BUSINESS DOCUMENTS

1. A business decided it wants to buy something and sends a **letter of enquiry** to a number of suppliers.
2. Suppliers each send back a **quotation** setting out the price and any conditions of sale.
3. The business compares the quotations and picks the best one. An **order form** is sent to the supplier.
4. The supplier checks to make sure the goods are in stock and makes up the **order**.
5. The goods are delivered with 2 documents;

   Delivery note - details of what goods were delivered. After checking the goods, the purchasing manager signs to say that all the goods have been received in good condition.

   Invoice - details the price. This is the bill. It may also be sent at a later date.
6. If the buyer is a regular customer, the supplier will send a **statement of account** at the end of the month.
7. **Payment** by cheque is sent to the supplier.
8. The supplier sends back a **receipt** acknowledging payment has been made.
9. If goods need to be returned then the supplier will issue the buyer with a **Credit Note** which can be put towards their next purchase with the company.

METHODS OF PAYMENT

1. Cash with order
2. Cash on delivery
3. Cheque
4. Bank draft
5. Credit transfer

(Cost Price) Profit - Mark up: $\frac{\text{Gross Profit}}{\text{Cost price}} \times 100\%$

(Selling Price) Profit - Margin: $\frac{\text{Gross Profit}}{\text{Selling Price}} \times 100\%$

Value Added Tax (VAT)

This is a tax charged by the government on consumer spending.

VAT A/C	Input VAT	Output VAT
	Purchases and sales returns	Sales and purchase returns

Trade Discount: A reduction in the selling price of goods, given by manufacturers to retailers.

Remember:

1. When receiving Business documents the details should be checked, recorded and then filed for future reference.
2. When sending Business documents the details should be double checked, recorded & a copy filed for future reference.

BUSINESS PLAN/CASH FLOW STATEMENT

What is a business plan?

A business plan is used to inform members of a business where it is at and where it wants to go. It monitors the progress of a business and sets targets.

Cash flow statement - A cash budget for a business

Steps in preparing the cash flow forecast:

1. Record money-in in the receipts section of the cash flow forecast. Calculate total receipts for each month and for the period (in the total column)
2. Record payments in the payments section. Calculate totals as before
3. Find net-cash figure for each month and for the period by subtracting total payments from total receipts: **Total receipts - Total payments = Net cash**
4. Find the closing-cash figure by adding the opening cash to the net cash.

Business Plan Template

Business Details:

Name & Address of Company ....

Owners/Shareholders ....

Managing Director ....

Contact Details ....

Product Description: ....

Market Research: Size of market ....

Competition ....

Unit Price ....

Sales Promotion: ....

Finance: Total Finance Required ....

Amount Available ....

Amount to be borrowed ....

Signed: .... **Date:** ....

INSURANCE

- ✓ **Insurance** - Is a way of protecting yourself against a financial loss that might happen.
- ✓ **Premium** - Is the money you pay every year to buy insurance.
- ✓ **Compensation** - Is the money the insurance company pays to you if you suffer a loss.

The 6 Principles of Insurance:

1. **Insurable Interest** - You must gain from the existence of an item and suffer from its loss before you may insure it. You may not insure things which do not belong to you.
2. **Utmost Good Faith** - All information given to the insurance company must be true, complete and accurate.
3. **Indemnity** - You cannot make a profit from any loss incurred.
4. **Subrogation** - If your insurance company pays you compensation, it can claim compensation from the person who caused the accident. If the insurance company pays compensation for damage, the insurance company then owns the damaged goods.
5. **Contribution** - If you have the same risk covered by more than one policy, the insurance companies will share the cost of the compensation between them.
6. **Average Clause** - In the case of under-insurance (less than full value), the insured will receive proportionally less in compensation than the value of damage done.

Types of Insurance: Personal, Motor, Property, Life, Health, Business (fire, theft, public liability, product liability, bad debts).

CONSUMER STUDIES

Sale of Goods and Supply of Services Act 1980

Goods must be:

- **Of merchantable quality**. - E.g. Shoes for sale must be in good condition.
- **Fit for its purpose**. - E.g. Wood glue must be able to stick wood.
- **As described** - E.g. If buying from a description, like a catalogue, the product must match the description.
- **According to sample** - E.g. If buying from a sample, like paint, the product must match the sample given.
- **Supplier must be qualified** - E.g. A Mechanic must be qualified to service your car.

Redress is where a retailer compensates a consumer when a problem arises. It can take one of three forms: **R**efund, **R**eplacement, and **R**epair.

Consumer Information Act 1978

- It prohibits false or misleading information about claims about goods/services.
- Statements about price should be accurate e.g. what should be included.

PEOPLE AT WORK

✓ **Employment** - It can be defined as "work undertaken for payment".
✓ **Unemployment** - This refers to a situation where people who want to work for payment are unable to get work.
✓ **Labour Force** - Made up of the total number of employed, unemployed and self employed.
✓ **Self-Employment** - If a person is working for themselves, they are in self-employment. Sole Traders are self-employed.

Rights of the Employee:

✓ Fair days pay
✓ To be treated equally
✓ Minimum number of paid holidays
✓ To join a trade union if wished
✓ To work in a healthy, safe environment

Responsibilities of the Employee:

✓ To do a fair days work
✓ Abide by rules of workplace
✓ Not to give away company secrets or confidential information
✓ Co-operate with other workers
✓ To look after your employers property

Three ways of calculating Gross wages

Time Rate - Worker paid on the amount of time worked. Any extra hours worked over the basic are paid at a higher rate, overtime. E.g. Secretary.

Example:	Basic – 40 hours @ €12 per hour	€480
	Overtime – 8 hours @ €18 per hour (12+6)	€144
	Gross Wage	€624

Piece Rate - Worker paid for the number of items produced. If more than the basic amount is produced then a bonus rate is applied. E.g. Carpenter

Example:	Basic – 12 items @ €20 each	€240
	Bonus – 6 items @ €30 each	€180
	Gross Wage	€420

Commission Rate - Worker paid a basic wage plus an extra amount for every Item sold. E.g. Car sales person

Example:	Basic - €200 per week	€200
	Commission – 3 Cars @ €100 each	€300
	Gross Wage	€500

Net Wage is a person's **Gross wage less any deductions**. Deductions can be divided into **Statutory deductions** (required by law) E.g. PAYE, PRSI and **Non-Statutory deductions** (volunteered by the employee) E.g. VHI, Pension, and Savings.

Industrial Relations - The relationship between the Employers and employees in a company. It is vital this relationship is a good one.

Trade Union - An organisation set up by workers to protect their rights. There are different unions for different types of workers. E.g. SIPTU (Services, Industrial & professional Trade union) & ASTI (Association of Secondary School Teachers in Ireland).

Shop Steward - Local union represent elected to a term of 1-3 years to recruit new members, represent the local branch to headquarters and to negotiate with employers on behalf of the union members.

Employer Organisations - Represents employers in disputes/negotiations with individual Trade Unions and ICTU, the Irish Congress of Trade Unions. E.g. IBEC (Irish Business Employers Confederation) & ISME (Irish Small & Medium Enterprises)

NB: Industrial disputes can arise due to disagreements over pay, working conditions, unfair dismissal, demarcation and can take the form of strikes, a work to rule, overtime ban and go slow.

FORMS OF OWNERSHIP

Sole Trader – ***E.g. - Local corner shop/pub.***
One person sets up and runs the business
Keeps all the profit/Suffers all the loss
Easy to set up
Unlimited liability - if the business fails the sole trader must use all his/her private property to pay off the business debts.

Private Ltd Company – ***E.g. - Any company with LTD after its name.***
1-50 shareholders
Must have the term Ltd/Limited as part of the company name.
Limited liability -shareholders can only lose whatever capital they have invested.
There are more legal requirements in order to set up.

Co-operatives – ***E.g. - Credit Union.***
Each member must buy at least 1 share
Each member has only 1 vote, which means any equal say.
Members enjoy Limited liability

State Ownership - ***E.g. - ESB***
Formed and financed by the government
Profits earned are re-invested or taken by the government
Provides series which wouldn't otherwise be provided
Monopolies - only one company allowed to provide the service.

ASSESSING THE BUSINESS

Using Ratios and formulae to get more information from a set of accounts of a company. There are 9 key formulae to learn.

Current Ratio (Working capital ratio) Current Assets : Current Liabilities	**Gross profit margin** (%) $\frac{\text{Gross profit}}{\text{Sales}} \times \frac{100}{1}$
Quick Ratio (Acid Test Ratio) Current Assets less Closing Stock : Current Liabilities	**Percentage Mark-Up** (%) $\frac{\text{Gross profit}}{\text{Cost of goods sold}} \times \frac{100}{1}$
Return on Share Capital (%) $\frac{\text{Net profit}}{\text{Issued share capital}} \times \frac{100}{1}$	**Stock Turnover** $\frac{\text{Cost of goods sold}}{\text{Average stock}} = \text{Amount of times}$
Return on Capital employed (%) $\frac{\text{Net profit}}{\text{Capital employed}} \times \frac{100}{1}$	**Rate of Dividend** (%) $\frac{\text{Dividends Paid}}{\text{Issued Share Capital}} \times \frac{100}{1}$
Net Profit Margin (%) $\frac{\text{Net profit}}{\text{Sales}} \times \frac{100}{1}$	

INFORMATION TECHNOLOGY

What is information technology?

IT is the use of modern technology to produce, change, store, analyse and communicate information. It is also known as ICT (Information Communication Technology)

Computer - There are 3 main parts:

- **Input devices** - Puts information into the computer. E.g. Keyboard, Scanner, Mouse.
- **Central Processing Unit (CPU)** - The brain of the computer It has 3 parts: Control unit, Arithmetic unit & Memory unit.
- **Output Devices** - Allows the computer to give out results of its processing. E.g. Printer, Speakers.

Computer Hardware: All the physical components of a computer system. E.g. VDU, Printer, Keyboard.

Computer Software: Programs which the computer uses to execute tasks. E.g. Word processor, Spreadsheets, Computer Aided Design.

MONEY AND BANKING

Money - Any token used in exchange for goods. This can be taken in the form of coins, paper money or plastic Money

Barter - When people exchange goods with each other instead of using money. This system predated Money.

Simple Interest - Interest is calculated each year on the original sum borrowed.

Compound Interest - With compound interest the interest is added to the principal so that you get interest on the interest. This means you get more interest in the long run. The compound annual rate is the rate you get when taking this into account.

DIRT - DIRT stands for Deposit Interest Retention Tax, which is a tax paid on the interest that you receive on your savings.

Three parties to a cheque:

- **Drawer:** Person writing the cheque & withdrawing the money.
- **Payee:** Person the cheque is made payable to.
- **Drawee:** The Bank the Cheque is drawn on.

Crossing a cheque: This makes a cheque safer. If a cheque is crossed with two parallel lines it means that it can only be lodged to a specific named person. i.e. The payee

Negotiating a cheque: Passing a cheque on to a third party (as payment to a shop/bank) by signing (endorsing) the back of it.

Dishonoured cheque: When a cheque is referred back to the drawer (r/d) it may mean there is not enough money in the A/c, that it is filled out incorrectly or that it may have gone stale (not been cashed for 6 months).

SOURCES OF FINANCE FOR BUSINESS

	Business Needs	Sources of Finance
Short Term (Less than 1 year)	Raw Materials, Petrol, Wages, Telephone, Advertising, Insurance	a. **Amounts Due**: Use now, Pay later b. **Creditors**: Buy now, Pay later c. **Bank overdraft**: bank allows us to temporarily spend more money than is in your bank account.
Medium Term (1-5years)	Motor Vehicles Fixtures & Fittings Computers, Equipment	a. **Term Loan**: Money borrowed, Repayable along with interest. b. **Hire Purchase**: paying by instalments. c. **Leasing**: paying for the use of a product without ever owning it.
Long Term (5 years +)	Buildings Land Large Machinery	a. **Owners Capital/Money** b. **Government/EU Grants** c. **Retained Earnings** d. **Long term loan**

HOUSEHOLD BUDGETS

A plan which estimates future income, expenditure and savings, a budget is a forecast. There are 3 types of expenditure:

- **Fixed** – Regular amount at regular intervals e.g. Mortgage
- **Irregular** – Irregular amount depends on usage at a regular intervals e.g. Petrol
- **Discretionary** – Spending which you chose to make e.g. Holidays.

Capital expenditure: Expenditure on items that will last a number of years E.g. Car.

Current expenditure: Expenditure on items that takes place on an ongoing, day to day basis E.g. Food.

Opportunity cost: When you have the opportunity to buy 2 things but can only afford 1. E.g. you have €1 and the opportunity to buy a can of Coke or a Packet of crisps. If you buy the crisps, the opportunity cost is the Can of Coke. The option that is not taken.

Impulse buying: Buying something on the spur of the moment which was not planned or budgeted for.

DELIVERY SYSTEMS

	Pipeline	Road	Rail	Sea	Air
Cost	Very Expensive to build but cheap to use.	Medium cost per km	High to set up but cheap afterwards	Low cost per km	Very expensive per km
Speed	Fast	Medium to slow	Fast to medium	Slow	Very fast
Flexibility	Fixed routes	Any where at any time but only with small loads	Limited routes with set timetable to restrict time	Can only be used at coastal destinations	Limited routes with a limited timetable
Reliability	Very reliable	Traffic can cause delays	Very reliable	Bad weather may cause delays	May be some delay but quite reliable
Distance	Best over long distances	Short distances	Best over long distances	Best over long distances	Best for long distances

MARKETING

4 P's of Marketing

1. **Product** – The Actual Product/Service proposed. E.g. New Mobile phone
2. **Place** – Where the Product will be available E.g. All Mobile phone shops.
3. **Promotion** – Any way which word will be spread about the product. E.g. TV Ad campaign
4. **Price** – How much the product will cost. E.g. €45

Advertising – Giving information to consumers in the hope that they then buy the product/service. Advertising can be informative or persuasive. E.g. TV, Radio, Newspapers, Internet, Billboards.

The 2 Types of Marketing

1. **Desk research** – Secondary research, where you go through reports and information which already exist.
2. **Field research** - collecting new information by questionnaire, interview and observation.

FORMAT OF A LETTER

Address &
Contact Details
of Sender

Date

Name & Address
of recipient

Salutation

- Introduction Paragraph
- Main Body
- Follow up (Conclusion)

Close
Signature

FORMAT OF A REPORT

Name & Address of compilers of report

Title of Report

Date

Name & Address of those requesting the report

Methods of research

Main Findings

Follow up (Conclusion)

Signature

Title of Report writers.

CHAIN OF PRODUCTION

3 Sectors of the Economy

Primary - Industry which extracts or uses natural resources e.g. farming, mining
Secondary - Processing raw materials into manufactured goods e.g. construction, manufacturing
Tertiary - Industry which provides a service for the public e.g. banking, hairdresser, restaurant

Retailer - A company which buys from the manufacturer/wholesaler and sells to the Public.
Different types of retailer: • Unit shops • Supermarkets • Vending Machines • Voluntary groups • Shopping Centres • Department Stores

Wholesaler - A wholesaler is a business that buys from the manufacturer and breaks goods down into smaller quantities and sells to retailers. They are an essential link in the chain of distribution and provide a link between shops & factories.

FINAL ACCOUNTS

Below are sample headings for a final accounts question; these need to be on every set of accounts.

- Trading, Profit & Loss and Appropriation A/c for *Murphy Ltd* for year ended *31/5/09*
- Balance Sheet for *Murphy Ltd* as at *31/5/09*

The following 4 guidelines can be used for Junior Cert Final Accounts.

a. Everything in the **Debit Column** – Either an Asset or an Expense.
Everything in the **Credit Column** – Either an Income/Gain or a Liability
b. In the adjustments – **Add any amounts Due/Subtract any amounts prepaid**.
c. In the Balance Sheet: **Incomes Due & Expenses Prepaid = Current Assets**
Incomes Prepaid & Expenses Due = Current Liabilities.
d. Generally everything in the Trial balance goes in once into the account and everything in the Adjustments goes in twice.

Asset – Something a company owns. E.g. Delivery vans, Closing Stock.
Liabilities – Something a company owes. E.g. Loan, Creditors
Income – Something which makes money for the company other than sales. E.g. Rent Received.
Expense – Something which costs money for the company other than purchases. E.g. Telephone, ESB.

DOUBLE ENTRY BOOKKEEPING

There are 5 Books of First Entry. This is where credit transactions are first recorded in a firm.

✓ **Sales Daybook**: Record of Sales made by the company. Info from Invoices sent out to debtors.
✓ **Sales Returns Daybook**: Record of Goods returned to the company by debtors. Info from Credit notes sent.
✓ **Purchases Daybook**: Record of Purchases Made by the company. Info from Invoices received from creditors
✓ **Purchases Returns Daybook**: Record of Goods returned by the Company to creditors. Info got from credit notes received.
✓ **General Journal**: Used to record all transactions that cannot be recorded in the other books of first entry.

When the Information is recorded in the above books of first entry (this is sometimes done already for students in JC Questions), it must then be posted to accounts in the Ledgers.

Debtors Ledger: For keeping accounts of people who owe the firm money, (Debtors).
Creditors Ledger: For keeping accounts of people who the firm owes money to (Creditors)
General Ledger: For keeping all other types of accounts E.g. Sales, Purchases, L&H, Advertising.

NB: Here are some memory tools to use when posting daybooks to the ledger:

Debit the Receiving a/c / Credit the Giving a/c.

Sales **A**lways **C**redit side / **P**urchases **A**lways **D**ebit side **SAC PAD**

Purchases	**Sales**
Sales Returns	**Purchase Returns**

Remember the **VAT amount of a transaction always follows the larger part to the same side of the VAT A/c**. E.g. Sales VAT goes on Credit side, Sales Returns VAT goes on Debit side.

Analysed Cash Book: For recording all cash transactions in a firm. E.g. Cash Sales, Debtor payments. These totals are then posted to the ledger using double entry method. (Items on the Debit of ACB are posted to the Credit of relevant ledger a/c and vice versa).

Trial Balance: This is where all the balances of the accounts are totalled. Debit balances in the debit Column, Credit balances in the Credit column. These columns must equal each other.

*** Remember to use folio numbers and full dates (year included) for all accounting entries**

CLUB ACCOUNTS

A club is a non profit making organisation set up for the benefit of its members.
E.g. Tennis club.

3 Main Officers of a Club.

✓ **Chairperson**: Responsible for calling & Running meetings and the overall running of the club.
✓ **Secretary**: Responsible for sending out notices/agendas of meetings and keeping a written record (minutes) of a meeting
✓ **Treasurer**: Responsible for all financial goings on in a club. Collecting subscriptions, Lodging to the bank, writing cheques, paying bills, doing up clubs accounts and presenting these at the AGM

Types of Accounts

✓ **Accumulated Fund**: Assets – Liabilities = Capital at the start of the year.
✓ **Analysed Cash Account**: Examines all the Money coming in and going out of the Club.
✓ **Income & Expenditure Account**: Like the P& L a/c it shows the surplus or deficit of Income over a given year.
✓ **Bar/Shop Trading a/c**: A special purpose a/c for a profit making enterprise within a club such as a bar/shop.
✓ **Balance Sheet**: Assets – Liabilities = Capital at the end of the year. Same as a company balance sheet.

NB: The 4 guidelines for Junior Cert Final Accounts can also be applied to club accounts.

ECONOMICS

Economics
This is the study of how individuals, businesses and governments with scarce or limited resources make choices on how best to use those resources.

Resources
Things such as land, machinery, workers, materials, and money used in the production of goods and services. Resources are limited and should be used in a way that maximises their benefit.

Factors of production
The four factors of production are;

- **Land** – Things supplied by nature. E.g. Timber, Wool, Iron, Oil.
- **Labour** – Human effort put into production. E.g. Builders, Carpenters, Designers.
- **Capital** – All manmade items put into production. E.g. Machinery, Delivery Vans, Money.
- **Enterprise** – The idea that brings the above together in the hope to make profit. The person who provides the idea is called an entrepreneur. E.g. Bill Gates.

Economic Growth
This happens when there is an increase in the amount of goods and services (GNP – Gross National Product) produced in a country from one year to the next. If the GNP decreases from one year to another it is called Economic decline (Recession/Depression).

$$\frac{\text{Difference in GNP from one year to another}}{\text{Original GNP}} \times \frac{100}{1}$$

Inflation is an increase in the cost of living from one year to the next. This is often a result of Economic growth. It is Measured by the Consumer Price Index (C.P.I.).

$$\frac{\text{Difference in CPI from one year to another}}{\text{Original CPI}} \times \frac{100}{1}$$

Economic System
Is the system or the way the *factors of production* are used. In Ireland the system used is a mixed economic system because both the government and private individuals are involved in producing and distributing goods and services.

National Budget – Every year the Minister of Finance announces to the Dail his financial plan for the coming year. How much money is going to come in (Income) & how much money is going to go out (Expenditure). If Income exceeds expenditure then it is a **surplus budget**. The govt. could lower taxes, increase spending or pay back any national debt. If expenditure exceeds income it is a **deficit budget**. The govt. must raise taxes, lower spending or borrow the shortfall.

Income & Expenditure can both be divided into Capital & Current.

- **Capital Income** - One off Incomes - Sale of a Semi State company
- **Current Income** - Ongoing incomes - Income tax, VAT, All other taxes
- **Capital Expenditure** - One off spending - Building a hospital/school.
- **Current Expenditure** - Ongoing spending - Wages, Social welfare

Foreign Trade

When Ireland buys and sells goods and services form other countries. Buying goods and services is called importing and selling goods and services is called exporting. Imports and Exports can be divided into visible & invisible trade.

- **Visible Imports** - Buying tangible goods from abroad - E.g. Coffee, Bananas
- **Invisible Imports** - Buying intangible services from abroad. E.g. Going to a football match in England.
- **Visible Exports** - Selling tangible goods to other countries. E.g. Irish whiskey, Beef
- **Invisible Exports** - Selling intangible services to other countries. E.g. Tourists staying in an Irish hotel