

Solutions to Additional Business Questions Exam Year 2016

Only key points are provided, students should develop these points to fully answer the question asked.

Answers given are not exhaustive, not all answers given would be required in examination.

Celtic Aromatics Ltd

- (a) Identify the management skills and activities that Janice and Andrea can use to improve the management of Butico Ltd.**

Skills – communicating, delegating responsibility, directing staff, organising.
Activities – planning, keeping accounts, cash budgeting, quality control, customer care, controlling stock, training.

- (b) Describe the challenges that the merger of the two firms would present to the Human Resource Manager of Celtic Aromatics.**

Challenges – set up reward systems, solve existing industrial relations problems, make necessary redundancies, retraining of staff, possible loss of key personnel, to remove the suspicions of staff, building good relationship with trade unions, manpower planning for the future.

- (c) Evaluate two other methods of rapid expansion open to Celtic Aromatics besides a take over or merger.**

Licensing production of their products to firms in foreign markets.

Enter more foreign markets, as they did in the French market.

Strategic alliances to attain strength in the Irish market or to enter new foreign markets.

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Duncloon Meats Ltd

- (a) Identify the factors that should influence the company's choice of communications methods.

Communications methods – nature of message, whether internal or external; urgency, destination, cost, technology available, need for security, need for a record, whether formal or informal.

- (b) Outline how the financial information requested will be of use in the management of the business.

Management use of financial information:

- (1) Profit and loss account – assess past performance, identify areas of strong and weak performance, assess effectiveness of strategies employed. Balance sheet – assess working capital needs, assess ability to raise capital.
- (2) Profitability – action to reduce costs, increase revenues, close unprofitable operations, compare to other years/companies. Liquidity – action to improve ability to pay short-term debts as they fall due if needed. Gearing – can assess the debt position of the firm.
- (3) Cash flow forecasts – to ensure no cash shortages will arise in future, to identify future finance needs.

- (c) Analyse how the different stages of the new product development programme can ensure the success of the product when Duncloon Meats Ltd launches it on the market.

Product screening – to ensure the idea is worth developing further, reality testing.

Concept development – ensures a clear definition of the product, its features, its market, its unique selling points.

Feasibility study – prove on paper it is possible from the point of view of production, marketing, finance, profitability, resources etc.

Prototype development – prove production possible, sample for product testing, market research, can cost accurately and price profitably.

Product testing – to ensure safety and reliability, set quality standards.

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Marketing Approaches Limited

- (a) Outline the requirements the Data Protection Act 1998 places on Marketing Approaches Ltd as a data controller.**

Data controller requirements – all data collected fairly, data accurate and up-to-date, data – used only for lawful purposes, data disclosed only with permission of person concerned, access allowed to files by persons who are subjects of files, protect files from unauthorised access.

- (b) Describe the strategies the Human Resource Manager can use to improve staff relationships and staff loyalty to the firm.**

HRM strategies – establish grievance procedures for unhappy staff, use employee appraisal system, rewards for staff, possible stock options, improve communications with staff, regular feedback, create promotion opportunities, improve organisation structures with teamwork, empowerment, use staff needs to motivate them.

- (c) Evaluate the marketing strategies that the company could employ to establish strong sales of their services in the Irish market.**

Marketing strategies – mail order sales, internet sales, direct marketing, branding, introductory offers, merchandising, promotions, pricing, unique selling points.

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Sac Designs Limited

- (a) **Identify the strengths in communications that the new general manager should have to improve the state of the business.**

Communications – set up reliable internal communications channels, consult with employees and get feedback on their concerns, hold regular meetings, build better relations with the unions, introduce teamwork systems, train staff in communications skills, listen and respond to customers' complaints, select appropriate technologies for communications, monitor effectiveness of communication.

- (b) **Analyse how good market research can ensure the successful marketing of the new product.**

Market research – will allow them to identify the target market, differentiate several target markets, identify product features customers want, find out price range for product, find out the size of the market, find out about competitive products.

- (c) **Evaluate how new management strategies can solve the firm's problems of poor quality management and lack of teamwork.**

Quality management – introduce quality control procedures, develop a total quality management approach, promote a quality culture in the business, conduct regular quality audits, work towards a quality mark such as ISO9000 or the Q mark, provide training to all staff on quality control, set up quality circles, empower staff in relation to improving quality, provide incentives to staff related to quality achievement.

Teamwork – introduce team structures into the organisation, apply good team selection procedures, provide training for staff on teamwork skills, nurture a teamwork ethos in the firm, use team participation to motivate staff, empower staff in managing their work through teamwork, teamwork will lead to creativity and new ideas from staff.

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Una Hilliard

- (a) Illustrate how the management activities of planning, organising and controlling could improve the performance of Una's business.**

Planning – setting objectives gives clear direction, identify resources needed, ensure adequate finance, select appropriate strategies, establish feasibility of project, identify problem areas to be dealt with, allows effective monitoring and control.

Organising – allows setting up suitable structures, allocation of responsibilities, ensure good staff relationships.

Controlling – measurement and assessment of performance, ensures standards are maintained, allows changes to be made when required, ensures good management of stock, cash, quality etc.

- (b) Contrast Una's role in managing the tax and insurance affairs of her household with those of her new business.**

Tax - household – PAYE tax only (deducted at source) vs **business** (deduct and record PAYE and PRSI for staff, record and make returns for VAT if applicable, return her own income tax as self-employed person including preliminary tax).

Insurance – household (insurance for building and contents only) vs **business** (insurance for car, house, premises and contents, public liability, employee liability, fidelity guarantee).

- (c) Analyse how Una should develop the marketing mix for her new service to make it successful. (30 marks)**

Marketing mix – **Product** – mix of product/services on offer, target market, name/brand/identity, packaging/presentation. **Price** – premium price, profitable, cover costs, price discrimination OAPs, group discounts, family tickets. **Promotion** – advertising leaflets, garden magazines, local radio, yellow pages, internet homepage, open-day, special offers. **Place** – local signposts, through travel agents, tourist information offices, local B&Bs, gardening clubs, schools.

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Excel Print Plc

A Analyse how better working capital management could improve the liquidity position of Excel Print plc.

Answer

Marks $5 \times (3 + 3) - 3$ marks for how liquidity improved

- 1 Improve stock control – reduce stock held and increase cash (improve acid ratio).
- 2 Improve credit control, paying creditors more slowly than debtors pay the firm (will improve cash and liquidity position).
- 3 Improve credit control on debtors to minimise bad debts (maintains value of debtors in accounts).
- 4 Use stock control to minimise stock losses due to deterioration or theft (maintains stock value).
- 5 Careful cash budgeting can ensure that cash outgoings will match cash incoming and that the liquidity position will stay healthy.
- 6 Should check if available working capital is enough to support the levels of sales and production. Additional working capital may have to be provided through long term finance.

B Identify two ways of improving the gearing position of Excel and explain the consequences of any actions taken.

Answer

Marks $2 \times (6 + 4) - 4$ marks for explaining consequences

- 1 Sell additional shares and use money raised to pay off loans. Consequence – control over the firm may be diluted.
- 2 Sale and lease back of the premises to eliminate loans. Consequence – firm can use the asset but does not have ownership.
- 3 Apply to the government for grant aid towards the building of the premises – use grant to reduce loans. Consequences – government may set conditions for giving the grant, eg, providing more jobs.
- 4 Withhold dividend payments and use retained profits to reduce the level of loans. Consequence – investors may be unhappy and sell shares.

- C Draft a report from Maria Tabor to the board of directors**
{1} Identifying the qualities of good financial information
{2} Evaluating the benefits of improved financial information systems to the firm.

Answer

Marks – report layout 6 marks; qualities 4 × 3 marks; benefits 4 × 3 marks

Benefits of improved financial information systems:

- 1 Better decision making based on good information.
- 2 Information is continuously updated and recorded.
- 3 Planning for the future can be based on historical information which is reliable.
- 4 Past performance can be properly assessed.
- 5 Company accounts can be produced to a high standard.
- 6 Quality information allows problem areas to be identified and solutions to be worked on.

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Replast Ltd

(a) Discuss whether job, batch or mass production methods would best suit the new production line for Replast Ltd.

Job Production

- ◆ not the best system
- ◆ no made to order products
- ◆ job production is expensive
- ◆ highly skilled workforce required

Batch Production

- ◆ most suited to Replast Ltd
- ◆ a number of different products
- ◆ switch production from product to product
- ◆ can build up stock levels
- ◆ can be automated to reduce costs
- ◆ downtime for product changeovers

Mass Production

- ◆ not the best suited system
- ◆ need very high production on identical products
- ◆ unit cost can be very low with high volumes
- ◆ requires high capital investment in production equipment

(b) Project Planning Process

- ◆ An operational plan for a short-term specific objective
- ◆ Evaluate the project, possibly using SWOT analysis
- ◆ Identify resources required
- ◆ Ensure sufficient finance is in place to fund the project
- ◆ Set clear objectives which are SMART – specific, measurable, agreed, realistic and timed
- ◆ Write tactical plans for the completing of each piece of work
- ◆ Anticipate problems that may arise and make contingency plans to deal with them
- ◆ Set out review points as the project is executed, so that the plan can be revised if necessary

(c) Sources of Long-Term Finance

- ◆ Issuing of shares – no interest cost; can bring in new owners; security not required
- ◆ Loan finance – no ownership control is lost; interest costs can be written off against tax liabilities
- ◆ Government grants – if the firm qualifies the grant finance is free; does not have to be repaid
- ◆ Sale and lease back – firm retains use of the asset; cash can be used to fund capital project
- ◆ Retained profits – interest free; do not have to be paid out to owners

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Finnegan Filing Systems Ltd

(a) Strategies to Manage the Process of Change

- ◆ Inform yourself about changes that are coming
- ◆ Be proactive and take action to deal with change
- ◆ Plans should have ability to change built-in
- ◆ Staff should be trained in how to cope with change
- ◆ Constant open communication allows the organisation to deal with change more effectively
- ◆ Strong leadership with a positive attitude to change motivates staff
- ◆ Empowerment of staff develops their capacity to handle change

(b) Report of Communications Consultant

- ◆ The current approach to negotiating changes to avoid conflicts should be continued
- ◆ Mr Finnegan should consult more and listen more to others to avoid loss of good management staff
- ◆ Joe should adapt his management style to a more democratic one with more open communication
- ◆ The investment in new communications equipment should be made to give better communication and cost savings
- ◆ Formal channels of communication in the firm need to be improved
- ◆ An in-house training programme on communications to be carried out over the coming weeks

(c) Two medium term finance options that could be used to acquire the ICT equipment.

Term loan

- ◆ fixed monthly repayments
- ◆ easy to budget for
- ◆ may require collateral/security for the loan
- ◆ repayment to spread over two to five years
- ◆ a cash loan allows the firm to negotiate a competitive price for the ICT equipment.

Leasing

- ◆ rental of the asset through a finance company
- ◆ the firm has full use and possession of the equipment but does not own it
- ◆ regular rental instalments paid
- ◆ possible option to buy the asset after a period of time
- ◆ option to replace/update the asset if needed
- ◆ relatively cheap due to tax allowances on purchase of assets.

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George and Sean Fogarty

(a) The potential benefits to the firm of using new technologies

- ◆ using information technology in the factory will increase production and reduce costs
- ◆ the use of Electronic Data Interchange to do business with suppliers and customers allow transactions to be automated and done quickly. Time and costs are saved.
- ◆ EDI also saves on office staffing and reduces quantities of paper consumed in the office.
- ◆ The use of Information and Communications Technology (ICT) increases the speed of communication and reduces costs.
- ◆ ICT allows the firm to advertise worldwide through its own website.

(b) The management strategies that would ensure high quality standards.

- ◆ make high quality standards a core objective of the business
- ◆ provide regular staff training to enable staff to improve quality standards
- ◆ set up quality circles of staff members to discuss quality issues and to take initiatives to improve quality
- ◆ join a Quality Certification Programme and work towards achieving certification which will enhance marketing success
- ◆ invest in Research and Development to improve the design and quality of products for the future.
- ◆ use market research to get customer feedback on the quality of the firm's products.
- ◆ start a Total Quality Management programme within the business to ensure that improved quality is a central part of every aspect of the business.

(c) Possible channels of distribution to export markets

- ◆ **manufacturer to manufacturer** – they can sell their steel casings to computer manufacturers on the internet to firms all over the world.
- ◆ **manufacturer to consumer** – their range of garden products can be sold directly to consumers in different countries on a company website.
- ◆ **manufacturer to retailer to consumer** – they can sell their ornamental products directly to retailers in various countries in large quantities. These retailers will then sell them to their customers/consumers.

- ◆ **manufacturer to wholesaler to retailer to consumer** – they can sell ornamental products to exporting companies in Ireland who will in turn sell them to retailers in various foreign markets who will in turn sell them to consumers.
- ◆ **manufacturer to wholesaler to retailer to consumer** – the firm can sell their product in large quantities to importing wholesalers in foreign markets who will in turn sell to retailers and then onwards to consumers in those markets.

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Kasanga Trading Ltd

(a) Illustrate how the use of ICT could benefit the development of a business like Kasanga Trading Ltd.

Faster communications, lower cost communications, ability to advertise on own website, can conduct market research via internet, staff can use teleworking if necessary, video conferencing allows international meetings without having to travel, can reduce staff numbers and reduce wage costs, frequent everyday transactions can be automated using Electronic Data Interchange (EDI).

(b) Evaluate the importance of good management control systems in ensuring the success of the business.

Credit control. Better cash positions reduces interest costs; reduced bad debts; using the full amount of credit from creditors increases cash in the bank; getting debtors to pay on time or early also improves our cash position; having a credit controller helps the overall management of credit and financial efficiency.

Stock control. Ensures optimum stock levels; minimises stock levels and saves on the cost of keeping stock; ensures adequate stock levels so that customers are satisfied and sales are maximised; reduces stock losses through wastage or theft; regular stocktaking identifies slow moving items and items which are out of date or damaged.

Quality control. Make quality a core objective; train staff to achieve quality; staff quality circles promotes innovation in relation to quality; quality certification helps marketing the product; total quality management (TQM) ensures quality in all aspects of the business.

(c) Reasons to expand the business.

- ◆ To provide an income for himself and his family
- ◆ To provide employment positions for his family or other workers
- ◆ To increase the benefits to people in Kenya as well as in Ireland
- ◆ He has shown that he could expand before and so faces less risk in further expansion
- ◆ There is potential for Joshua to develop a franchise based on his business model and to let others use that business idea between other countries and Ireland
- ◆ There is scope to increase the range of products and services being traded
- ◆ He could open more shops in other cities in Ireland to create more employment