</b>
14	2 points @ 5 marks each Explanation of Capital only = 5 marks	5 5	<b>10</b>
15	2 factors @ 5 marks each	5 5	<b>10</b>
Section 1	Available Marks		<b>100</b>

**SECTION 2****MARKING SCHEME  
TOTAL AVAILABLE MARKS 300****SECTION 2 PART 1****MINIMUM 1 QUESTION 75 MARKS****MAXIMUM 2 QUESTIONS 150 MARKS****People in Business****Question 1**

<b>1 (A)</b>	5 words @ 2 marks	5 x 2	<b>10</b>
<b>1 (B)</b>	1 approach @ 10 marks	5 5	<b>10</b>
<b>1(C)</b>	Rights and duties 4 points @ 5 marks At least one duty of retailer	4 x 5	<b>20</b>
<b>1 (D)</b>	2 reasons – fair @ 5 marks each 2 reasons – unfair @ 5 marks each	10 10	<b>20</b>
<b>1 (E)</b>	Role - 2 points 1 @ 10 marks 1 @ 5 marks	10 5	<b>15</b>
	Available marks		<b>75</b>

**Domestic Environment****Question 2**

<b>2 (A)</b>	Category @ 10 marks	10	<b>10</b>
<b>2 (B)</b>	3 benefits @ 5 marks each	5 5 5	<b>15</b>
<b>2(C)</b>	3 effects @ 5 marks each	5 5 5	<b>15</b>
<b>2 (D)</b>	3 benefits @ 5 marks each	5 5 5	<b>15</b>
<b>2(E)</b>	2 agencies - 1 @ 8 and 1 @ 7 Role – 5 marks	15 5	<b>20</b>
	Available marks		<b>75</b>

<b>Domestic/International Environment</b>	<b>Question 3</b>
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<b>3 (A)</b>	Explanation – 2 points @ 5 marks each Example ok for 1 point	5 5	<b>10</b>
<b>3 (B)</b>	2 reasons @ 5 marks each	5 5	<b>10</b>
<b>3(C)</b>	Definition – 10 marks 2 benefits @ 5 marks each	10 5 5	<b>20</b>
<b>3 (D)</b>	3 ways @ 5 marks each point = 3, example = 2	3+2 3+2 3+2	<b>15</b>
<b>3 (E)</b>	2 opportunities @ 5 marks each 2 challenges @ 5 marks each	10 10	<b>20</b>
	Available marks		<b>75</b>

**SECTION 2                      PART 2**  
**MINIMUM 2 QUESTIONS                      150 MARKS**  
**MAXIMUM 3 QUESTIONS                      225 MARKS**

<b>Managing</b>	<b>Question 4</b>
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<b>4 (A)</b>	M. D. 3 + 2	5	<b>5</b>
<b>4 (B)</b>	2 types @ 5 marks each Explanation @ 5 marks	10 5	<b>15</b>
<b>4(C)</b>	3 levels @ 5 marks each 1 explanation @ 5 marks	15 5	<b>20</b>
<b>4 (D)</b>	Description –1 point @ 10 marks - 1 point @ 5 marks	10 5	
<b>4 (E)</b>	Explanation – 1 points @ 10 marks 2 benefits @ 5 marks each	10 10	<b>20</b>
	Available marks		<b>75</b>

<b>Enterprise/Managing</b>	<b>Question 5</b>
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<b>5 (A)</b>	Explanation @ 5 marks 2 characteristics @ 5 marks each	5 10	<b>15</b>
<b>5 (B)</b>	3 types of insurance @ 5 marks each (3+2)	3 +2 3 +2 3 +2	<b>15</b>
<b>5 (C)</b>	2 types of taxes @ 5 marks each (3 + 2)	3 +2 3 +2	<b>10</b>
<b>5 (D)</b>	3 sources @ 5 marks Explanation @ 5 marks	15 5	<b>20</b>
<b>5 (E)</b>	Explanation – 1 point @ 10 marks - 1 point @ 5 marks	10 5	<b>15</b>
	Available marks		<b>75</b>

<b>Business in Action</b>	<b>Question 6</b>
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<b>6 (A)</b>	R & D – 5 marks	3 + 2	<b>5</b>
<b>6 (B)</b>	2 explanation @ 5 marks each 2 examples @ 5 marks each	10 10	<b>20</b>
<b>6(C)</b>	3 types @ 5 marks each (3 + 2)	3 +2 3 +2 3 +2	<b>15</b>
<b>6 (D)</b>	3 methods @ 5 marks each	5 5 5	<b>15</b>
<b>6 (E)</b>	Explanation @ 5 marks 3 benefits @ 5 marks each	5 15	<b>20</b>
	Available marks		<b>75</b>

**Managing 2/ Business in Action**

**Question 7**

<b>7(A)</b>	Explanation – 2 points @ 5 marks each	5 5	<b>10</b>
<b>7 (B)</b>	Explanation – 2 pints @ 5 marks each	5 5	<b>10</b>
<b>7(C)</b>	2 sources @ 5 marks each Explanation @ 5 marks	10 5	<b>15</b>
<b>7 (D)</b>	WCR Formula 1 @ 3 marks 2002 figures 2 @ 3 marks 2002 answer 1 @ 3 marks 2001 figures 2 @ 3 marks 2001 answer 1 @ 3 marks Comment 1 @ 4 marks Working capital = figures only rewarded	3 6 3 6 3 4	<b>25</b>
<b>7 (E)</b>	ROI Formula 1 @ 3 marks 2002 figures 2 @ 2 marks 2002 answer 1 @ 2 marks 2001 figures 2 @ 2 marks 2001 answer 1 @ 2 marks	3 4 2 4 2	<b>15</b>
	Available marks		<b>75</b>

**Business in Action**

**Question 8**

<b>8 (A)</b>	2 advantages @ 5 marks each	5 5	<b>10</b>
<b>8 (B)</b>	3 sources @ 5 marks each	5 5 5	<b>15</b>
<b>8 (C)</b>	Product Life Cycle Title @ 2 marks Labelled X axis @ 2 marks Labelled Y axis @ 2 marks Line @ 2 marks Clarity @ 2 marks Stages 5 @ 2 marks (4 stages 3+3+2+2)	2 2 2 2 2 10	<b>20</b>
<b>8 (D)</b>	Explanation – 2 points each @ 5 marks	5 + 5 5 + 5	<b>20</b>
<b>8 (E)</b>	Explanation @ 5 marks Example @ 5 marks	5 5	<b>10</b>
	Available marks		<b>75</b>

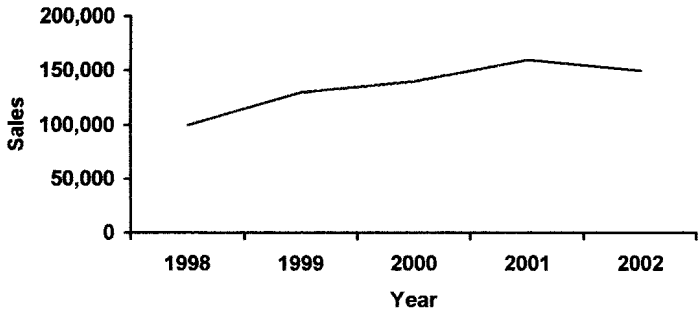
**LEAVING CERTIFICATE 2003**

**BUSINESS ORDINARY LEVEL**  
**EXPLANATORY SUPPORT NOTES**

- All explanatory notes enclosed are not exhaustively or definitively complete.
- They are not model answers.
- It is important to realise that in some cases there will be other correct answers which are acceptable.
- Further appropriate points of information, descriptions, elaborations etc. presented by candidates must be examined and rewarded on their merits by the examiners.

**SECTION 1 100 marks**

**Answer 10 questions. Each question carries 10 marks.**

1	<p><b>What do the following letters stand for?</b></p> <p>(i) VAT: Value Added Tax  (ii) PRSI: Pay Related Social Insurance  (iii) HRM: Human Resource Management</p>														
2	<p><b>List <u>three</u> characteristics of managers</b>  Decisiveness, self-motivated, hard-working, effective planners, ability to manage people and resources, etc.</p>														
3	<p><b>Outline the role of investors in business and give <u>two</u> examples of investors.</b>  Investors provide capital/funds for business in return for profit  Shareholders, owner's capital, banks, etc</p>														
4	<p><b>What does Feasibility Study mean?</b>  This is a study carried out to see if a product is technically and commercially viable - can the business actually manufacture the product, what will it cost, will it be profitable?</p>														
5	<table border="1" style="width: 100%; text-align: center;"> <tr> <td style="width: 25%;"></td> <td style="width: 12.5%;">2.</td> <td style="width: 12.5%;">3.</td> <td style="width: 12.5%;">4.</td> <td style="width: 12.5%;">5.</td> <td style="width: 12.5%;">6.</td> <td style="width: 12.5%;"></td> </tr> <tr> <td></td> <td><b>E</b></td> <td><b>F</b></td> <td><b>C</b></td> <td><b>B</b></td> <td><b>A</b></td> <td></td> </tr> </table>		2.	3.	4.	5.	6.			<b>E</b>	<b>F</b>	<b>C</b>	<b>B</b>	<b>A</b>	
	2.	3.	4.	5.	6.										
	<b>E</b>	<b>F</b>	<b>C</b>	<b>B</b>	<b>A</b>										
6	<p><b>Explain the term intrapreneur and illustrate your answer with an example.</b>  This is where an employee is enterprising within a business e.g coming up with an idea for a new product/service or a way to improve an existing product/service or an idea for cutting costs etc.  Entrepreneur + example = 5 marks max. (3+2)</p>														
7	 <table border="1" style="margin-top: 10px;"> <caption>Sales Data (Estimated from Graph)</caption> <thead> <tr> <th>Year</th> <th>Sales</th> </tr> </thead> <tbody> <tr> <td>1998</td> <td>100,000</td> </tr> <tr> <td>1999</td> <td>130,000</td> </tr> <tr> <td>2000</td> <td>140,000</td> </tr> <tr> <td>2001</td> <td>160,000</td> </tr> <tr> <td>2002</td> <td>150,000</td> </tr> </tbody> </table>	Year	Sales	1998	100,000	1999	130,000	2000	140,000	2001	160,000	2002	150,000		
Year	Sales														
1998	100,000														
1999	130,000														
2000	140,000														
2001	160,000														
2002	150,000														
8	<p><b>Delegation means</b>  Giving responsibility and authority to subordinates for specific tasks or areas of work.  Give example</p>														



9	<p><b>Explain what is meant by a Transnational Company and give one disadvantage of Transnational Companies to the Irish economy</b></p> <p><b>A Transnational Company is</b>  A company with its headquarters in one country but it operates in a number of different countries  * Global company/exporting not acceptable</p> <p><b>Disadvantage</b>  Repatriation of profits, lack of loyalty, closure leading to unemployment, abuse of economic power etc.</p>
10	<p><b>In relation to taxation outline the purposes of the following forms</b></p> <p><b>P45</b>  Cessation Certificate – given by the employer to the employee when the employee leaves the job. It shows the total amount of money earned and the deductions (PAYE + PRSI) to date.</p> <p><b>P60</b>  Given by the employer to the employee at the end of the tax year. It shows the total amount of money earned and the amounts of PAYE + PRSI deducted during the year.</p>
11	<p><b>Outline three barriers to effective communication</b></p> <p>Language used, not listening, wrong method, relationships, timing, lack of feedback, etc</p>
12	<p><b>Distinguish between Strategic Planning and Tactical Planning</b></p> <p>Strategic Planning – long term plans setting down long term objectives e.g to gain 15% market in next 6 years</p> <p>Tactical Planning – shorter term plan 1-2 years e.g open a new branch of the business</p>
13	<p><b>Outline the importance of quality control to a business.</b></p> <p>Cuts down waste/costs, enhances reputation, customer loyalty, easier to enter new markets and to introduce new products etc.</p>
14	<p><b>Explain the term ‘equity capital’</b></p> <p>The ordinary share capital + retained earnings/reserves  It does not have to be repaid – long term source of finance  Shareholders receive dividends  Ordinary Share capital = 10 marks  Capital explained = 5 marks</p>
15	<p><b>Factors of Production</b></p> <p><b>Name the third and fourth factors.</b></p> <p>3. Capital  4. Enterprise</p>

**SECTION 2****MARKING SCHEME  
TOTAL AVAILABLE MARKS 300****SECTION 2 PART 1****MINIMUM 1 QUESTION 75 MARKS****MAXIMUM 2 QUESTIONS 150 MARKS****Question 1                      People in Business**

<b>1 (A)</b>	The Sale of Goods and Supply of Services Act 1980
<b>1 (B)</b>	Discuss (in person, phone, write) with shop manager replacing/repairing the shed The Small Claims Court
<b>1(C)</b>	Legal Rights – Goods should be of merchantable quality Goods should be fit for the purpose intended Entitled to refund/replacement/repair Duties of shop – (at least one) The seller is responsible for putting things right Should sell goods of merchantable quality Should sell goods that are fit for their purpose Should provide redress for the consumer (refund/replacement/repair)
<b>1 (D)</b>	Reasons for <b>fair</b> dismissal – An employee’s incompetence Redundancy Qualifications An employee’s conduct Reasons for <b>unfair</b> dismissal – Pregnancy, race, membership of the travelling community, membership of a trade union or involvement in a strike, sexual orientation, political/religious beliefs
<b>1 (E)</b>	<b>Rights Commissioner</b> - investigates disputes involving one or a small group of employees - investigates unfair dismissals - recommends solution (non-binding) - can be appealed to EAT/ Labour Court Point on Rights of Employees = max. of 5 marks

**Question 2 Domestic Environment**

<b>2 (A)</b>	Tertiary/Services sector
<b>2 (B)</b>	<p><b>Benefits of a private limited company</b></p> <ul style="list-style-type: none"> <li>- Limited liability</li> <li>- More share capital</li> <li>- Continuity of existence</li> <li>- Separate legal entity</li> <li>-</li> </ul>
<b>2 (C)</b>	<p><b>Effects of business on the economy</b></p> <ul style="list-style-type: none"> <li>- Employment</li> <li>- Wealth creation</li> <li>- Government revenue – taxes</li> <li>- Balance of Payments – exporting</li> <li>- Environmental issues etc.</li> </ul>
<b>2 (D)</b>	<p><b>Local Community Enterprise - Benefits</b></p> <ul style="list-style-type: none"> <li>- Job creation</li> <li>- Spin-off effects – shops etc</li> <li>- Attracts investment to an area</li> <li>- Motivates other entrepreneurs to set up businesses etc.</li> </ul>
<b>2 (E)</b>	<p>City/County Enterprise Boards  Area Partnership Companies  FÁS  LEADER  (Enterprise Ireland/Bord Fáilte etc)  Youthreach, PLC courses, VTOs etc</p> <p>Grants//Mentoring/Advice/Training/Workspace/Assistance with marketing</p>

### Question 3 Domestic/International Environment

<b>3 (A)</b>	<p>Indigenous firm – Set up by Irish people and based in Ireland (example = 5)</p>
<b>3 (B)</b>	<p><b>Development of Transnational Companies - reasons</b></p> <ul style="list-style-type: none"> <li>(i) Home market too small</li> <li>(ii) Cheaper to set up abroad than to export</li> <li>(iii) Expansion and profit</li> <li>(iv) Empire building</li> <li>(v) Aided by developments in ICT and transport</li> </ul>
<b>3(C)</b>	<p><b>Privatisation</b> The sale of state owned enterprises to private sector companies/individuals</p> <p>Benefits</p> <ul style="list-style-type: none"> <li>(i) Government receives money from sale</li> <li>(ii) Improved efficiency – profit motive</li> <li>(iii) Better service to consumer</li> <li>(iv) More capital/investment from private sector</li> <li>(v) Government no longer funds loss-making semi-states (reduction in Government borrowing)</li> </ul>
<b>3 (D)</b>	<p><b>Information and Communications Technology</b> Ways ICT helped International Trade + examples</p> <ul style="list-style-type: none"> <li>(i) Marketing and access to global markets – Internet/websites</li> <li>(ii) Instant communication – e-mails</li> <li>(iii) Market research – Internet</li> <li>(iv) Facilitates transfer of information – video-conferencing</li> <li>(v) Fax</li> <li>(vi) Mobiles</li> </ul> <p>Examples not in context = 2 marks each</p>
<b>3 (E)</b>	<p><b>International trade and Irish firms</b></p> <p>Opportunities/Advantages</p> <ul style="list-style-type: none"> <li>(i) EU membership – free trade</li> <li>(ii) English language</li> <li>(iii) Green image</li> <li>(iv) Bigger markets</li> </ul> <p>Challenges/Disadvantages</p> <ul style="list-style-type: none"> <li>(i) High cost base – labour/insurance</li> <li>(ii) Distribution costs – location</li> <li>(iii) Different customs/language/cultures in other countries</li> <li>(iv) Cost of adapting products to meet international standards/regulations</li> <li>(v) Risks of exchange rate fluctuations</li> <li>(vi) Payment difficulties</li> <li>(vii) Competition</li> </ul>

**SECTION 2            PART 2**  
**MINIMUM 2 QUESTIONS      150 MARKS**  
**MAXIMUM 3 QUESTIONS      225 MARKS**

**Question 4    Managing 1**

<b>4 (A)</b>	Managing Director
<b>4 (B)</b>	<p><b>Types of Leadership</b></p> <ul style="list-style-type: none"> <li>▪ Autocratic/Authoritarian</li> <li>▪ Democratic</li> <li>▪ Laissez-faire</li> <li>▪ Charismatic / Free- rein /Spectator</li> </ul> <p>Explain one e.g. Autocratic leader</p> <ul style="list-style-type: none"> <li>- does not consult with others before making decisions</li> <li>- does not delegate authority</li> <li>- gives orders and wants to be in control</li> <li>- does not trust employees</li> </ul>
<b>4 (C)</b>	<p><b>Mazlow's Hierarchy of Needs</b></p> <ol style="list-style-type: none"> <li>1. Physiological/Physical needs</li> <li>2. Safety/Security needs</li> <li>3. Acceptance/Social needs</li> </ol> <p>Explain one e.g. Physiological</p> <ul style="list-style-type: none"> <li>- basic needs for food, clothing and shelter</li> <li>- these needs are satisfied by management by providing adequate wages/remuneration</li> </ul> <p>If levels 4 or 5 explained = 3 marks If levels mixed up = 3 marks each</p>
<b>4 (D)</b>	<p><b>Mc Gregor's Theory X</b></p> <p>Managers believe</p> <ul style="list-style-type: none"> <li>- that employees are lazy and dislike work</li> <li>- that they must be supervised closely</li> <li>- that employees don't want responsibility</li> <li>- that workers are not ambitious and don't want new challenges</li> </ul> <p><b>Mc Gregor's Theory Y</b></p> <p>Managers believe</p> <ul style="list-style-type: none"> <li>- that employees enjoy work</li> <li>- that they can be left to get on with their work</li> <li>- that employees accept responsibility</li> <li>- that workers are ambitious and like new challenges</li> </ul>

<b>4 (E)</b>	<p><b>Employee Empowerment</b></p> <ul style="list-style-type: none"> <li>- encouraging employees to take on responsibility and authority and to seek more power to improve the way in which they do their jobs</li> <li>- employees are involved in decision making and have the authority to make changes</li> <li>- improves the overall efficiency of the firm</li> </ul> <p>Benefits</p> <ul style="list-style-type: none"> <li>- higher motivation and job satisfaction</li> <li>- encourages initiative and innovation</li> <li>- increases employee loyalty</li> <li>- improves productivity and efficiency</li> </ul>
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**Question 5 Enterprise/Managing**

<b>5 (A)</b>	<p><b>Entrepreneur</b></p> <ul style="list-style-type: none"> <li>- identifies an opportunity in the market for a new product/service</li> <li>- takes the risk in setting up and running the business</li> </ul> <p>Characteristics Innovative, risk-taking, decision making, flexible/adaptable, good communicator, realistic, motivated, leader, confident/self-belief etc.</p>								
<b>5 (B)</b>	<p><b>Insurance</b> - describe</p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">Motor insurance for delivery van</td> <td>/ Goods in transit</td> </tr> <tr> <td>Employers Liability</td> <td>/ Plate Glass</td> </tr> <tr> <td>Public Liability</td> <td>/ Cash in transit</td> </tr> <tr> <td>Life Assurance</td> <td>/ PRSI</td> </tr> </table>	Motor insurance for delivery van	/ Goods in transit	Employers Liability	/ Plate Glass	Public Liability	/ Cash in transit	Life Assurance	/ PRSI
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<b>5 (C)</b>	<table style="width: 100%; border: none;"> <tr> <td style="width: 50%;"><b>Taxes</b></td> <td style="width: 50%;"><b>Rates</b></td> </tr> <tr> <td>Motor tax</td> <td></td> </tr> <tr> <td>Self-assessment/Corporation tax</td> <td></td> </tr> <tr> <td>VAT / PAYE /PRSI</td> <td></td> </tr> </table>	<b>Taxes</b>	<b>Rates</b>	Motor tax		Self-assessment/Corporation tax		VAT / PAYE /PRSI	
<b>Taxes</b>	<b>Rates</b>								
Motor tax									
Self-assessment/Corporation tax									
VAT / PAYE /PRSI									
<b>5 (D)</b>	<p><b>Long term finance</b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">- long term loan/mortgage</td> <td>retained earnings etc</td> </tr> <tr> <td>- owner's capital</td> <td>sale and leaseback</td> </tr> <tr> <td>- share capital/equity</td> <td></td> </tr> </table> <p>Explain one e.g Long term loan</p> <ul style="list-style-type: none"> <li>- 5 years +</li> <li>- fixed repayments and interest per annum</li> <li>- security required</li> <li>- used for large capital expenditure</li> </ul>	- long term loan/mortgage	retained earnings etc	- owner's capital	sale and leaseback	- share capital/equity			
- long term loan/mortgage	retained earnings etc								
- owner's capital	sale and leaseback								
- share capital/equity									

<b>5 (E)</b>	<p><b>Performance Appraisal</b></p> <ul style="list-style-type: none"> <li>- the process of reviewing the performance of an employee</li> <li>- meetings between manager and employee to examine performance and discuss progress</li> <li>- new targets/objectives are set</li> <li>- training and development needs are identified</li> <li>- pay and rewards are discussed</li> </ul> <p>Benefits</p> <ul style="list-style-type: none"> <li>- motivates employee</li> <li>- allows for feedback</li> <li>- identifies the employee's training needs</li> <li>- rewards are set</li> <li>- identifies employees suitable for promotion</li> </ul>
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**Question 6 Business in Action**

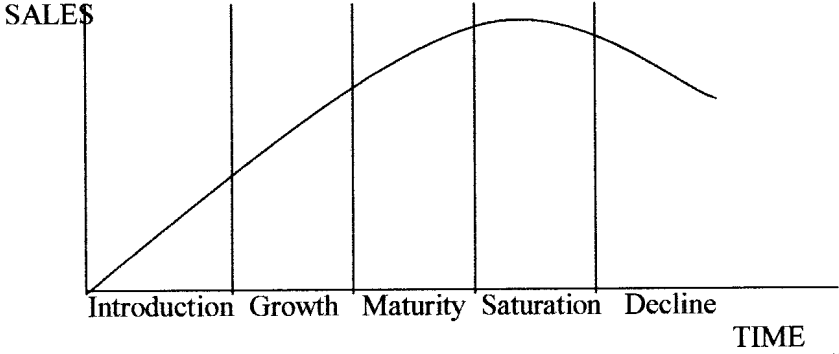
<b>6 (A)</b>	<p><b>R &amp; D – Research and Development</b> Researching and developing new ideas, products, product improvements and processes</p>
<b>6 (B)</b>	<p><b>Field Research (Primary Research)</b></p> <ul style="list-style-type: none"> <li>- this involves the firm going out into the marketplace and finding the information</li> <li>- methods include questionnaires, observation, interviews etc</li> </ul> <p><b>Desk Research (Secondary Research)</b></p> <ul style="list-style-type: none"> <li>- this involves research which is based on information that is already available within or outside the firm</li> <li>- sources include company files and sales records, customer feedback, the Internet, Central Statistics Office, magazines and trade journals, Government and other reports etc.</li> </ul>
<b>6 (C)</b>	<p><b>Advertising Media</b> Newspapers, magazines, radio, television, posters, Internet, point-of-sale displays etc.</p>
<b>6(D)</b>	<p><b>Sales Promotion methods</b> Reduced prices(special offers), free samples, gifts, competitions etc</p>
<b>6(E)</b>	<p><b>Brand name</b></p> <ul style="list-style-type: none"> <li>- the distinctive name of a product</li> <li>- usually registered and cannot be used by others</li> </ul> <p>Benefits</p> <ul style="list-style-type: none"> <li>- helps identify the product</li> <li>- it differentiates the product from other products</li> <li>- creates customer loyalty</li> <li>- allows new products to be launched</li> <li>- makes it easier for the customer to select the product</li> </ul>

**Question 7 Managing 2/Business in Action**

7 (A)	<p><b>Bank Overdraft</b></p> <ul style="list-style-type: none"> <li>- short term source of finance</li> <li>- bank allows the customer to withdraw more money from the account than the account holds</li> <li>- interest is paid on the overdrawn amount</li> <li>- a limit is set on the amount of the overdraft</li> </ul>
7 (B)	<p><b>Cash Flow Forecast – reasons</b></p> <ul style="list-style-type: none"> <li>(i) to plan income</li> <li>(ii) to plan expenditure</li> <li>(iii) to anticipate finance problems/cash shortages and to plan how to deal with them</li> <li>(iv) to identify finance needs of the future</li> </ul>
7 (C)	<p><b>Common sources of Finance</b> Household and Business</p> <ul style="list-style-type: none"> <li>- Leasing</li> <li>- Hire Purchase</li> <li>- Term loans</li> <li>- Bank overdraft</li> <li>- Accrued expenses</li> <li>- Trade Credit</li> <li>- Mortgage</li> </ul> <p>Explain one source e.g Hire Purchase</p>
7 (D)	<p><b>Working Capital Ratio =</b> Current Assets/Current Liabilities</p> <p>2001: 180,000 / 120,000 = <b>1.5:1</b> 2002: 200,000 / 100,000 = <b>2:1</b> Comment: Improvement in WCR/ Ideal ratio</p> <p>If Working Capital only, then reward figures only (max 12 marks)</p>
7 (E)	<p><b>Return on Capital Employed =</b> Net Profit/Capital Employed x 100</p> <p>2001: 40,000 / 500,000 x 100 = <b>8%</b> 2002: 50,000 / 500,000 x 100 = <b>10%</b></p>



**Question 8 Business in Action**

<p><b>8 (A)</b></p>	<p><b>Sole Trader – Advantages</b></p> <ul style="list-style-type: none"> <li>(i) Formation – easy to set up</li> <li>(ii) Control – the sole trader can make all the decisions him/herself</li> <li>(iii) Profits – the sole trader keeps all the profits</li> <li>(iv) Accounts are kept confidential</li> </ul>
<p><b>8 (B)</b></p>	<p><b>Sources of new business ideas</b></p> <ul style="list-style-type: none"> <li>(i) Personal interests, hobbies, skills</li> <li>(ii) Other businesses</li> <li>(iii) Foreign travel</li> <li>(iv) Market research</li> <li>(v) Government agencies</li> <li>(vi) Family, friends</li> <li>(vii) Internet etc.</li> </ul>
<p><b>8 (C)</b></p>	<p><b>Product Life Cycle</b></p> 
<p><b>8 (D)</b></p>	<p><b>Product Screening:</b> Examining all the new ideas from the Ideas Generation stage/Brainstorming and identifying the ideas that have the most potential and that should be developed further. Picking the best ideas.</p> <p><b>Concept development:</b> Developing the idea for a new product to find out what consumer needs/wants it will satisfy, what it will look like, what features it will have etc.</p> <p><b>Prototype Development:</b> Producing the first working example/mock-up of the product. It will prove it can be made, it can be tested and improved and problems can be highlighted at this stage.</p>
<p><b>8 (E)</b></p>	<p><b>Job Production:</b> Producing goods to order Once-off unique product Expensive and high quality Skilled labour Examples: Wedding dress/suit made to order etc.</p>