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ECONOMY

Definition

This refers to all the producers, distributors and consumers of goods and services in the country. It is based on wealth.

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ECONOMIC GROWTH

Definition

This refers to any increase in the financial value of all the goods and services produced from a country's resources. It is an indicator of economic activity.

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ECONOMIC BOOM

Definition

This occurs when the level of economic activity increases very quickly. During a boom, spending & demand for goods & services are high as demand for employees to work producing these goods and services. For example, Celtic Tiger.

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ECONOMIC RECESSION

Definition

This occurs when economic growth ceases or goes into reverse. The economy starts to shrink. It occurs if there is a fall in sales, a rise in unemployment or competition increases (companies have to find new opportunities to grow).

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DEPRESSION

Definition

This is a severe and prolonged period of economic decline. Demand for goods and services falls significantly. Unemployment rises sharply. There is a lack of consumer and business confidence.

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ECONOMIC VARIABLES

These include the following:

1. Unemployment
2. Exchange Rates
3. Inflation
4. Government Grants and Support
5. Interest Rate
6. Level of economic activity
7. Taxation

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EFFECTS OF UNEMPLOYMENT ON A BUSINESS

Sales

Unemployment is high - sales are low (small income to spend on goods/services). This reduces the demand in the country.

If unemployment is low - more people will have income and the level of demand in the country will be high.

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EFFECTS OF UNEMPLOYMENT ON A BUSINESS

Costs

Unemployment is high - wages increase, tend to fall, easier to employ staff - it can lead to higher government taxes to pay for additional social welfare.

Unemployment is low - demand for labour can push up wages (compete and try to retain employees). It can also lead to greater immigration into a country.

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EFFECTS OF UNEMPLOYMENT ON A BUSINESS

Business Confidence

Unemployment is high - This can lead to a decrease in investment but an increase in government spending (social behaviour) thus a rise in taxes.

Unemployment is low - reduces pressure on government finances and increased confidence.

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INFLATION

Definition

This is the rise in the average price of goods in the economy over a period of time Usually a year. It is measured by the CPI - Consumer Price Index. It usually occurs when there is an increasing supply of money in the economy. Ireland inflation rate at present is .73%

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DEFLATION

Definition

This is a decrease in the average price of goods in the economy. It occurs when there is a shortage of money in the economy

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EFFECTS OF INFLATION ON A BUSINESS

Sales

High Inflation - Customers are more price sensitive and shop around for the best price. This can result in a fall of sale.

Low Inflation - Consumer are less price sensitive, so they don't shop around that much and buy as the need

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EFFECTS OF INFLATION ON A BUSINESS

Costs

High Inflation - Increase the cost of raw materials because the cost of items are increasing, Because the cost of goods are increasing employees look for cost of living wage increase. This increase business costs

Low Inflation - Prices and demand for wage increase are low. Business keeps costs down which results in more of a profit for the company

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EFFECTS OF INFLATION ON A BUSINESS

Business Confidence

High Inflation - Increase uncertainty and erodes business confidence

Low inflation - Business confidence is increase planning is easier for business, worker and the consumer

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INTEREST RATES

Definition

This is the of the loan that the bank will charge to the borrower for having the loan. It is expresses as an APR (annual Percentage Rate) and it is one-way banks makes a profit

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EFFECTS OF INTEREST RATES ON A BUSINESS

Sales

High Interest Rates - Fewer customer can take out loans or buy on HP. This is because the cost of interest is high so repayments are high, This results in a fall in sale

Low interest Rates - Encourages business and consumer to buy and borrow thus increase demand for goods and services. This is because the cost of the loan and repayments are low.

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EFFECTS OF INTEREST RATES ON A BUSINESS

Costs

High Interest Rates - Borrowing is more expensive for firms and consumers. Pushes business cost up and profit down

Low Interest Rates - Cheaper for firms to borrow finance for expansion and for consumer to buy goods and services

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EFFECTS OF INTEREST RATES ON A BUSINESS

Business Confidence

High Interest Rates - Business confidence is eroded when borrowing is too high. High Interest rate encourages Investor to put their money in a deposit account. Business start ups or expansion may be postponed

Low interest rates - Make it more attractive to invest in new business

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EXCHANGE RATES

Definition

These are prices of one currency expressed in term of another currency Exchange rate are fluctuating up and down in value on the international currency markets The government has no control on this

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EFFECTS OF EXCHANGE RATES ON A BUSINESS

Sales

Increase in the Euro - Irish Exports become more expensive, this is because the seller will want to be paid in euros which will become more expensive for foreign customer to buy (Sale will Decrease)

Decrease in the Euro - Irish goods become more affordable and exports will rise

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EFFECTS OF EXCHANGE RATES ON A BUSINESS

Costs

Increase in euro - Price of imported goods will become cheaper. Reduce business costs and boost profits

Decrease in euro - Imports from outside the EU zone will become more expensive

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EFFECTS OF EXCHANGE RATES ON A BUSINESS

Confidence

A stable and predictable exchange rate make a business planning easier and boost business confidence

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HOW DOES BUSINESS IMPACT ON THE NATIONAL AND LOCAL ECONOMY (1)

1. Job Creation
2. Boost Tax Revenue
3. Develop local economic self-reliance
4. Wealth
5. Competition

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BUSINESS IMPACT ON THE NATIONAL AND LOCAL ECONOMY (2)

1. **Job Creation** - Create new jobs and develop employee skills, further jobs are created among suppliers creating more employment opportunities. Job creation mean less unemployment
2. **Boost Tax Revenue** - Gov. spends less on social welfare, money is spent on infrastructure & public services Gov will also get more tax in the form of PAYE and PRSI

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BUSINESS IMPACT ON THE NATIONAL AND LOCAL ECONOMY (3)

3. **Develop local economic self-reliance**
Communities with strong local business are less exposed to risk such as sudden closures of a large employer
4. **Wealth Creation** - Business create wealth for entrepreneurs (Profits) and employees (Wages). This can be spent or invested in other business thus creating more wealth and attracting more business

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BUSINESS IMPACT ON THE NATIONAL AND LOCAL ECONOMY (4)

5. Competition

Encourages more competition between business in the same industry can lead to lower prices for customers

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LOCAL BENEFITS OF BUSINESS

1. **Promote Social Cohesion** - Communities that have high economic activity are less likely to have social decay. Because a high level of unemployment & crime can result in not attracting business to an area
2. **Enhance quality of life** - Enterprise and economic activity can result in improved services and higher quality of life
3. **Sponsorships** - Of local sporting and cultural activities by local business

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LOCAL NEGATIVE OF BUSINESS

1. **Local Economic Shocks** - This can occur when large business close down. This can result in increased employments which in turn reduces the quality of life. It also results in less tax for the government,
2. **Social and Environmentally irresponsible business** - Business may try to cut their costs and increase their profits by ignoring environmental regulations thus causing environment damage.

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COMMUNITY DEVELOPMENT

Definition

This refers to local people coming together to identify problems in their area and then developing and implementing a plan to solve the problems themselves. It means supporting small economic and enterprise development (business less than 10 employees)

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SIGNS OF STRONG VIBRANT LOCAL COMMUNITY

Include the following

1. Wide variety of local business,
2. Wide range of local services,
3. Education and training facilities,
4. Recreational, social, and sporting facilities
5. Good basis infrastructure
6. Wide variety of voluntary organisation and
7. Strong sense of community

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A FOOT LOOSE BUSINESS

Definition

This is one that is not constrained by location factors and are free to set up in a wide variety of locations

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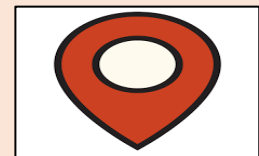


REASON TO LOCATE IN AN AREA (1)

1. Operational/production considerations
2. HR Consideration
3. Financial consideration
4. Environmental and social consideration
5. Marketing Consideration

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REASON TO LOCATE IN AN AREA (2)

1. **Operational/production considerations**
Some businesses must be close to suppliers, raw materials, and services such as banks. There also must be good local utilities for example water internet and waste management.
2. **HR Consideration** - Are there suitable employees in the area to work in the business. Are there Good transport links and housing to supply the business with employees?

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REASON TO LOCATE IN AN AREA (3)

1. **Financial consideration** - Cost of land and premises is it better to rent or buy. Are there of local grants available to help set up
2. **Environmental and social consideration**
Is the area clean and healthy natural environment especially for organic business. Little crime and vandalism easier to attract business - not worried about being robbed.
3. **Marketing Consideration** - Close to customers. Close to good transport links

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HOW A LOCAL COMMUNITY CAN DEVELOP ITSELF(1)

1. Enterprising People
2. An organisation
3. A Plan
4. Finance

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HOW A LOCAL COMMUNITY CAN DEVELOP ITSELF (2)

1. **Enterprising People** - Local people get together. The group should represent the views of as many local interests as possible
2. **An organisation** - 1. Good planning (SMART), 2. Organisation and 3. Control

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HOW A LOCAL COMMUNITY CAN DEVELOP ITSELF (3)

3. A Plan - A development plan should set out the problems and needs of the community and identify suitable solution.

There should be a SWOT analysis

4. Finance - This can be raised by

1. Fundraising,
2. Donations,
3. Credit union loans,
4. Grants,
5. Local authorities
6. LEO
7. Pobal

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WHAT ORGANISATION CAN ASSIST WITH COMMUNITY DEVELOPMENT (1)

These Organisations included the following

1. Local Enterprise Offices,
2. Pobal
3. Area Partnership companies,
4. LEADER Programmes

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LOCAL ENTERPRISE OFFICES

Definition

These are state agencies responsible for Assisting entrepreneurs who want to start up a small business in their own city or county (<10 employees)

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LEO MAIN SERVICES ARE

1. Conducting local resource audit - identifying local assets and resources that can be developed
2. Giving Grants - these are used for 1. Market research, 2. Business plans, 3. Purchasing equipment and employment
3. Providing training courses - in finance, HRM Marketing
4. Provide a mentoring service - Business mentor are experienced businesspeople who are available to

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POBAL

Definition

This is a state agency who is responsible for distributing national and EU finance This finance is used for supporting projects that assist community development Their focus is on funding initiatives that will improve local quality of life It provides funding to run local area partnership development companies

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AREA PARTNERSHIP COMPANIES

Definition

They encourage and support local enterprise and quality of life in local enterprise. For example Ballymun Partnership, Community childcare facilities

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LEADER PROGRAMMES

Definition

This is an EU funded programme designed to encourage and assist rural communities to develop enterprise suitable to their own local area

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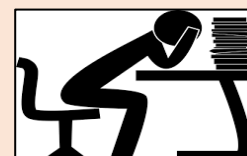


AIMS OF LEADER PROGRAMMS

1. Improve competitiveness of agriculture
2. Improve the environment
3. Encourage diversification

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PAST QUESTIONS



THE BENEFITS OF INCREASING EMPLOYMENT FOR THE IRISH ECONOMY.

1. Increased income for employees will increase consumption spending
2. Increased taxation revenue for the government
3. Increased confidence and local pride will mean more vibrant communities
4. May attract foreign direct investment
5. Political Stability/greater social cohesion.
6. Less emigration as more employment

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PAST QUESTIONS



THE CHALLENGES OF INCREASING EMPLOYMENT FOR THE IRISH ECONOMY.

1. A skills shortage may exist as some skills are in high demand
2. Pressure may be put on housing stock resulting in a rise in rents
3. The lack of affordable accommodation reduce the attractiveness of Ireland as a location for multinational companies.
4. Improvements in infrastructure take a long time to occur

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PAST QUESTIONS



THE DIFFERENT WAYS THE IRISH GOVERNMENT AFFECTS THE LABOUR FORCE IN IRELAND.

1. Minimum wage protect workers on low pay,
2. They sets rates for PAYE/PRSI/USC may act as an incentive/disincentive to work.
3. The government investment in 3 rd level education - SOLAS, allows for up-skilling helps unemployed to re-enter the workforce
4. Government Agencies such as Enterprise Ireland and LEO's are tasked with the responsibility of helping business se

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PAST QUESTIONS



OUTLINE TWO BENEFITS OF LOCAL BUSINESS FOR A LOCAL COMMUNITY.

1. Employment/jobs - direct employment in the community
2. Spin-off businesses- such as transport, suppliers.
3. Increased disposable incomes - improved standard of living
4. Growth in local services - taxi services, banks, credit unions
4. Community spirit and quality of life.
5. Taxation:

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PAST QUESTIONS



EXPLAIN THE TERM 'INTEREST RATE'.

It is the **price** that has to be paid by the borrower for the use of the money/or the **reward** for money saved, expressed as a percentage.

The **cost** of borrowed money expressed as a % of the amount borrowed/ or the **return** on money saved over a period of time expressed as a % of the amount borrowed.

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PAST QUESTIONS



THE ROLE OF THE IDA IRELAND IN THE DEVELOPMENT OF THE IRISH ECONOMY.

1. Responsible for the attraction & development of FDI in Ireland. Google,
2. Provides information & statistics on key business sectors & locations w
3. Assists in setting up a business in Ireland and offers advice on property
4. Introduces potential investors to local industry in Ireland, government,
5. Builds links with international bus

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PAST QUESTIONS



THE ROLE OF ENTERPRISE IRELAND IN THE DEVELOPMENT OF THE IRISH ECONOMY.

1. responsibility for developing Indigenous Irish industry with an export focus.
2. Provided supports for both companies and researchers in Higher Education Institutes to develop new technologies
3. Provides funding and supports for companies
4. Provides international offices that can assist

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PAST QUESTIONS



THE ROLE OF THE IRISH GOVERNMENT IN ENCOURAGING BUSINESS IN IRELAND.

1. Through decreases in taxation business activity is encouraged.
2. Through increases in State expenditure business activity is encouraged. increase capital expenditure on infrastructure,
3. Through a state agencies that give business advice, training and guidance, Enterprise Ireland
4. Through government planning. For

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PAST QUESTIONS



THE ROLE OF THE IRISH GOVERNMENT IN REGULATING BUSINESS IN IRELAND

1. To protect the environment. It established the EPA
2. To protect the consumer. The Sale of Goods and Supply of Services act 1980 & Consumer protection Act 2007
3. To protect the employees in the workplace with legislation on unfair dismissal, equality and industrial relations
4. to protect the general public aga

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PAST QUESTIONS



HOW GOVERNMENT'S POLICY OF INCREASED TAXATION IS IMPACTING ON BUSINESS.

1. Increased Taxation Value Added Tax (VAT): The 23% VAT rate applies to a wide range of goods and services.
2. Household charge:
3. Motor tax: Motor tax has risen by an average of about 7.5 per cent from the beginning of 2012.
4. Excise Duties: Tobacco products tax
5. Banking: Rate of Dirt has increas

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PAST QUESTIONS



HOW GOVERNMENT'S POLICY OF DECREASED TAXATION IS IMPACTING ON BUSINESS.

1. Lead to more expensive goods and services for the consumer which in turn causes demand to fall, affecting business.
2. Taxes such as the household charge lead to a fall in disposable income of consumers.
3. Increases in excises duties on tobacco products have led to an increase in tobacco smuggling.

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PAST QUESTIONS



HOW THE GOVERNMENT'S POLICY OF INCREASED PUBLIC EXPENDITURE IS IMPACTING ON BUSINESS.

1. Social Welfare Savings
 2. Healthcare Savings
 3. Education Savings
 4. Capital Expenditure. The capital budget for 2012 has been cut projects cancelled are:
 - ♣ Metro North and Metro West
 - ♣ The underground Dart
- Remember this was during the recession

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PAST QUESTIONS



HOW THE GOVERNMENT'S POLICY OF DECREASED PUBLIC EXPENDITURE IS IMPACTING ON BUSINESS.

1. Cuts in current expenditure have meant lower wages for workers, lower social welfare payments for the unemployed, higher unemployment
2. Under-investment can undermine economic growth & competitiveness.
3. The Government embargo on recruitment in the Public Service has reduced opportunities for employment.

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PAST QUESTIONS



OUTLINE HOW THE GOVERNMENT COULD ENCOURAGE BUSINESS ACTIVITY IN IRELAND.

1. A low corporation tax rate of 12.5%
2. Improved infrastructure allow business to operate efficiently
3. More Education and Training provided by State agencies such as SOLAS can ensure a steady supply of skilled workers
4. Better regulatory environment encourages the growth of business.
5. Grant aid for business start-up aid

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PAST QUESTIONS



THE DIFFERENT WAYS IN WHICH THE IRISH GOVERNMENT AFFECTS THE LABOUR FORCE IN IRELAND.

1. As an Employer: The government is the single largest employer, employing 250,000
2. Taxation policies - low rates of income tax will more disposable income
3. VAT & Corporation tax: corporation tax remaining at 12.5%, more foreign companies may locate/remain in Ireland
4. Infrastructure: Government investment in infrastructure (building of new

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PAST QUESTIONS



EXPLAIN THE TERM 'COMMUNITY DEVELOPMENT'.

A voluntary or professional effort to support and develop the social and economic activity of a local community for the benefit of the community e.g. Leader Programmes, local partnership programmes, Local club/society

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PAST QUESTIONS



DESCRIBE TWO BENEFITS OF COMMUNITY DEVELOPMENT.

- (i) Creates employment and thereby increases spending in the local economy
- (ii) Spin off jobs e.g. transport, education
- (iii) Promotes an enterprise culture/encourages new ideas/new businesses
- (iv) Empowers local community and generates a sense of pride
- (v) Creates confidence/community spirit in the community/growth and prosperity

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PAST QUESTIONS



NAME THREE EXAMPLES OF COMMUNITY DEVELOPMENT ORGANISATIONS AND DESCRIBE THE SERVICES PROVIDED BY ONE

LEADER Local Enterprise Boards
Area Partnership Companies. Services
Local Enterprise Boards services include:
information and advice on how to go about setting up or expanding a micro/small business venture, grants (capital, employment, feasibility), training and mentor programmes.

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PAST QUESTIONS



DESCRIBE THE SERVICES PROVIDED BY ONE COMMUNITY DEVELOPMENT ORGANISATION YOU KNOW.

They all provide services such as:

1. Grants,
 2. Training of personnel
 3. Mentoring service,
 4. Business Planning,
 5. Marketing,
 6. Product Development,
- General Information and advice on how to set up and develop a business

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PAST QUESTIONS



THE ROLE OF THE GOVERNMENT IN CREATING A CLIMATE FOR BUSINESS

1. Business org. are controlled by legislation
2. Set out regulations - observed by society
3. Gov. uses taxation to transfer wealth
4. Gov. policies restrict the business behaviour - helps to stabilise the economy.
5. Fiscal policies - personal taxes are increased they buys less & saves less
6. Reduction of specific taxes can help businesses that are struggling
7. Current expenditure by government