# Chapter 2

## Chapter 2 Ordinary Level Questions

**Q1.** Match each type of enterprise to its description

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| A. Public enterprise | 1. Set up by individuals to make a profit. |
| B. Private enterprise | 2. Set up to achieve a social or community goal. |
| C. Not-for-profit enterprise | 3. Run by the government to provide services. |

| 1 | 2 | 3 |
|---|---|---|
| 3 | 1 | 2 |

**Q2.** Answer TRUE or FALSE to the following questions

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| A sole trader has unlimited liability | TRUE |
| A PLC can sell shares to the general public | TRUE |
| A franchise is owned fully by the franchisee, including the brand | FALSE |
| A partnership benefits from continuity of existence | FALSE |

**Q3.** (i) Outline two reasons for changing from sole trader to a private limited company.

1. Limited liability: Owners are protected as the owner's personal assets can't be taken if the business incurs debts. Only their initial investment would be lost. This offers more financial security and encourages investment.

2. Easier to raise finance: The business can sell shares to family and friends, up to 149 shareholders, providing access to funds that support growth. This makes it easier to invest in equipment, staff, or new projects. It can also improve the business's creditworthiness with lenders.

(ii) Outline one reason why a semi-state company may be privatised

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| A semi-state company may be privatised to raise revenue for the government by selling off its ownership. It can also lead to improved efficiency and competition in the market, as private ownership often demands better performance. |

**Q4.** Explain one type of internal regulation and one type of external regulation a business can have

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| Code of Conduct (Internal Regulation): This is a set of guidelines created by the business to direct employee behaviour and promote ethical standards. It helps ensure that everyone acts consistently and professionally within the workplace. For example, it might include rules on punctuality, confidentiality, or fair treatment. |
| Health and Safety Legislation (External Regulation): This is a law enforced by government agencies to protect employees and customers. Businesses must follow safety standards to prevent accidents and ensure a safe environment.<br><br>E.g. a restaurant must comply with hygiene regulations to operate legally. |

**Q5.** Explain what is meant by governance in an organisation

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| Governance refers to how a business is directed and controlled. It includes the roles, responsibilities, and processes that ensure accountability, fairness, and transparency in decision-making. Good governance helps prevent unethical behaviour and supports long-term success. |

**Q6.** (i) What do the letters ESG stand for?

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| E: Environmental |
| S: Social |
| G: Governance |

(ii) Indicate the area of the ESG report to which each topic relates

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| 1. Employee Wellbeing | Social |
| 2. Pollution Prevention | Environmental |
| 3. Community Involvement | Social |
| 4. Structure of the Board of Directors | Governance |

# Chapter 2 Higher Level Questions

**Q1.** *'Ireland may be down a lot of corporation tax revenue in the coming years if MNCs shift their profits back to their home countries'*
Analyse the impact of reduced government funding of public enterprises at a national level in Ireland.

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| 1. **Reduced infrastructure investment**: With less funding, state bodies like Irish Rail or ESB may delay critical upgrades, affecting national transport and energy systems. Fewer rail upgrades could result in longer travel times and reduced regional investment. |
| 2. **Weaker social supports**: Reduced public enterprise funding could limit services like healthcare or education, increasing inequality and putting pressure on private providers to provide necessary services. Fewer resources for the HSE could increase hospital waiting times nationally. |

**Q2.** Discuss two benefits of not-for-profit enterprises at a local level in Ireland

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| 1. **They promote community engagement and inclusion.**<br>Not-for-profits offer services that bring people together and support marginalised groups.<br>*Men's Sheds provide a safe, social space that enhances mental wellbeing.* |
| 2. **They generate employment and volunteering opportunities.**<br>These enterprises offer both paid and volunteer roles, enhancing local economic activity.<br>*Local GAA clubs offer coaching and event roles that strengthen community bonds.* |

**Q3.** Outline three characteristics of a partnership as a form of business ownership.

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| 1. **Ownership and control are shared between partners.**<br>Business decisions and responsibilities are divided among 2–20 individuals, reducing the stress a sole trader may face running their own business. |
| 2. **Partners face unlimited liability.**<br>If the business cannot pay its debts, partners may be personally liable beyond their investment, so face losing personal assets. |
| 3. **Financial information remains private.**<br>Partnerships do not need to publish their accounts, allowing greater confidentiality of finances for partners. |

**Q4.** Explain three benefits for members (owners) in a co-operative ownership structure, like those in a credit union (a financial co-operative)

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| 1. **Each member has equal voting rights.**<br>Control is democratic (one member, one vote) regardless of investment.<br><br>E.g. Each credit union member has an equal say in the running of their own credit union. |
| 2. **Profits are reinvested or shared among members.**<br>Surplus funds benefit the group rather than external shareholders.<br><br>E.g. Higher dividends for members of a credit union with a surplus. |
| 3. **Co-operatives support the local community.**<br>Credit unions often invest in local causes or offer financial services tailored to community needs.<br><br>E.g. A credit union might offer low-interest loans for education or home improvements. |

**Q5.** Distinguish between '**privatisation**' and '**nationalisation**', and for each, provide one situation where they would be appropriate.

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| Privatisation<br><br>**Privatisation is the sale of a state-owned enterprise to private investors.**<br>This can lead to greater efficiency through competition.<br>*Example: Aer Lingus was privatised to improve performance and access private capital.* |
| Nationalisation<br><br>**Nationalisation is when the state takes ownership/control of a private company.**<br>This is often done to protect essential services in the economy or to prevent businesses in a key economic sector to fail.<br>*Example: Irish banks were nationalised during the 2008 crisis to stabilise the financial system.* |

Q6. Discuss different ways a business is regulated under the headings: **audit, risk management** and **compliance.**

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| Audit<br><br>**Audit involves the independent examination of a business's financial records and systems.**<br>This regulation ensures that businesses accurately report their finances and follow accounting standards. It helps detect fraud, promotes transparency, and reassures investors, creditors, and regulators that a business is acting correctly. |
| Risk management<br><br>**Risk management is the process of identifying, assessing, and controlling potential threats to a business.**<br>Firms develop risk registers and contingency plans to limit exposure to financial, operational, or reputational harm. Effective risk management protects stakeholders and maintains continuity during crises. |
| Compliance<br><br>**Compliance ensures that a business follows all legal and regulatory requirements relevant to its sector.**<br>This includes adhering to health and safety laws, employment rights, consumer protection, and environmental regulations. Compliance reduces the risk of legal action, fines, and reputational damage. |

**Q7.** Outline the three factors considered in an ESG Report

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| 1. **Environmental: Evaluates a business's impact on the planet.** This includes level of emissions generated, energy use, and waste management. |
| 2. **Social: Assesses relationships with employees and society.** Includes diversity, working conditions, and community engagement. |
| 3. **Governance: Reviews how the business is managed and led.** Covers board structure, transparency, and ethical conduct. |

Read the following and then answer the questions that follow

**The Business World - Oakwell Outdoor Living**
Oakwell Outdoor Living was started in 2019 by Emma Kelly as a sole trader designing and building custom timber garden structures. Initially operating alone from a small workshop behind her home in rural Mayo, she managed all areas of the business. As demand grew she knew she needed to increase investment in the business beyond what she had in savings. She discussed becoming a private limited company with her accountant and decided it offered lots of benefits for her so in 2023 she registered Oakwell Outdoor Living as a private limited company (Ltd).
As Oakwell grew, Emma became increasingly focused on the business's environmental and social impact. In 2025, she began publishing a basic ESG update on her website, outlining plans to use sustainably sourced timber, support local community projects, and improve governance practices. She also installed solar panels on the workshop roof and committed to offering one free outdoor classroom shelter per year to local schools. These steps were taken in part to attract socially conscious customers and to help secure future investment.

**Q1.** Outline three reasons why Emma may have chosen to change from a sole trader to a private limited company.

1. **To gain access to greater investment and funding.**
As a sole trader, Emma was restricted to using personal savings and bank loans. A private limited company (Ltd) can raise finance by selling shares to up to 149 shareholders, which increases its ability to fund expansion.
*Emma changed Oakwell to a Ltd company in 2023 to support growing demand that exceeded what her own savings could cover.*

2. **To benefit from limited liability.**
Private limited companies protect owners' personal assets, meaning Emma is only liable for business debts up to the amount she has invested. This reduces her personal financial risk.

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| *If Oakwell were to face financial difficulties, Emma's house or personal savings would not be at risk under the Ltd structure.* |
| 3. **To improve continuity and business image.**<br>A Ltd company has continuity of existence, meaning it can continue operating even if ownership changes. It also presents a more formal and trustworthy image to customers, suppliers, and investors.<br>*Emma's move to incorporate Oakwell signalled professionalism and long-term ambition, helping attract socially responsible customers and investors.* |

**Q2.** (i) Name the three areas included in an ESG report.

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| E: **Environmental** | S: **Social** | G: **Governance** |

(ii) For each area, outline one action Oakwell has taken to improve in that area.

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| 1. **Environmental – Installed solar panels and uses sustainable timber.**<br>This reduces Oakwell's carbon footprint and supports eco-friendly production.<br>*Emma fitted solar panels on the workshop and sources sustainable timber to improve Oakwell's environmental practices.* |
| 2. **Social – Supports local community projects.**<br>Social actions help build goodwill and strengthen customer relationships.<br>*Emma donates one free outdoor classroom shelter per year to local schools, supporting education and community wellbeing.* |
| 3. **Governance – Introduced better governance practices.**<br>Strong governance ensures accountability and responsible decision-making.<br>*Emma began reporting ESG updates publicly, which improves transparency and shows Oakwell is professionally managed.* |

**Q3.** Analyse one benefit to Oakwell's brand of publishing regular ESG updates online.

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| **Publishing ESG updates strengthens Oakwell's reputation as a responsible and transparent business.**<br>By openly sharing progress and goals, Oakwell builds trust with customers and potential investors who value ethical practices.<br>*Emma's decision to publish ESG updates online positions Oakwell as environmentally and socially conscious, appealing to eco-aware customers and attracting future investment.* |

**Q4.** *"As a business grows, it must adapt its internal governance structures."* Suggest two ways Emma might improve Oakwell's governance as it expands.

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| 1. **Establish a board of advisors or directors.**<br>A board can provide oversight, strategic input, and help Emma make informed decisions as the business grows.<br>*This would formalise governance at Oakwell and reduce reliance on Emma alone for all major decisions.* |
| 2. **Introduce clear policies and internal controls.**<br>Developing procedures for areas like finance, HR, and sustainability ensures consistent and fair practices.<br>*As Oakwell scales, structured internal systems will help maintain quality and ethical standards across the business.* |