Leaving Certificate Business Educate.ie Sample Paper C Higher Level Solutions

Question 1 **The Business World** **(90 marks)**

(a) **(i)** **Internal stakeholders** (any **two**)
- Employees
- Management
- Business owners

External stakeholders (any **two**)
- Local community
- Environmental NGOs
- Government/regulators
- Suppliers
- Customers

(ii) (Any **two**)

Employees
- **Ensure day-to-day operations are productive and efficient:** without committed employees, Voltura could not meet production, design or innovation goals.
- **Contribute to innovation and company culture:** a skilled, diverse workforce supports the company's reputation and long-term competitiveness.

Management
- **Drive strategy and ethical decision-making:** management's response to criticism (e.g. greenwashing allegations) showed leadership and commitment to rebuilding trust.
- **Balance stakeholder interests:** managers ensure the company meets both social and financial objectives, especially under ESG requirements.

Business owners (Shareholders/investors)
- **Provide capital and expect returns:** owners fund Voltura's growth and expect responsible, profitable performance.
- **Influence long-term direction:** their support for ESG initiatives shows confidence in ethical, sustainable strategies.

Local community
- **Supports social licence to operate:** Voltura's presence revitalised a rural area, creating jobs and boosting the economy.
- **Enhances brand through engagement:** community clean-ups and educational partnerships improve Voltura's public image and local support.

Environmental NGOs
- **Hold the business accountable:** criticism from NGOs led to real change in supply chain ethics and sustainability practices.
- **Influence consumer perception:** their evaluations affect public trust and the company's environmental credibility.

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Government/regulators
- **Set legal and ethical standards:** ESG regulations (e.g. CSRD) require Voltura to report transparently and meet sustainability benchmarks.
- **Can provide funding/support:** local government may offer incentives or infrastructure support that benefits Voltura.

Suppliers
- **Impact product quality and ethics:** sourcing from responsible suppliers aligns with Voltura's ESG goals and avoids reputational risk.
- **Support innovation and cost management:** strong supplier relationships improve operational efficiency and allow better material choices.

Customers
- **Drive demand and shape reputation:** eco-conscious customers choose Voltura for its green products, directly impacting sales.
- **Hold power through purchasing decisions:** customer backlash during the greenwashing controversy showed their influence on brand trust.

(b) **S – Social**
- **Diverse workforce:** Voltura employs a mix of nationalities and backgrounds, reflecting social trends in multicultural workplaces.
- **Local community engagement:** their involvement in education partnerships and clean-up campaigns supports strong community relations.

T – Technological
- **High-tech innovation hub:** Voltura develops eco-friendly smart devices, placing it at the forefront of green technology.
- **Modern manufacturing:** their facility is a high-tech design and production centre, which supports advanced product development.

E – Economic
- **Job creation in rural Ireland:** Voltura has contributed significantly to the local economy by employing 120 people.
- **Increased operating costs from regulation and compliance:** shifting to sustainable materials and renewable energy increased short-term costs.

E – Environmental
- **Sustainability commitments:** the company promotes green initiatives, community clean-ups and reduced packaging waste.
- **Environmental criticism:** Voltura faced greenwashing accusations due to concerns over supply chain ethics and actual sustainability performance.

P – Political
- **EU-wide recruitment strategy:** Voltura conducted innovative recruitment campaigns across the European Union, likely leveraging the freedom of movement and labour mobility supported by EU political frameworks.

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- **Positive political perception:** the establishment of a major facility in rural Ireland helped stimulate the local economy, aligning with national and regional political objectives for balanced regional development and inward investment.

L – Legal
- **Supplier compliance focus:** following reputational damage, Voltura introduced stricter codes of conduct and regular supplier audits to ensure legal and ethical labour practices.
- **Workplace standards adherence:** the company maintains high standards in pay, training and wellbeing, which reflect compliance with Irish employment law and labour regulations.

E – Ethical
- **Ethical business shift:** after being criticised for greenwashing, Voltura committed to more sustainable sourcing and greater transparency.
- **Wellbeing and fair pay:** the company is recognised for treating staff well and offering training and fair conditions.

(c) (**Please note:** The SEC has not provided guidance on how this analytical tool will be assessed.)

Force-field analysis (written answer)

Driving forces (for change)
- **Reputation recovery:** adopting renewable energy demonstrates a clear commitment to sustainability after greenwashing allegations.
- **Environmental responsibility:** aligns with Voltura's brand image as a green tech company and strengthens its corporate social responsibility profile.
- **Stakeholder trust:** reassures customers, NGOs and regulators that the company is taking credible action.
- **Competitive advantage:** positions Voltura as a market leader in ethical manufacturing, appealing to eco-conscious consumers.
- **Future regulation compliance:** proactively prepares for upcoming ESG and environmental reporting obligations.
- **Community support:** reinforces positive community relations by reducing local environmental impact.

Restraining forces (against change)
- **High initial costs:** transitioning to renewable energy likely involves significant upfront capital investment.
- **Operational disruption:** implementation may require changes in infrastructure or production downtime.
- **Short-term profitability pressure:** increased energy costs could temporarily reduce margins, affecting financial performance.
- **Internal resistance:** some internal stakeholders (e.g. finance department) may be hesitant due to budgetary constraints.
- **Technology integration:** adapting existing systems to new energy sources may pose logistical or technical challenges.

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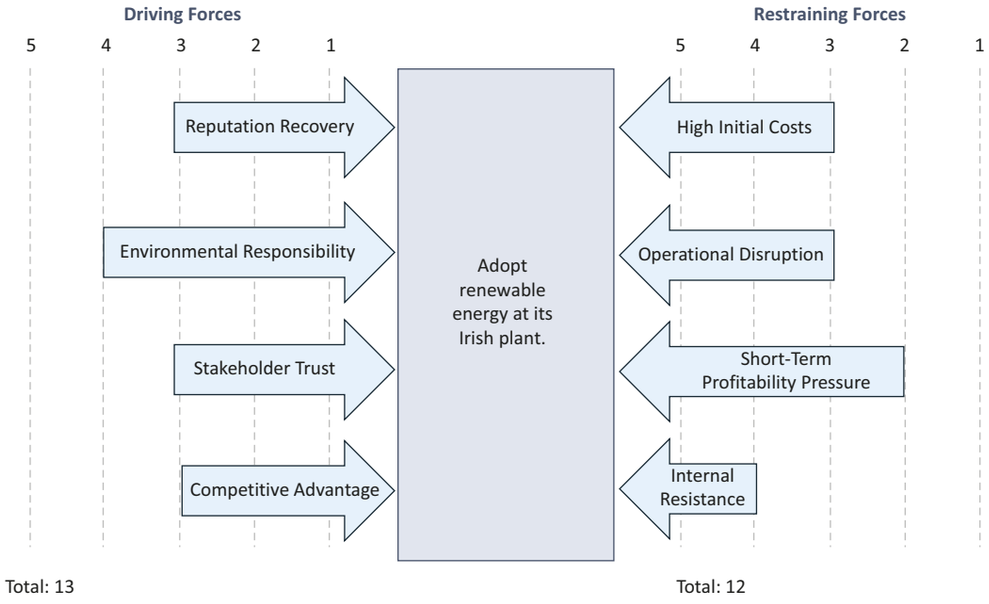
OR

Force-field analysis (illustrated answer)



Result: The driving forces are greater than the restraining forces. This suggests that Voltura should adopt renewable energy at its Irish plant.

(d) (**three** factors)

1. Environmental factor – carbon footprint and energy use

- Voltura must disclose its total carbon emissions from operations, including direct emissions and indirect emissions from purchased electricity.
- A breakdown of energy usage, specifying the transition towards renewable energy sources (e.g. solar, wind) in the Irish plant.
- Efforts to reduce energy consumption, such as energy efficiency measures and any progress made in reducing waste and water usage.
- Reporting on how the company's products (eco-smart devices) contribute to sustainability beyond production (e.g. energy efficiency of products or their recycling).

2. Social factor – workforce welfare and community impact

- **Employee wellbeing:** Voltura should provide data on employee satisfaction, training programmes, career development opportunities and fair pay structures. This includes addressing any diversity and inclusion initiatives, especially given the diverse workforce (e.g. different nationalities and backgrounds).
- **Workforce health and safety:** Documenting workplace safety standards, accident rates and wellness programmes.
- **Community engagement:** Reporting on the company's positive contributions to the local community, such as sponsoring green initiatives, running local clean-up campaigns and partnering with schools for educational programmes. The economic benefits of job creation in rural Ireland should also be highlighted.

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3. Governance factor – Supply chain ethics and oversight

- Voltura needs to disclose its supplier relationship management practices, including how it ensures compliance with ethical standards (e.g. fair wages, working conditions).
- A detailed description of the company's supplier codes of conduct, and whether suppliers undergo regular audits to ensure adherence to these standards.
- The role of senior management and the board of directors in overseeing supply chain practices and ensuring compliance with both legal and ethical requirements.
- Transparency around addressing any previously flagged issues (e.g. poor working conditions or low wages at overseas factories) and the actions taken to resolve them.

(e) (i)

- **Enhanced wellbeing and morale:** corporate wellness programmes support physical and mental health, leading to higher job satisfaction and intrinsic motivation among Voltura employees.
- **Increased productivity:** healthy, engaged staff take fewer sick days and are more focused and efficient, directly boosting output in Voltura's high-tech operations.
- **Strengthened organisational culture:** A visible commitment to wellness fosters a supportive, inclusive environment that reinforces Voltura's reputation as an employer of choice.
- **Talent attraction and retention:** robust wellness initiatives, alongside competitive pay and training, make Voltura more appealing to skilled candidates and reduce turnover in a competitive labour market.
- **Improved team cohesion:** wellness activities and programmes encourage collaboration and social interaction, enhancing communication and trust across Voltura's diverse, multinational workforce.

(ii) (Any **two**)

- **Skill enhancement:** ongoing training ensures Voltura employees continuously upgrade their technical and sustainable-technology competencies, increasing their capacity for innovation and product quality.
- **Career growth motivation:** professional development opportunities help employees envision long-term career paths at Voltura, boosting job satisfaction and reducing turnover.
- **Adaptability boost:** regular upskilling keeps staff informed of emerging industry trends and technologies, enabling them to respond swiftly to market and operational changes.
- **Innovation culture:** investing in employee development fosters creativity and idea generation, driving Voltura's advancement in eco-friendly solutions.
- **Employer branding:** robust training programmes position Voltura as an employer of choice, attracting high-calibre talent who value continuous learning.
- **Leadership pipeline:** targeted leadership and management courses prepare high-potential employees for future roles, ensuring a seamless succession plan and organisational resilience.

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(f) Contingency planning is the process by which an organisation prepares for potential unexpected events or crises that could disrupt normal operations. It involves identifying possible risks, developing alternative strategies and establishing clear procedures to respond quickly and effectively to emergencies such as natural disasters, cyberattacks, supply chain failures or reputational crises. The goal is to minimise damage, ensure business continuity, protect stakeholders, and enable a swift return to normal functioning. Effective contingency planning includes assigning roles, communication protocols, resource allocation and regular testing of the plan to ensure readiness.

Question 2 **(70 marks)**

(a) **(i)** Governance in an organisation refers to the system of rules, practices and processes by which a business is directed and controlled. It involves ensuring that the organisation operates in a transparent, ethical and accountable manner while achieving its strategic objectives. Good governance includes the establishment of clear roles and responsibilities for decision-makers, such as boards of directors and senior management, and ensures that appropriate checks and balances are in place. It also involves compliance with legal and regulatory requirements, effective risk management, and oversight of financial and operational performance.

(ii)

Statement	Internal	External
The business is required to comply with GDPR regulations on data privacy.		✓
The company holds quarterly risk assessments to evaluate financial vulnerabilities.	✓	
Managers are trained on anti-corruption procedures as part of company policy.	✓	
The Workplace Relations Commission (WRC) investigates a complaint of unfair dismissal.		✓
A compliance officer monitors if all departments are adhering to company policy.	✓	

(b) (Any **three**)

- **Creativity and problem-solving skills:** ability to generate novel ideas and solve problems. This enables differentiation and creates competitive advantages, essential for adapting to market needs and standing out.
- **Risk-taking and resilience:** willingness to take calculated risks and recover from failure. This helps entrepreneurs navigate uncertainties, persist through challenges and pivot when necessary for long-term success.
- **Vision and strategic thinking:** ability to set long-term goals and break down complex problems. This ensures sustainable growth and keeps the business aligned with future opportunities, enhancing competitiveness.
- **Leadership and team-building skills:** capability to inspire and manage a team effectively. This fosters collaboration, accountability and shared goals, making it easier to execute ideas and grow the business.
- **Adaptability and agility:** ability to quickly adjust to changing market conditions and customer needs. This allows businesses to stay relevant and responsive in a fast-changing market, capitalising on new opportunities.
- **Networking and relationship-building:** skill in establishing valuable relationships with stakeholders. Helps open doors for partnerships, funding and business opportunities, accelerating growth and credibility.
- **Financial literacy and resource management:** understanding of financial management and resource allocation. Can ensure the business is financially viable, preventing issues like cash flow problems and mismanagement of resources.

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- **Market knowledge and customer focus:** deep understanding of market dynamics and customer needs. This enables the creation of relevant and valuable products or services, leading to customer satisfaction and demand.
- **Time management and prioritisation:** ability to manage time effectively and prioritise tasks, so that essential business activities are completed on time, driving progress towards key milestones.
- **Ethics and integrity:** strong sense of ethics and responsibility in decision-making. This builds trust with customers, investors and other stakeholders, which is vital for long-term success and reputation.

(c) (Any **three**)

- **Preference for eco-friendly products:** consumers are increasingly choosing products that are biodegradable, recyclable or made from sustainable materials (e.g. bamboo toothbrushes, reusable water bottles).
- **Reduced consumption:** sustainability-minded consumers are buying less, avoiding fast fashion or unnecessary items and prioritising quality over quantity to reduce waste.
- **Support for ethical brands:** consumers favour businesses that demonstrate ethical practices such as fair trade sourcing, low carbon footprints and transparent supply chains.
- **Demand for minimal packaging:** many consumers are avoiding products with excessive plastic or non-recyclable packaging, choosing items with minimal or compostable alternatives.
- **Interest in local and seasonal goods:** to reduce their environmental impact, consumers may buy local produce or goods made closer to home, cutting down on transport-related emissions.
- **Willingness to pay a premium:** some consumers are willing to pay more for sustainable products or services, especially if they believe their purchase supports environmental or social causes.
- **Product lifespan and repairability:** consumers are more conscious of product durability and may choose items that are designed to last longer or can be repaired easily, reducing landfill waste.
- **Participation in circular economy:** some consumers actively engage in practices like reusing, recycling, renting or reselling items (e.g. second-hand clothing, refurbished electronics) to reduce consumption.

(d) Advantages of central bank digital currency (CBDC)

- **Safe and secure:** CBDCs are issued and regulated by a central bank, offering consumers a stable and trustworthy alternative to private digital payment systems or volatile cryptocurrencies.
- **Financial inclusion:** CBDCs can provide easier access to digital payments for some populations, especially in rural or disadvantaged areas.
- **Reduced transaction costs:** CBDCs can lower the cost of transferring money by reducing reliance on intermediaries like banks or card processors.
- **Improved payment efficiency:** real-time digital payments can improve the speed and efficiency of both domestic and cross-border transactions.
- **Reduced use of physical cash:** CBDCs support the move towards a cashless society, reducing the costs and environmental impact associated with printing, transporting and handling cash.
- **Stronger monetary policy control:** central banks can monitor CBDC flows in real time, allowing for more responsive and precise economic policy interventions.

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Disadvantages of CBDC

- **Privacy concerns:** unlike physical cash, CBDC transactions can be fully traceable, raising issues around surveillance and consumer privacy.
- **Cybersecurity risks:** as a digital platform, CBDCs may be vulnerable to hacking, fraud or technical failures that could undermine trust in the system.
- **Impact on traditional banks:** widespread use of CBDCs could reduce deposits held in commercial banks, potentially weakening their ability to lend and affecting financial stability.
- **Digital divide:** people without access to smartphones, internet connectivity or digital literacy may be excluded, widening socio-economic inequalities.
- **High implementation costs:** developing and maintaining a secure and user-friendly CBDC infrastructure may require significant investment from the central bank and the state.
- **Risk of bank runs:** in times of crisis, consumers might quickly shift money from commercial banks to CBDCs, increasing the risk of a rapid outflow of funds from the banking system.

(e) (Any **two**)

- **Global supply chains:** businesses source raw materials, components and services from multiple countries. This creates mutual reliance; if one link in the chain is disrupted (e.g. due to war, pandemic or natural disaster), the entire chain is affected globally.
- **International trade:** countries depend on one another for imports and exports. For example, Ireland relies on trading partners for energy and food imports while exporting pharmaceuticals and ICT products, making its economy sensitive to global market fluctuations.
- **Foreign direct investment (FDI):** multinational companies invest in operations abroad, creating jobs and driving growth. Host countries depend on these firms for employment and tax revenue, while the firms rely on local infrastructure and labour.
- **Labour mobility:** globalisation allows workers to migrate for employment. Countries may become dependent on international labour to fill key roles, particularly in sectors such as healthcare, hospitality and construction.
- **Technology and knowledge transfer:** innovations are shared across borders, creating interdependence in areas like medical research, software development and manufacturing. Countries and businesses rely on each other's expertise.
- **Financial markets:** investment and capital flows between countries mean economic shocks (e.g. interest rate changes or banking crises) can spread quickly from one country to another, increasing financial interdependence.
- **Cultural exchange and consumer behaviour:** consumers around the world are influenced by global brands, media and lifestyles, creating interconnected markets that rely on shared cultural trends and preferences.

Question 3 **(70 marks)**

(a) **(i)**
- **Fixed costs:** Rent and utilities, Wages
- **Variable costs (any two):** Gardening supplies, Workshop supplies, Insurance

(ii) Green Steps expects total income of €18,650 over four months. The primary income source is a €12,000 grant, received in January (€5,000) and March (€7,000). Additional income comes from donations and workshop fees, which fluctuate monthly. March has the highest overall receipts at €8,400, due to the grant and workshop fees. Total payments amount to €22,500, exceeding total receipts by €3,850 over the four months.

Major expenses include wages (€12,000) and rent and utilities (€4,800), both of which are fixed and consistent. Other notable costs include gardening supplies (€2,300), workshop supplies (€750) and insurance (€2,000). Net cash is positive in March (€3,150) but negative in January (–€50), February (–€3,100) and April (–€3,850). The sharp decline in April is due to a drop in income. Green Steps starts January with €2,000 opening cash and ends April with a negative cash balance of –€1,850, indicating a potential liquidity issue if no corrective action is taken.

(iii) (Any **two**)
- **Secure additional grant or funding streams:** Green Steps should apply for supplementary funding from local authorities, environmental grants or philanthropic foundations to cover the April shortfall and future operations. Diversifying funding sources would reduce reliance on single grants.
- **Introduce advance payment for workshops:** asking participants to pay in advance could improve cash flow predictability and reduce the risk of low-income months like April.
- **Increase fundraising activities:** launching targeted community fundraising campaigns or online donation drives (e.g. via crowdfunding platforms) could generate additional income, especially before the forecasted shortfall in April.
- **Reduce or reschedule non-essential spending:** postpone or reduce expenditure on workshop supplies or gardening materials, especially in low-income months. This would conserve cash and reduce the April deficit.
- **Explore strategic partnerships:** collaborate with local schools, businesses or environmental organisations to share resources, reduce costs or gain sponsorship for workshops and events.
- **Apply for a short-term bridging loan:** if timing is the main issue (i.e. grants arrive later in the year), a small bridging loan or overdraft facility could cover temporary gaps in cash flow, subject to responsible repayment planning.
- **Implement cost control measures:** conduct a cost review to identify potential savings in utilities, insurance or volunteer reimbursements. Even modest savings can help improve overall liquidity.
- **Plan for seasonal income variations:** use insights from the cash flow forecast to prepare for low-income months (like April) by building cash reserves earlier in the year.

(b) **(i)**
- **Protects business assets:** identifying potential threats (e.g. theft, cyberattacks, equipment failure) helps protect physical, financial and intellectual assets.
- **Ensures business continuity:** effective risk management allows businesses to plan for disruptions (e.g. supply chain issues, IT outages) and maintain operations during crises.

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- **Improves decision-making:** a structured risk assessment process supports informed decisions, allowing business owners to weigh potential outcomes before committing to strategies.
- **Enhances financial stability:** by managing financial risks such as fluctuating costs, interest rates or currency exchange, businesses can avoid unexpected losses and plan more accurately.
- **Supports compliance and legal obligations:** proactively addressing legal, health and safety, and environmental risks helps avoid penalties, fines or reputational damage.
- **Builds stakeholder confidence:** investors, employees and customers are more likely to trust a business that demonstrates strong risk management and resilience.
- **Enables innovation with safeguards:** risk management allows firms to take calculated risks, such as entering new markets or launching products, while minimising potential downsides.
- **Promotes sustainability:** long-term planning and risk analysis help businesses adapt to challenges like climate change, resource scarcity or evolving customer expectations.

(b) **(ii)** (Any **two**)

- **Risk avoidance:** this involves eliminating activities that expose the business to unnecessary risk. For Green Steps, this could mean avoiding events or workshops that are unlikely to cover their costs or carry high logistical risk (e.g. outdoor events during winter months with unpredictable weather). By not engaging in high-risk, low-return activities, the organisation can focus its resources on more reliable revenue-generating initiatives, protecting its financial stability and volunteer capacity.
- **Risk spreading (Diversification):** risk spreading involves diversifying sources of income, suppliers or services to reduce reliance on any single element. Green Steps could apply this by expanding its funding base beyond grants to include regular monthly donors, corporate sponsorships and merchandise sales. They could partner with multiple suppliers for workshop materials to avoid delays or price shocks. Spreading risk ensures that if one income source or supplier fails, the organisation can continue operating without severe disruption.
- **Risk prevention:** risk prevention focuses on identifying potential risks early and putting measures in place to stop them from occurring. For Green Steps, this could include implementing strict budgeting and cash flow monitoring to prevent overspending or unexpected deficits, such as the one forecasted in April. They could provide training and clear procedures for volunteers to avoid health and safety incidents during workshops or gardening activities. Maintaining equipment and facilities regularly can help to prevent costly breakdowns or safety hazards. Prevention reduces the likelihood of disruptions, financial loss or reputational damage. It also promotes a more professional and trustworthy image to funders, participants and the local community.

(c)

- **Wider talent reach:** digital platforms like LinkedIn, Indeed and company websites allow businesses to advertise vacancies globally, reaching a broader and more diverse talent pool. This increases the chances of finding the most suitable candidates.
- **Efficiency and speed:** online application systems and applicant tracking software (ATS) help automate job postings, CV screening and shortlisting, significantly speeding up the recruitment process and reducing HR workload.

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- **Improved candidate experience:** candidates benefit from streamlined application processes, instant communications (e.g. email confirmations, status updates) and virtual interviews, making the experience more user-friendly and accessible.
- **Data-driven decisions:** digital tools can analyse applications using algorithms to match candidates' skills to job descriptions, reducing bias and improving objectivity in selection decisions when used responsibly.
- **Use of social media:** while platforms like LinkedIn allow for networking and passive recruitment, employers may also use social media to assess candidates informally, raising ethical concerns about privacy and fairness.
- **Exclusion risks:** overreliance on digital methods may disadvantage candidates without strong digital skills or access to technology, reducing inclusivity, particularly for older applicants or those in rural areas.
- **Automated screening limitations:** some applicant tracking systems may reject strong candidates if CVs don't match specific keywords, potentially leading to missed opportunities and less diverse hiring.

Overall evaluation

Digital technologies have transformed recruitment and selection by increasing efficiency, reach and fairness. However, they also introduce ethical and accessibility challenges, particularly where automation replaces human judgement. In my opinion, digital tools should enhance, not replace, human interaction, ensuring recruitment is both effective and inclusive.

(d) **(i)** Representing and protecting the interests of its members, who are typically employees in a specific sector or job is the primary function of a **trade union**.

(ii) The elements of the marketing mix are: **product/service**, **pricing**, **promotion**, **people**, **physical evidence (packaging)**, **process** and **place**. (Answers placed in no particular order.)

(iii) The elements of the operational aspect of the business include the key **partners** a business may have, the key **activities** of the business and the key **resources**. (Answers placed in no particular order.)

(iv) In a **circular economy**, products and materials are reused, repaired and recycled as long as possible.

Question 4 **(70 marks)**

(a) **(i)** The balance of trade refers to the difference between the value of a country's exports and imports of goods and services over a given period. It is a key component of the broader balance of payments. The balance of payments is a comprehensive record of all economic transactions between residents of a country and the rest of the world. It includes the balance of trade plus other flows such as investment income, capital transfers, foreign direct investment and financial account transactions. It is divided into the current account, capital account and financial account.

(ii) **Answer:** €6 billion (surplus)

Calculations: Balance of trade = (visible exports – visible imports)

€45 billion – €39 billion = €6 billion (surplus)

(b) **(i)**
- General Data Protection Regulation (GDPR)
- REACH Regulation (Registration, Evaluation, Authorisation and Restriction of Chemicals)
- Digital Markets Act (DMA)
- Digital Services Act (DSA)
- CLP Regulation (Classification, Labelling and Packaging)
- EU Regulation on Food Information to Consumers
- EU Regulation on the Common Agricultural Policy (CAP)
- Market Surveillance and Compliance Regulation.

Digital Markets Act (Regulation (EU) 2022/1925)
The Digital Markets Act is a binding EU regulation. It aims to ensure fairness, contestability and innovation in the digital economy by regulating powerful tech platforms and protecting smaller competitors and consumers. It promotes fair competition in digital markets, regulates large digital platforms (called 'gatekeepers') that have significant market power (e.g. Google, Apple, Meta, Amazon, Microsoft) and prevents anti-competitive practices.

(ii) Digital Markets Act (Regulation (EU) 2022/1925)
- **Fairer competition for SMEs:** the DMA directly targets anti-competitive behaviours of dominant digital platforms (gatekeepers), such as self-preferencing their own products or limiting interoperability. This creates a more level playing field for Irish SMEs and start-ups, giving them a fairer opportunity to compete online without being unfairly suppressed by larger platforms.
- **Improved market access:** the DMA prevents gatekeepers from forcing businesses to use their payment systems, advertising tools or app stores. Irish firms can now interact with consumers more directly and cost-effectively. This reduces reliance on dominant intermediaries and gives smaller Irish businesses greater control over pricing, branding and customer data.
- **Greater advertising transparency:** platforms are now required to provide clear information on how advertising is targeted and delivered. This benefits Irish businesses, especially in e-commerce and digital marketing, by allowing them to better understand ad performance, optimise spending and compete more effectively for consumer attention.

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- **Boost to innovation:** by opening up access to digital infrastructure and preventing exclusionary practices, the DMA enables Irish digital entrepreneurs to bring new ideas to market. Reduced dominance by a few large platforms encourages more diverse innovation in areas like apps, sustainable tech, fintech and digital services.
- **Increased compliance pressures:** while the regulation primarily targets large multinational platforms, Irish tech businesses that partner with or operate through them may face increased documentation, reporting obligations or operational changes. This could place a burden on firms with limited legal or compliance resources.
- **Reliance on enforcement:** the effectiveness of the DMA in Ireland depends heavily on the European Commission's ability to monitor and penalise non-compliance. Large tech firms may attempt to delay or circumvent rules, which could limit the real-world impact on Irish businesses unless enforcement is robust and timely.
- **Structural dependence remains:** many Irish micro-enterprises and sole traders still rely heavily on dominant platforms (e.g. Google, Amazon) for visibility and sales. While the DMA reduces harmful practices, it does not eliminate the economic power imbalance, meaning these businesses remain vulnerable to sudden platform changes or policy shifts.
- **Unpredictable platform changes:** in response to the DMA, some gatekeepers may alter their business models, restrict access to certain tools or introduce new terms of use. This could inadvertently disrupt Irish businesses that have built their digital operations around these platforms and reduce the short-term effectiveness of the regulation.

Overall evaluation

The Digital Markets Act offers strong potential to improve fairness, innovation and transparency in Ireland's digital economy. It particularly benefits SMEs and start-ups by curbing the dominance of powerful tech firms. However, its success relies on effective enforcement and support from national policies to help small firms adapt. Overall, the DMA is a positive and necessary step towards a fairer digital marketplace, but its long-term impact will depend on ongoing monitoring and support.

(c) **(i)**

- A very high percentage of both genders engage in online shopping, with 85% of females and 84% of males reported as having bought online. This shows a minimal difference, indicating equally high digital participation.
- Clothing, shoes and accessories show a higher female engagement, with 86% of females compared to 68% of males. This highlights a significant difference, suggesting that fashion and apparel are more commonly purchased online by women.
- A clear gap exists in cosmetics and wellbeing products, with 53% of females buying these online versus only 28% of males. This reflects gender-specific consumption patterns, where females are more likely to purchase personal care items digitally.
- In medicines and dietary supplements, there is a slight female lead with 27% of females compared to 20% of males, showing that women are slightly more active in managing health-related purchases online.

(ii)

	Consumer Right	Yes	No
1	You have a 14-day cooling-off period for returns.	✓	
2	You must pay customs duties on all items.		✓
3	The seller must provide clear information about pricing.	✓	

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(d) (Any **two**)

- **Increased convenience and accessibility:** digital technology allows consumers to shop anytime and anywhere through online stores and mobile apps, making purchasing more convenient and accessible.
- **Greater information availability:** consumers can easily compare products, read reviews and research alternatives online, leading to more informed and confident buying decisions.
- **Personalisation of marketing:** businesses use data analytics and artificial intelligence (AI) to deliver targeted advertising and personalised recommendations, influencing consumer preferences and increasing purchase likelihood.
- **Social media influence:** platforms like Instagram, TikTok and Facebook shape trends, opinions and brand perceptions through influencer marketing and user-generated content, directly impacting consumer behaviour.
- **Faster and diverse payment options:** digital wallets, contactless payments and buy-now-pay-later services make transactions quicker and more flexible, encouraging higher spending and impulse buying.
- **Customer engagement and feedback:** digital channels enable immediate communication and feedback through chatbots, reviews and surveys, empowering consumers and encouraging brand loyalty.
- **Increased price sensitivity and comparison:** price comparison websites and apps empower consumers to find the best deals, often driving businesses to compete more aggressively on price.

Question 5 **(70 marks)**

(a) **(i)** The shadow economy describes business and economic transactions that are deemed illegal in a jurisdiction because the goods or services being traded or exchanged are unlawful or the transaction itself is not in line with legislation or government reporting requirements.

(ii)
- **Consumers:** consumers may face poor quality goods or services without warranties or consumer protections. They also risk legal penalties if caught buying from unregistered or untaxed businesses.
- **Businesses:** legitimate businesses suffer unfair competition as shadow economy participants evade taxes and regulations, allowing them to undercut prices. This undermines trust and distorts market conditions.
- **Economy:** the shadow economy reduces government tax revenues, limiting public spending on services like healthcare and education. It also distorts economic data, hampers economic planning and can fuel corruption and crime.

(b) **(i)** The Irish government regulates financial services primarily through the Central Bank of Ireland (CBI), which supervises banks, insurance companies, investment firms and credit unions. The CBI enforces rules related to consumer protection, financial stability, anti-money laundering and conducts regular inspections to ensure compliance. The financial services industry in Ireland is also regulated by a comprehensive body of EU laws and regulations designed to create a harmonised financial market across member states. The Irish government and EU institutions collaborate closely, ensuring that Irish financial institutions comply with both national laws and EU-wide standards.

(ii) (any **two**)
- **Increased risk of financial crises:** without adequate regulation, financial institutions may engage in risky lending and investment practices, potentially leading to bank failures and systemic crises, as seen during the 2008 global financial crash.
- **Loss of consumer confidence:** consumers may lose trust in banks, insurance companies and investment firms if these entities act irresponsibly or fraudulently, resulting in reduced participation in financial markets.
- **Fraud and mismanagement:** under-regulation can allow unethical behaviour, fraud and mismanagement within financial institutions, harming customers and investors financially.
- **Market instability:** lack of oversight can lead to excessive speculation, market manipulation and volatility, destabilising financial markets and harming the broader economy.
- **Reduced protection for consumers:** consumers may be exposed to unfair practices, misleading advice and insufficient transparency, resulting in financial losses and poor decision-making.
- **Negative impact on the economy:** financial instability and loss of confidence can reduce investment, increase unemployment and slow economic growth.
- **International reputation damage:** countries with weak financial regulation may be viewed as risky, deterring foreign investment and harming their financial sector's global standing.

(c) (Any **three**)
- **Risk:** assess the level of risk associated with the investment and whether it matches your risk tolerance. Higher returns often come with higher risk.

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- **Return:** consider the expected rate of return or income from the investment, such as interest, dividends or capital gains.
- **Time Horizon:** determine how long you plan to keep the investment before needing access to funds. Longer time horizons can typically withstand more volatility.
- **Liquidity:** evaluate how easily and quickly the investment can be converted to cash without significant loss of value.
- **Diversification:** consider spreading investments across different asset classes and sectors to reduce overall risk.
- **Costs and fees:** account for management fees, transaction costs, taxes and any penalties that might reduce net returns.
- **Market conditions:** take into account the current economic environment and market trends that may impact investment performance.
- **Legal and ethical considerations:** ensure the investment complies with laws and matches personal ethical standards, such as avoiding environmentally harmful industries.

(d) **(i)**

- **Credit history:** records of past borrowing and repayment behaviour, including loans, credit cards, mortgages and any defaults or missed payments.
- **Current debt levels:** the amount of outstanding debt relative to credit limits; high debt levels can lower credit ratings.
- **Length of credit history:** the duration for which a person has held credit accounts; longer histories often result in higher ratings.
- **Payment timeliness:** whether payments have been made on time or if there have been delays, defaults or bankruptcies.
- **Types of credit used:** a mix of credit types (e.g. credit cards, personal loans, mortgages) may positively influence the rating, showing ability to manage varied credit.
- **Credit applications:** frequent applications for new credit in a short period can negatively affect the rating as it may indicate financial distress.
- **Public records:** information such as bankruptcy filings, court judgments or repossessions.

(ii)

- (Any **two**)
- **Payment history:** late payments, defaults or missed repayments negatively impact credit ratings, while consistent on-time payments improve them.
- **Amount of debt:** high levels of outstanding debt compared to credit limits can lower a credit rating by indicating higher risk.
- **Length of credit history:** short credit histories or recently opened accounts may reduce creditworthiness compared to longer, established histories.
- **Frequency of credit applications:** multiple credit applications in a short time can suggest financial difficulties and lower credit scores.
- **Type of credit used:** using a diverse mix of credit (credit cards, loans, mortgages) responsibly can positively influence the rating.
- **Public records and legal issues:** bankruptcies, court judgments or repossessions seriously damage credit ratings.
- **Credit Utilisation Ratio:** the percentage of available credit being used; high utilisation can be seen as risky behaviour.

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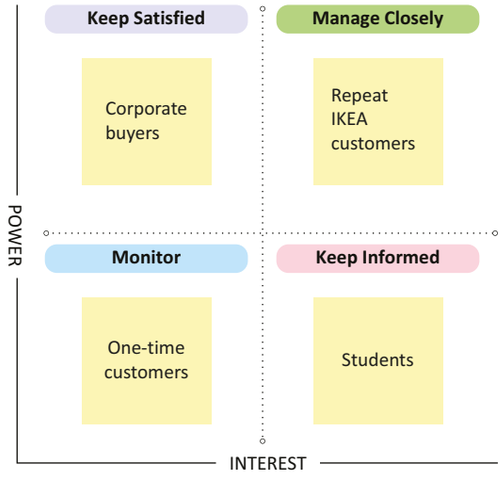
(e) **(i)** Power-interest grid applied to IKEA's customers.



Other suggested answers

- **High power/high interest:** families, repeat IKEA customers, influencers
- **Low power/high interest:** students, young adults interested in low-cost furniture, passionate IKEA fans, new homeowners
- **High power/low interest:** corporate buyers with large contracts, businesses buying in bulk
- **Low power/low interest:** one-time, price-focused customers

Must be labelled correctly to show the **Power** and **Interest** of each customer: Manage closely/Keep satisfied/Keep informed/Monitor

(ii) (Any **two**)

- **Product:** develop sustainable, modular furniture lines aimed at families and regular customers who seek durability and eco-friendly options. Also, design budget-friendly, space-saving furniture for students and young adults.
- **Price:** introduce competitive, affordable pricing for the student and young adult segment to increase accessibility without compromising IKEA's value proposition.
- **Place:** enhance online shopping platforms and offer convenient delivery or click-and-collect services, especially targeting younger, tech-savvy consumers.
- **Promotion:** run targeted campaigns highlighting sustainability and family-friendly features for high power/high interest customers, leveraging influencers to boost brand loyalty.
- **People:** train sales staff to provide expert advice on sustainable products for families, and customer service tailored to younger customers' digital preferences.
- **Process:** streamline online purchasing and delivery processes to improve convenience and reduce wait times, particularly for budget-conscious younger customers.
- **Physical evidence:** create inspiring showroom displays that demonstrate modular sustainable furniture setups for families and create engaging online visuals tailored for young buyers.

Answers must be relevant to the customers identified previously as high power/high interest and low power/high interest.