



Finance in Business
Business Past Exam Questions
Higher Level

2013

Section 1 - Question 4

4. Write *True* or *False* after each of these statements.

Sentence		True or False
1.	Batch Production is used when making a single, one off, unique product.	
2.	In a Hire Purchase agreement legal ownership of the good transfers to the buyer when the first installment is made.	
3.	A Cash Flow deficit can be addressed by negotiating a shorter period of credit with debtors.	
4.	A sole trader is an ownership structure that benefits from limited liability.	
5.	When a company's equity capital is greater than its debt capital it has low gearing.	

Applied Business Question

Riverport Indoor Market (RIM) Ltd

Riverport is a scenic town in the West of Ireland. In 2009, a large multinational company, the town's biggest employer, closed down. This loss motivated a group of enthusiastic local residents and business people to do something to revive their local community. They saw the multinational's empty factory warehouse as a potential resource and believed its location, easy access and ample parking would assist local development projects. They consulted widely gathering information from as many local interests as possible.



Arising from the consultation process, local farmers, producers and crafts people identified the provision of an indoor farmers' market as being a unique opportunity to sell their produce directly to the consumer. A small group of local business people formed a private limited company, Riverport Indoor Market (RIM) Ltd. It set about identifying the financing options available to purchase the factory warehouse for the agreed price of €400,000. An additional €50,000 was required to refurbish the warehouse into 50 stall units, which could then be rented out to farmers and crafts people. The stallholders had to initially purchase a transport vehicle, equip their stall and pay the agreed stall rent of €50 a day to RIM Ltd. On an ongoing basis, the stallholders would have to manage cash flow effectively and control essential costs such as raw materials, stock, transport operating costs, wages, and insurance.

The farmers' market proved a major success. At the end of its second year the number of stallholders had increased from its original 7 to 30. Due to the increasing numbers visiting the market, RIM Ltd was able to lease out units within the warehouse to an indoor children's play and activity centre, and a car valeting centre. Many local services in Riverport such as B&Bs, restaurants and petrol stations reported increased year-end profits. The market provided opportunities for locals and visitors to meet informally and interact with each other. The local town council donated a nearby green area for the construction of a public park.

Given that many of the new stallholders travel from neighbouring counties, there are plans now to promote RIM Ltd as a regional market, serving the Connacht area. RIM Ltd has developed an interactive website which includes a video clip capturing a day in the life of the market. This website has impressed tour operators so much that they have included the market as part of their visitor tour route. Sales representatives from RIM Ltd use mobile display booths within the region to attract visitors to the area. In addition RIM Ltd run monthly competitions to win a prize of a weekend break in Riverport. RIM Ltd continues to build on its good relationship with the local community by providing financial support to the local GAA club, in return for having the RIM Ltd brand name and logo appear on the club's jersey.

- (A) Identify and describe the most appropriate sources of finance to meet the needs of
 (i) RIM Ltd
 (ii) Individual stallholders. (20 marks)
- (B) Discuss the benefits for the local community, arising from the success of RIM Ltd. (30 marks)
- (C) Evaluate the promotional techniques undertaken by RIM Ltd. (30 marks)
- (80 marks)**

2011

Section 1 - Question 9

9. (a) Explain the term 'Short-term finance'.

- (b) Illustrate a business situation where 'short-term finance' **would** be appropriate.

2010

Section 3 - Question 6

Question 6

Read the information supplied below and answer the questions which follow.

Marie Nolan is the owner of 'Marie's Pizzas' a successful pizza restaurant with a home-delivery service. Demand for take-aways has increased, as more people are eating at home due to the economic downturn. Marie is planning to expand her business through franchising and her accountant recommends that a business plan should be prepared before going ahead.

- (A) Evaluate franchising (benefits and risks) as a method of expansion for the Pizza business. (20 marks)
- (B) Outline **two** benefits to 'Marie's Pizzas' of preparing a business plan. (10 marks)
- (C) (i) Discuss the factors that should be considered when choosing between different sources of finance.
(ii) Analyse **two** appropriate sources of finance for acquiring an additional delivery van at 'Marie's Pizzas'. (30 marks)
- (60 marks)**

2009

Section 3 - Question 5 B

- (B) Evaluate Debt and Equity Capital as sources of finance for business expansion. (20 marks)

2008

Section 1 - Question 7

7. (a) Identify a suitable source of finance for the purchase of a delivery van in a new business enterprise.

- (b) Give **two** reasons for your choice.

(i) _____

(ii) _____

2006

Section 1 - Question 7

9. (a) Define short-term finance:

- (b) Outline **two** short-term finance options available for an established manufacturing business:

(i) _____

(ii) _____

Section 3 - Question 2B

- (B) Describe the impact of inflation and interest rates on business in Ireland. (20 marks)