**About the ABQ**

1. The Higher Level Leaving Certificate Business Paper consists of three sections.
2. Section 2 of the Applied Business Question (ABQ) is a compulsory question.
3. The ABQ consists of a single practical Case Study Business Question – 80 marks are available, representing 20% of the total marks.
4. The text and questions of the ABQ are based on three specified units of the syllabus, out of a total of seven units, which alternate (change) on an annual basis. The 2015 ABQ will be based on Units 2, 3 and 4 of the syllabus, similar to the 2005 and 2010 examination as the ABQ operates on a five-year cycle.

**Methodology**

This section requires you to Name, Explain and Link for each point. A high level of synthesis (i.e. combining different elements into the one answer) must be established. Evaluation may be also required.

In answering the questions on the ABQ candidates must explain and make use of relevant knowledge/theory (and understanding) gained in the subject while studying the course in addition to the relevant links from the ABQ.

Linking of points made in your answer with the text by relevant quotes/phrases/statements from the ABQ is essential. It is recommended that you present the link/quote in a different colour ink. A DIFFERENT/SEPARATE link is required for each point of theory made within each part of the ABQ. A link will not be awarded marks without having the relevant theory attached.

Read the ABQ provided in full before reading the questions, then go back and highlight the relevant points/links in the text.

Present your answers to each part of the question in point form and be sure to link or quote from the text of the ABQ in your answer, even if you are not specifically requested to do so.

The methodology that must be used can be seen by looking at the structure of the sample answer to the question from the Leaving Certificate ABQ in 2010, as shown below.

**Sample Q & A**

**Sample 1 – ABQ suitable for Leaving Cert 2015**

**Biotech Animalcare Ltd**

Edward Brown had long thought about setting up his own business. He was ambitious well-educated and had worked successfully for a number of large multinational companies. He felt that he had a lot of fresh ideas and was not afraid to try them out. In 2013, Edward decided to establish Biotech Animalcare Ltd, which developed a portable blood analyser for veterinarians (vets) who needed rapid diagnostic results at the animal’s side. At present blood samples are collected and have to be sent to a clinic for analysis whereas with the new technology results would be available in minutes.

In 2014, Edward left his secure position in a Multinational company and works full-time in Biotech Animals Ltd because of all the challenges to be met in a new start-up. Initially, Edward got financial advice from Joseph Ferris, a local bank manager. Joseph states that the availability of working capital and finding suitable sources of finance are two important issues. Biotech Animalcare Ltd will need money to pay regular bills, such as electricity, telecommunications, wages and the purchase of stock. Machinery for the production of the blood analyser, office equipment and delivery vans will be required. As a start-up company they may not be in a position to purchase a premises and will have to consider leasing a suitable location.

Having worked in senior management positions, Edward knows the importance of planning things out well from the start. Biotech Animalcare Ltd’s mission statement was “to focus on providing a technological solution for veterinarians – anywhere, anytime and instantly.” In a short time Biotech Animalcare Ltd is marketing a portable blood analyser that can carry out a complete blood count. In 2015, Edward has decided to undertake a sales promotion campaign featuring gifts and prizes for vets to increase sales. In the long-term, Biotech Animalcare Ltd plans to extend their product ranges and to expand into other markets such as the U.K.

**1(A) Being decisive, creative and prepared to take risks are the personal characteristics often associated with an entrepreneur.**

**Discuss these characteristics and support your answer with reference to Edward Brown.**

**(20 marks)**

**Sample Answer (1A)**

* Decisive: Entrepreneurs have the ability to make quick and clear decisions so as not to miss opportunities, the issue of timing may be crucial (e.g. decisiveness when dealing with suppliers and contractors). They take full personal responsibility for the actions and decisions they make.

**Link:** In 2013, Edward decided to establish Biotech Animalcare Ltd, which developed a portable blood analyser for veterinarians (vets) who needed rapid diagnostic results at the animal’s side.

* Creative: Entrepreneurs are good at coming up with new ideas or new ways of doing things, ‘thinking outside the box’. They expand their minds to what is beyond the ordinary through research and the collection of data. They have the ability to see things in new ways. They are prepared not only to be different but also tend to have a vision of the future.

**Link:** Edward felt that he had a lot of fresh ideas and was not afraid to try them out.

* Take Risks: Successful entrepreneurs are not afraid of failing. They embrace failure as a learning experience. They take both financial risks and personal reputational risks but try to minimise both. They take measured and calculated risks which provide a reasonable and challenging chance of success. They take chances when opportunity strikes.

**Link:** In 2014, Edward left his secure position in a Multinational company to work full-time in Biotech Animalcare Ltd because of all the challenges to be met in a new start up.

**1(B) (i) Explain the term “Working Capital.”**

**(ii) Identify and describe the most appropriate source of finance that Bank Manager, Joseph Ferris would have recommended to Edward Brown.**

**(30 marks)**

**Sample Answer (1B)**

(i)

Working Capital = Current Assets – Current Liabilities.

The money available for the day-to-day running of the business. If a firm does not have enough working capital it has a liquidity problem and may be unable to pay its debts as they fall due.

(ii)

Sources of finance:

* These can be classified under short, medium or long-term. Biotech Animalcare Ltd. will need finance under each of these headings.
* Short Term – Finance available for less than one year e.g. Creditors, Taxation.

Bank overdraft is when the holder of the account is granted permission from the bank to withdraw more money than is in the account, up to a specified limit.

**Link:** Biotech Animalcare Ltd. require finance to pay regular bills such as electricity, telecommunications, wages and purchases of stock.

* Medium Term – Finance available for more than one year and less than five years. This includes hire purchase, leasing and medium term loans.

Hire purchase – Refers to the buying of assets where an initial deposit is paid and the balance is paid through instalments. The buyer does not become the legal owner until the final instalment is paid.

**Link:** Machinery for the production of the blood analyser, office equipment and a delivery van will be required.

* Long Term – Finance available for over five years. These include long-term loan, retained earnings, owner’s capital and share capital.

Mortgage – Is a long-term loan where property is offered as security. This means the title deeds are given to the lender and if the borrower defaults the financial institution can sell the asset to recoup the amount of the loan outstanding.

**Link:** As a start-up company, Biotech Animalcare Ltd. may not be in a position to purchase premises and will have to consider leasing a suitable location.

**1(C) (i) Define the Management activity of “Planning”.**

**(ii) Illustrate how different types of planning benefit Biotech Animalcare Ltd.**

**(30 marks)**

**Sample Answer (1C)**

(i)

Planning is the setting down of specific goals and objectives and the putting in place of strategies that allow you to achieve the stated goals and objectives of the business. Planning forces a business to consider its future and how it will achieve continued success. Plans give a business purpose, direction and reduces risk and uncertainty.

(ii)

* Mission Statement: This is a visionary statement outlining what the business is, what the business does and where the business is going. It benefits the business as it provides stakeholders with an insight into the objectives of the business.

**Link:** Biotech Animalcare Ltd’s mission statement is “to focus on providing a technological solution for veterinarians anywhere, anytime and instantly.”

* Strategic Planning: This is long-term planning covering a period of a number of years (e.g. five years). It is usually drawn up by top management and it outlines how the long-term goals of the firm are to be achieved. Strategic planning benefits a business because it prioritises goals and objectives and encourages long-term thinking among senior management. It is also useful for measuring and controlling the performance of management. The objectives set out within a company’s strategic plan should be closely aligned to its mission statement.

**Link:** In the long-term, Biotech Animalcare Ltd plans to extend its product ranges and to expand into other markets such as the U.K.

* Tactical Planning: This is short-term planning which breaks the strategic plan into shorter more manageable periods of one to two years. It deals with the ‘now’ part of the plan. It is usually drawn up by middle level managers. Tactical planning will benefit Biotech Animalcare Ltd because it will facilitate the attainment of the overall strategic plan/long-term goals. It will also be useful for measuring and controlling the performance of management.

**Link:** In a short time Biotech Animalcare Ltd is marketing a portable blood analyser that can carry out a complete blood count. In 2015, Edward has decided to undertake a sales promotion campaign featuring gifts and prizes for vets, to increase sales.