



Coimisiún na Scrúduithe Stáit
State Examinations Commission

JUNIOR CERTIFICATE 2008

MARKING SCHEME

BUSINESS STUDIES

HIGHER LEVEL – PAPER 1

Junior Certificate Examination 2008

Business Studies

Higher Level – Paper 1

Marking Scheme and Support Notes for use with the Marking Scheme

In considering this marking scheme the following points should be noted:

- The support notes presented are not exclusive or definitive and alternative answers may be acceptable if deemed valid;
- They are support notes and not model or suggested answers;
- The book-keeping layout as presented in the support notes may be accepted as best practice. However, in some book-keeping questions there can be a number of alternative approaches and formats that can be validly used by candidates;
- Further relevant points of information presented by candidates are marked and rewarded on their merits;
- The detail required in any answer is determined by the context and the manner in which the question is asked and by the number of marks assigned to the answer on the examination paper. Requirements and mark allocations may therefore vary from year to year.

JUNIOR CERTIFICATE EXAMINATION 2008
BUSINESS STUDIES HIGHER LEVEL PAPER 1

SECTION A
(80 marks)

Each question carries 4 marks

MARKING SCHEME

- | | |
|---|---|
| Q 1. 4 @ 1 mark each | Q 11. 2 @ 2 marks |
| Q 2. 4 marks | Q 12. 2 @ 2 marks |
| Q 3. (A) or (B) 4 @ 1 mark each | Q 13. Both 4 @1 mark |
| Q 4. (i) 2 marks
Workings only – 1mark | Q 14. 1 @ 4 marks
Formula/workings 1 mark |
| (ii) 2 marks | Q 15. 2 @ 2 marks each |
| Q 5. 4 @ 1 mark | Q 16. 4 @ 1 mark each |
| Q 6. 2 @ 2 marks | Q 17. (i) 2 marks |
| Q 7. 4 @ 1 mark | (ii) 2 marks |
| Q 8. (2 +1 +1) – 4 marks | Q 18. 4 @ 1 mark each |
| Q 9. 4 marks | Q 19. 2 @ 2 marks each |
| Q10. 4 marks
Workings only – 1 mark | Q 20. 4 @ 1 mark each |

[Total 80 marks]

BUSINESS STUDIES – HIGHER LEVEL - PAPER 1

SECTION B

(160 marks)

All questions carry equal marks (40 marks)

MARKING SCHEME

1. Household Budget

(A) Budget Comparison Statement:

32 figures @ ½ mark each	16 marks	
6 figures @ 1 mark each	6 marks	22

(B) 5 answers @ 2 marks each 10

(C) (i) Explanation	3 marks		
(ii) Explanation	3 marks		
(iii) Two examples	2 marks	8	(40 marks)

2. Club Accounts

(A) (i) Bar Trading Account:

Title and date	2 marks	
7 figures @ 1 mark each	7 marks	9

(ii) Income & Expenditure Account:

Title and date	2 marks	
Figures and details – 15 @ 1	15 marks	
Excess: Correct figure with detail	2 marks	19

(B) (i) Officer	3 marks		
(ii) Calculation	3 marks		
(iii) Two reasons @ 3 marks each	6 marks	12	(40 marks)

3. Factors of Production, National Budget and Opportunity Cost

(A)	<u>Factors of Production:</u>			
	State Factors – 4 @ 1 mark each	4 marks		
	Explanations – 4 @ 1 mark each	4 marks		
	Examples – 4 @ 1 mark each	4 marks	12	
(B)	(i) <u>National Budget</u>			
	Title and year	1 mark		
	10 figures with detail @ 1 each	10 marks		
	Surplus/deficit	1 mark		
	(ii) Government Department	2 marks		
	(iii) <u>Capital/Current Exp.</u>			
	Distinguish (2 + 2)	4 marks		
	Two examples @ 1 marks each	2 marks		
	(iv) <u>Excise Duties:</u>			
	Explanation (1 + 1)	2 marks		
	Example	2 marks	24	
(C)	<u>Opportunity Cost:</u>			
	Explanation (1 + 1)	2 marks		
	Example	2 marks	4	(40 marks)

4. Banking

(A)	(i) <u>Document:</u>			
	10 items @ 1 mark each	10 marks		
	(ii) <u>SO and DD:</u>			
	Two differences @ 2 marks each	4 marks		
	(iii) Explanation of Laser Card operation	3 marks	17	
(B)	(i) Three relevant questions @ 3 each	9 marks		
	(ii) Name two institutions @ 2 each	4 marks	13	
(C)	(i) Correct currency calculation	4 marks		
	(ii) Two suitable methods @ 3 each	6 marks	10	(40 marks)

5. Consumer

(A)	<u>Letter:</u>			
	Format and layout – 7 @ 1 mark	7 marks		
	English	2 marks		
	Neatness	1 mark		
	Content – 3 @ 3 marks	9 marks	19	
(B)	(i)	Two forms of redress @ 3 each	6 marks	
	(ii)	Consumer law named (2 + 1)	3 marks	
	(iii)	Two relevant principles @ 2 each	4 marks	13
(C)	(i)	<u>Impulse buying:</u>		
		Explanation	2 marks	
		Example	2 marks	
	(ii)	Two characteristics @ 2 each	4 marks	8
				(40 marks)

6. People at Work and Information Technology

(A)	(i)	Six terms explained @ 3 each	18 marks	
	(ii)	3 pieces of information @ 2 each	6 marks	24
(B)	(i)	<u>Benefit-in-kind/commission:</u>		
		Two explanations @ 2 marks each		
		Two examples @ 1 mark each	6 marks	
	(ii)	Work/employment:		
		Difference	2 marks	
		Two examples @ 1 mark each	2 marks	10
(C)		Calculation of correct Gross Wage	3 marks	
		Workings (up to 3 marks allowed)	3 marks	6
				(40 marks)

SUPPORT NOTES

SECTION A

1. Visual Display Unit
Personal Computer
World Wide Web
Random Access Memory

2. Dividend

3. (i) Fixed Assets (ii) 280,000
(iii) Working Capital (iv) 170,000

- OR

- (i) Ordinary / Issued Share Capital (ii) Capital Employed
(iii) 160,000 (iv) 110,000

4. (i) Answer: 3.25%

WORKINGS 260 x 100 / 8000

- (ii) Consumer Price Index CPI

5. (i) Purchases (ii) Bank / Cheque (iii) Bank (iv) Purchases

6. (i) PAYE / Income Tax (ii) PRSI

7. D B E C

8. Drawer: John Ryan
Drawee: Ulster Bank
Payee: Sarah Curran

9. Grant: Non repayable, interest free source of finance, but the receiver must comply with the donor's conditions and specifications.
Loan: Repayable with interest within or by an agreed time.

10. Answer: 32,000

WORKINGS 14,000 + 18,000

11. Two reasons why stocktaking is essential:

- to calculate value of closing stock for final accounts / balance sheet
- to identify slow moving items
- to check the condition of the stock / offered in a sale
- to check on the store keeper and staff
- to calculate what should be ordered

12. Two rewards of self-employment:

- Greater job satisfaction
- Greater motivation
- Get to keep all the profits
- Own boss / makes all the decisions / choose your own opening hours
- Free to pursue any line of business

13. Debtors Control Account

Dr.		Debtors Control Account				Cr.
1/5/08	Balance	1400	31/5/08	Cash / Bank	6300	
31/5/08	Sales	8500	31/5/08	Balance	3600	
		9900			9900	

OR

Debtors Control Account				
Date	Details	Dr	Cr	Balance
1/5/08	Balance			1400
31/5/08	Sales	8500		9900
31/5/08	Cash / Bank		6300	3600

14. Answer: 7.5 times

WORKINGS:	
<u>Costs of Sales</u>	= <u>300,000</u>
<u>Average Stock</u>	<u>40,000</u>

15. Two headings in a Business Plan:
- Name, address, legal structure
 - Details of Promoters and their investment
 - Details of product or service / objectives
 - Marketing / price / sales promotion
 - Assets required
 - Finance / cash flow

16. Final Accounts:

	Trading A/C	Profit& Loss A/C	Balance Sheet
Issued Share Capital			✓
Carriage Outwards		✓	
Stock (31/12/07)	✓		✓

17. (i) Invisible Import (ii) Invisible Export

18. General Journal

	Details	F	Dr	Cr
1/1/08	Buildings		100,000	
	Stock		22,000	
	Bank Overdraft			5,000
	Ordinary Share Capital			117,000
			122,000	122,000

19. Reasons for Cash Flow Statement:

- To project future inflows / receipts of cash.
- To project outflows / payments of cash
- To identify monthly net cash / calculate monthly surplus or deficit
- To identify monthly closing cash / shortfalls and a need to borrow or surpluses for investing

- 20.

McGrath Ltd – Sales Returns Book						
Date	Details	C/N	F	Net	VAT	Total
13/5/'08	Roche Ltd	9	DL	5400	1134	6534
OR						
				4462.81	937.19	5400

Section B

1. (A) Budget Comparison Statement for the Burke household for the year 2007

INCOME	Budget Jan – Dec €	Actual €	Difference €
Salaries	21,000	21,840	+840
Child benefit	720	880	+160
Interest	250	180	-70
Other		400	+400
TOTAL INCOME	21,970	23,300	+1,330
EXPENDITURE			
<i>Fixed</i>			
Mortgage	4,080	4,230	+150
Car insurance	560	476	-84
House insurance	235	325	+90
Subtotal	4,875	5,031	+156
<i>Irregular</i>			
Household costs	7,800	8,385	+585
Car costs	1,550	1,925	+375
Clothing and footwear costs	2,000	1,700	-300
Light and heat costs	1,600	1,504	-96
Medical expenses	400	2,500	+2,100
Subtotal	13,350	16,014	+2,664
<i>Discretionary</i>			
Entertainment costs	1,560	1,410	-150
Presents	300	490	+190
Holidays	1,800	-	-1,800
Subtotal	3,660	1,900	-1,760
TOTAL EXPENDITURE	21,885	22,945	+1,060
Net Cash	85	355	+270
Opening Cash	1,400	1,400	
Closing Cash	1,485	1,755	

Question 1 (continued)

B (i) 1485

B (ii) 85

B (iii) 1755 or own correct figure

B (iv) 1060 or own correct figure

B (v) - fall in interest rates
- withdraw some of the capital invested

C (i) **Discretionary Expenditure:**
Spending on unnecessary items and undertaken only if one has surplus cash. Expenditure that could be done without.
e.g. holidays

C (ii) **Health Insurance:**
Protection against hospital and medical expenses incurred by the insured.

C (iii) VHI; VIVAS / Hibernian; BUPA / Quinn Insurance.

Question 2 CLUB ACCOUNTS

A (i) Bar Trading Account for year ending 30/04/2008

Sales		47,600
<u>Less Cost of Sales</u>		
Opening Stock	12,000	
Purchases	<u>30,960</u>	
	42,960	
Less Closing Stock	<u>14,400</u>	
		<u>28,560</u>
Gross Profit		<u>19,040</u>

(A) (ii) Income and Expenditure for Year ending 30-04-2008

<u>INCOME</u>			
Bar Profit		19,040	
Lotto Receipts	24,400		
Less Prizes	<u>8,140</u>	16,260	
Subscriptions	52,000		
<u>Less Pre-Paid</u>	<u>2,500</u>	<u>49,500</u>	84,800
<u>LESS EXPENSES</u>			
Wages		22,100	
Light & Heat	5,960		
+ due	<u>345</u>	6,305	
Insurance	11,200		
- Pre-Paid	<u>2,800</u>	8,400	
Lotto Prizes		8,140	
Telephone		1,655	
Repairs		17,895	
Depreciation - Tractor		<u>5,000</u>	<u>61,355</u>
Excess Income / Surplus			23,445

(B) (i) Treasurer

(ii)
$$\text{Gross Margin} = \frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1} = \frac{19,040}{47,600} \times \frac{100}{1} = 40\%$$

(iii) Examples:

- To act as a basis for future decisions (e.g. subscription changes, fundraising etc)
- To give details of the clubs assets and liabilities (strengths/weaknesses)
- To inform members of the club's cash position at the end of the year
- To inform members if the club is operating within its income (surplus/deficit)
- To state the main items of capital expenditure.

Question 3 **FACTORS of PRODUCTION, NATIONAL BUDGET**

(A) (i) Land

Natural resources, gifts of nature

Example: air, water, oil, sea, fish, natural forests

(ii) Labour

Any productive human effort

Example: hairdresser, block layer

(iii) Capital

Human created wealth, man-made items which help in further production

Example: roads, factories, computers, lorries

(iv) Enterprise

Risk taking ventures for the purpose of making a profit

Seeing an opportunity to make a profit and investing in it / combining the other factors.

Example: self-employed people, share holder, shop owner, farmer.

(B) (i) National Budget for 2008

INCOME	€m	€m
PAYE	2,850	
VAT	1,930	
Corporation Tax	260	
Excise Duty	215	5,255
EXPENDITURE		
Debt Servicing	290	
Health Services	1,960	
Social Welfare	1,360	
Education	1,490	
Agriculture	285	5,385
DEFICIT		130

(ii) Department of Finance

(iii) Capital Expenditure e.g.

Non-recurring, once-off expenditure in buying fixed assets.

Example: new schools, hospitals, roads, government jet

Current Expenditure e.g.

On-going, recurring, day to day expenditure in the running of the country

Example: wages of Gardai, civil servants and TDs,

cleaning, repairs and medicine for hospitals.

Question 3 (continued)

(B) (iv) Excise Duties e.g.

These are indirect taxes imposed on goods in the Budget to raise revenue and discourage consumption

Example: petrol, diesel, cigarettes, wine, beer

(C) Opportunity Cost e.g.

When a purchaser is confronted with making a choice between two items because of limited resources, the item not selected is the opportunity cost – opportunity forgone.

Example: One has only €1 to spend and would like an ice-cream and a chocolate bar. Both cost €1.
If one selects the ice-cream then the chocolate bar is the opportunity cost.

Question 4 **BANKING**

(A) (i)	ESB Direct Debit Instruction										
Your Electricity Account Number:	7	5	3	-	8	8	9	-	4	6	2
I wish to pay my electricity bill every two months.											
To	The Manager										
Bank	AIB Bank										
Bank Address	The Mall,										
	Westport										
	Co. Mayo										
I give permission to ESB to charge variable amounts to my bank account.											
Name of Bank Account to be debited	John Murphy										
Account type	Current										
Bank Account Number	1	7	9	4	0	8	3	2			
Branch Sorting Code	9	3	-	2	6	-	0	5			
Contact Telephone Number	087 – 4536281										
Signature	<i>John Murphy</i>										
Date	5 June 2008										

(ii) Direct Debit / Standing Order

	Direct Debit	Standing Order
1	for paying fixed or variable amounts	fixed amounts only
2	payments at anytime	at fixed regular intervals
3	permission to a creditor to withdraw	instruction to a bank to pay

(iii) Laser Card (example):

- Operates from a Current Account.
- Laser Card is swiped in the sellers terminal or card reader
- the amount entered and cashback if required
- the buyer enters PIN number or signature
- the amount of the purchase is instantly transferred from the buyers account to the sellers account by electronic means
- a receipt is printed for the customer
- the cardholder may use it to withdraw cash

- (B) (i)**
- Can he offer any security?
 - Has he the ability to repay?
 - (What is his income and job security?)
 - How long is the loan required for?
 - Has he any savings record?
 - Has he any outstanding debts?
 - Previous history with the bank / other banks
 - Purpose / amount.

(ii) Credit Unions, Building Societies, Hire Purchase Companies.

(C) (i) Answer: \$1,275.00

<p style="text-align: center;">WORKINGS</p> <p style="text-align: center;">$850 \times 1.50 = 1275$</p> <p style="text-align: center;">Multiply by Sell Rate</p>
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(ii) Credit Card / Master Card / Visa: e.g.

Buying goods now but paying later

The credit card company pays the seller.

The card holder receives a monthly statement from the credit card company.

If the cardholder clears his/her account each month, no interest or extra charges are payable. If the account is not fully cleared, a high rate of interest applies on outstanding balance.

Government stamp duty applies.

Travellers' Cheques: e.g.

Cheques are pre-printed in various amounts in the currency required.

Paid for and signed by the buyer in the presence of a bank official when purchased.

Signed again when being cashed / used in the presence of the seller of the goods or services. Passport required to check the signatures.

Charge Card / American Express / Diners Club e.g.

Buying goods now but paying later

Account must be settled when statement arrives

Fee is paid to card provider for use.

Question 5 CONSUMER

(A) Letter

High Street
Ballymote
Co. Sligo

7 April 2008

Sales Manager
Electric World Ltd
Port Rd
Sligo

Re: Microwave Oven

Dear Sir

I wish to lodge a complaint regarding a microwave oven costing \$450 which I purchased from your shop on 5th April 2008.

The microwave oven has not worked for me, as it fails to heat food. I am asking you please to replace it with one which works properly.

Please find enclosed a copy of the receipt as evidence of my purchase.

Yours faithfully

Margaret Greally

- (B) (i)
- Refund - Margaret is entitled to a cash refund, or
 - Replacement - Margaret is entitled to a new microwave oven, or
 - Repair - Margaret can choose to have the oven repaired.

(ii) Sale of Goods and Supply of Services Act 1980.

- (iii)
- Goods must be of merchantable quality.
 - Goods must be fit for the purpose intended.

(C) (i) **Impulse buying:** e.g.

Buying without it being part of one's budget / without planning. Buying on the spur of the moment. Buying without thinking of the consequences.

Example: Planning to purchase / buy bread and milk only but subsequently buying them and other unplanned items such as cakes and biscuits.

- (ii)
- A good consumer is one who drafts and sticks to his/her budget.
 - One who shops around to get value for money
 - One who knows his/her rights under consumer law
 - One who knows the consumer agencies who could help with problems
 - One who does not get involved in impulse buying
 - One who keeps receipts and guarantees safely filed
 - One who knows how to make a valid complaint.

Question 6 PEOPLE at WORK and IT

- (A) (i) **Basic Pay:** e.g.
Payment for the normal working week of 37 hours / as per contract before overtime or deductions.
- Overtime:** e.g.
Additional pay at a higher rate per hour for working in excess of the normal 37 hours / working extra hours.
- Flexitime:** e.g.
One can with the consent of one's employer work the required hours at any time within limits during the week.
- Spreadsheet:** e.g.
A computer programme which allows the operator to do accounts and budgets etc. on a computer. Any change to a figure will have a knock-on effect on all other figures. Performs calculations.
- E-mail:** e.g.
The sending and receiving of documents or messages or pictures electronically by means of a computer.
- Equal Opportunities Employer:** e.g.
When employing workers the employer does not discriminate on the grounds of gender, race, colour, religion, age.
- (ii) **Information on CV:** e.g.
- Educational achievements
work experience
names of referees
hobbies / interests / achievements
age.
- (B) (i) **Benefit in Kind:** e.g.
It is a non financial reward in lieu of money which workers and welfare recipients may receive.
- Example: subsidised meals, free car, free travel, medical card, free TV licence
- Commission:** e.g.
A method of payment / source of income for sales people based on the amount or value of sale. It is calculated as a percentage of their sales revenue for a period.
- Example: Sales person's wages could be 10% of sales revenue returned to the firm.
- (ii) **Work / Employment** e.g.
- Work is human effort without payment while employment is work with payment
- Example:** Work: a homeowner who paints his/her own house.
 Employment: one painting a school for a wage

Question 6 (continued)

(C) Answer = **€672.75**

WORKINGS:

BASIC	37 hrs @	€11.50	=	€425.50
OVERTIME	5 hrs @	€17.25	=	€ 86.25
	7 hrs @	€23.00	=	<u>€161.00</u>
TOTAL			=	€672.75

OR

BASIC	37 hrs @	€11.50	=	€425.50
OVERTIME	7.5 hrs @	€11.50	=	€ 86.25
	14 hrs @	€11.50	=	<u>€161.00</u>
TOTAL			=	€672.75