

1.	TRUE
2.	FALSE
3.	TRUE
4.	FALSE
5.	FALSE

9.	<p>Distinguish between VAT and Corporation Tax</p> <p>VAT (Value Added Tax) is a tax on goods and services paid by both consumers and business/tax on consumer spending. The standard rate is 23%. There are various rates of VAT depending on the type of goods and services being sold e.g. 0% (Medicine, Food staples etc.). 9% is a special reduced VAT rate for tourism related activities including restaurants, hotels etc.</p> <p>Corporation Tax is an annual tax on company's profits. The corporation tax rate in Ireland is currently 12.5%, one of the lowest corporation tax rates worldwide. The tax is calculated based on a company's net profit position. It is seen as a major factor in attracting FDI in Ireland. Companies resident in the state, 25% rate on non-trading companies e.g. Rental companies.</p>	10
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2	<p>(a) What do the letters PAYE stand for?</p> <p>Pay As You Earn</p> <p>(b) Outline two main features of the PAYE tax system:</p> <ul style="list-style-type: none"> Progressive (Falls heaviest on high income earners) Efficient (Business collects the tax for the exchequer) Direct (It is a direct tax on income earned from employment) Form based (P12A, P60, P45, P12, P21) etc. 	10
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4 (2012)

Tax rates: Income is taxed at two different rates. The rate at which tax is paid depends on the level of taxable income. The current tax rates are the standard rate of 20% up to a certain income and the higher rate of 41%.

The standard or lower rate of 20% applies to the tax band of €32,800 and the higher rate 41% applies to the balance of taxable income.

Tax credits: Gross Tax less Tax Credits = Tax Payable.

Under the tax credit system a taxpayer is entitled to tax credits/range of allowances depending on each person's personal circumstances, which can change from year to year e.g. married person's tax credit or civil partner's tax credit, employee (PAYE) tax credit etc.

These tax credits are used to reduce tax liability calculated on gross pay. Tax credits are non-refundable. However, any unused tax credits in a pay week or month are carried forward to subsequent pay period(s) within the tax year.

5 (2010)

10 (a)

Gross Pay		50,000
36,400 Taxed at 20%	7280 (1)	
(1)13,600 Taxed at 41%	5576 (1)	
Gross Tax	12856 (1)	
Less Credits	6000 (1)	
Tax Payable		6,856 (1)
Net Pay		43,144 (1)

(b) **Tax Credits**

Personal Tax credit (single, married, widowed)

PAYE Tax credit

Age Tax credit

Incapacitated Child

Dependant Relative

Blind Person etc.

(a) Form P45 is:

Issued by an employer to an employee **on the cessation of employment**. The form provides details of the amount of Gross Pay, Tax and PRSI paid by the employee up to the date of leaving employment. The Form P45 will be **required** by the employee when:

- (i) Entering new employment – the new employer will require the form P45 to calculate the correct amount of tax payable
- (ii) Claiming social welfare benefits or a tax refund.

(b) Form P60 is:

Issued by an employer to an employee **after the end of the financial /tax (calendar) year**. The Form P60 shows Gross Pay, Income Tax and PRSI paid by the employee in the specified financial year. The Form P60 will be **required** by the employee when:

- (i) Claiming refund on overpaid tax – employees should check their Form P60 against their Tax Credits to ensure they have not been overtaxed.
- (ii) Claiming refund on PRSI contributions overpaid (in excess of pay ceiling).
- (iii) Claiming refund on Health contribution where income was below the relevant threshold.

6	(A)	<p>Person Specification</p> <ul style="list-style-type: none"> • Sets out the professional qualifications, experience and key characteristics and skills required by the successful candidate. • Allows the business to define the kind of person required and helps in the writing of an accurate job advertisement. • It determines how important qualifications and skills are for the successful candidate. • The person specification allows the HR department to compare evidence from each applicant against the requirements of the job. • With requirements stated in the person specification the recruitment and selection process is free from bias and the HR department is most likely to get the best candidate for Area Manager. <p>Examples: Area managers would require detailed knowledge of retail trade/an ability to meet deadlines/ability to work under pressure/at least three years' experience of leading sales teams.</p> <p>Job Description</p> <p>A job description relates directly to the nature of the position itself, rather than the person required to fit it.</p> <ul style="list-style-type: none"> • Main duties, tasks and responsibilities involved in the job • Job title • Where the job fits in the overall organisation structure • Who the Area Manager reports to • The salary • Employees for whom the job holder/Manager is responsible to • The expectations (targets to be achieved). <p>Both the Person Specification and the Job Description form the basis of the job advertisement and subsequently the interview questions.</p>	2@7(5+2)
		<p>Panel Interview</p> <p>A selection technique used to choose the candidate who most closely matches the criteria set out in the person specification. The candidate is interviewed by a group of interviewers who meet the candidate in order to reduce the effect of a single interviewer's personal bias.</p> <ul style="list-style-type: none"> • To avoid gender balance • To distribute questions across the panel • To determine the candidate fits with the corporate culture. 	+2m for reference to 'Area Manager'
			1@4 (Panel interview)

6 (B)

Democratic

Characteristics:

- The leader **shares decision making** with subordinates.
- They **listen** to the views of employees /collaborative/**keep employees informed** of changes so they feel part of the retail outlet.
- Leadership generates a **sense of belonging** but is still centrally controlled by the manager.
- **Teamwork**-fosters an atmosphere that values information sharing/greater openness.
- Requires **trust** between manager and employees.

Reasons:

- Employee have **some freedom to show innovation**/greater flexibility/greater empowerment.
- Provides **feedback** to employees on their relationship with customers/appreciation of their efforts.
- **Employee will mirror the behaviour of the manager** with customers.
- Employees will sell from a **position of confidence** as they are allowed to grow personally while they help grow the retail business.

Leadership style 3m

2@7(4+3)

+3m for reference to retail outlet

Autocratic

Characteristics:

- The leader gives instructions to subordinates.
- Decision making is not shared/no consultation.
- Little room for employee innovation.

Reasons:

- Tasks are completed efficiently /may be suitable in high volume stores/fast paced retail outlet where staff are told what to do without question.

Free reign/Laissez-faire

Characteristics:

- Very highly skilled employees/experts (such as middle managers).
- This involves allowing subordinates to set their own goals and achieve them without interference of management.
- Requires employees who are very engaged with their work.

Reasons:

- Little supervision from management/staff make their own decision.
- Management have more time to dedicate to strategic issues.

Question	Detail:	€	€	€	Marks subtotal:
	Gross Salary			55,000	
	Voucher			5,000	
	Taxable Income			60,000 ②	(2 marks)
(i)	<u>Pay As You Earn</u>				<u>P.A.Y.E.</u>
	34,550 x 0.20	6,910 ③			
	25,450 ① x 0.40	10,180 ①	17,090 ①		
	Tax Credits				
	PAYE	1650			
	Single Person	1650			
	Dependent Relative	70	(3370) ①		
	PAYE Ben has to Pay			13,720 ①	(8 marks)
(ii)	<u>Universal Social Charge</u>				<u>U.S.C.</u>
	12,012 x 0.005	60.06 ③			
	7,360 x 0.02	147.20 ①			
	40,628 ① x 0.0475	1929.83 ①			
	USC			2,137.09 ①	(7 marks)
(iii)	<u>Pay Related Social Insurance</u>				<u>P.R.S.I.</u>
	60,000 x 0.04	2,400 ①			
	PRSI			2,400	(1 mark)
(iv)	Net Annual Take home pay				Annual Net Pay.
	Gross Pay			55,000	
	PAYE		13,720		
	USC		2137.09		
	PRSI		2,400	(18257.09)	
	Net Annual Take home Pay			36,742.91 ②	
Own Figures highlighted above		NOTE:		41,742.91 ① only other figure accepted	

(A) Calculate Audrey Stapleton's net **monthly** take-home pay.

Tax Computation for Audrey Stapleton

	€	€	€
Gross Salary			78,000
Add Benefit in kind			<u>2,000</u>
Gross Income			80,000 (2m)
PAYE Tax payable calculation			
€32,800 @ 20%		6,560 (1m)	
€47,200 @ 41% (1m)		<u>19,352 (1m)</u> OF	
Gross PAYE Tax		25,912 (1m) OF	
Less Tax credits			
Single Person	1,650 (1m)		
PAYE	1,650 (1m)		
Rent	<u>320 (1m)</u>		
	3,620	<u>(3,620)</u>	
(A) Net Tax Payable		22,292 (1m) OF	
(B) Employee's PRSI			
€80,000 @ 4%		3,200 (2m)	
(C) Universal Social Charge (USC)			
€10,036 @ 2%	200.72 (1m)		
€5,980 @ 4%	239.20 (1m)		
Balance of €63,984 @ 7% (1m)	<u>4,478.88 (1m)</u> OF	<u>4,918.80 (1m)</u> OF	
Total Statutory Deductions			
(A+B+C)			(30,410.80)
Net Income (Take-home Pay) p.a.			
(€78,000 - €30,410.80)			47,589.20
Net Income (Take-home Pay) p.m.			
	(47,589.20 ÷ 12) (2m)		<u>3,965.77 (1m)</u>
			<u>OF = Own Figure</u>

(B) Explain the different types of financial and non-financial rewards for employees in a business.

Financial rewards:

Time Rate:

With time rate, payments of a fixed amount per hour for a fixed number of hours per week are made to employees.

If the employee works more than the fixed number of hours overtime is paid at different rates above the minimum e.g. time and a half or double time.

Piece Rate:

This relates the payment given to employees for each unit produced or job completed. The more units produced, the more the employee earns.

Bonus:

A bonus is a sum of money paid to employees for reaching a certain target, e.g. for producing units above an agreed limit.

Commission:

This is a type of financial reward where payment is made according to value of the amount sold, e.g. payments to a sales person (10%) in proportion to the level of sales achieved. It has the advantage of directly encouraging sales.

Profit-sharing schemes:

This is a scheme where some of the organisation's profits are paid to employees on an agreed basis. The scheme is administered and profits are paid to employees to motivate them to become more productive.

Employee Share Ownership Scheme:

Shares in the organisation may be given to employees instead of cash bonuses, maintaining employee interest in the job.

Share option schemes give employees an option to buy shares in a company at a specified price sometime in the future.

Non-financial Rewards

Benefit-in-kind:

This is also known as a perk or a fringe benefit. It takes the form of goods or a service given to employees rather than money. Benefits-in-kind are often used to raise the status of a position in a firm and to boost morale.

Examples include meal vouchers, company cars and health insurance.

(NOTE: Benefit-in-kind can be considered financial or non-financial depending on whether it is taxable or not).

Promotion:

Movement to a more responsible senior level in the organisation. While this will also carry a higher wage it is often the job title, bigger office or the availability of a personal assistant that is the real reward as per Maslow's self-esteem needs.

Job Satisfaction/Job enrichment/Job enlargement:

Employees are rewarded because the job satisfies their social needs (teamwork) and self-actualisation needs (opportunity to do further study). The nature of the work (vocation) and the opportunities it presents (travel) reward the employee e.g. a volunteer with a third world relief agency or charity.

Flexitime:

This allows employees the freedom to choose their own work hours within an agreed time frame e.g. workers may have to be in the workplace between 10am and 1pm only. This allows employees to work from home and organise for example their childcare arrangements more efficiently.

Job sharing:

This involves employees sharing a position e.g. two employees have a job split between them. This is a flexible approach to employment and recognises that employees may wish to prioritise leisure time over work time.

(C) (i) Outline two reasons why a household should prepare a cash flow forecast.

- It helps the household manage its cash flow and **live within its means**. It acts as a **control mechanism** that can be used to measure actual cash flow against planned cash flow encouraging households **to plan their finances sensibly** and live within their means. Means of controlling personal debt.
- It helps a household identify periods of time in the future when the household will have an excess of expenditure over income i.e. a deficit and the **take corrective action to deal with the cash shortfall**.
- It helps a household identify periods of time in the future when the household will have a surplus of income over expenditure. The household can then make **plans** to place these surplus funds on deposit with a financial institution.

(ii) Illustrate how a household can overcome cash flow problems.

- The household could decrease its cash outflows by **targeting (discretionary) expenditure** and reducing its spending on for example, entertainment and holidays.
- The household could attempt to increase its cash inflows by **increasing the income levels of family members**. This may involve a non-working family member returning to work. It might involve doing overtime to earn extra income or even getting a second job.
- The household could **arrange a bank overdraft facility** with its bank to finance problem months where the household is running a deficit. The overdraft facility provides extra flexibility for the household when it needs it most. However, care should be taken because the rate of interest charged on a bank overdraft is high.

- The household could **spread once-off annual expenditure** over a six month or twelve month period. House insurance, health insurance and motor insurance can be paid for on a monthly schedule. In addition utility services can be managed in the context of a budget plan which evens out the seasonal highs and lows of the electricity or gas account.
- **Delaying the payment of bills** (accrued expenses) is an option. By delaying the bill payment money is available for other uses such as reducing a deficit. However, this option is risky for a household because failure to pay can result in loss of service if not managed correctly.
- **Seeking advice** from Local Credit Union/MABS- a household could try to renegotiate loan terms e.g. write down of loan repayments.

9 (2011)

(B) Pay As You Earn (PAYE), Value Added Tax (VAT) and Corporation Tax are examples of taxes that are relevant to business.

- Explain **each** tax underlined above.
- Evaluate the implications of **each** tax for a business.

Pay As You Earn

- PAYE is a direct tax on income earned from employment.
- PAYE is remitted by the business every month to the revenue commissioners.
- It is deducted at source by the employer and passed onto the Revenue Commissioners.
- Taxpayers receive a certificate of tax credits which is forwarded to employers and which will reduce the amount of tax they have to pay.

Implication for business (evaluation)

- The collection of PAYE is an administrative cost for business/ It is a bureaucratic system requiring the completion of many different taxation forms e.g. P12A, P60, P45, P12 and P21.
- It is a progressive tax because the more income you earn the more tax you pay. High rates of PAYE are a disincentive for people to do overtime, which affects a business's ability to meet sales orders.

Value Added Tax

- VAT is an indirect tax charged on the sale of goods and services.
- Businesses register for VAT and receive a VAT number.
- VAT is remitted by the business every two months to the revenue commissioners.
- The VAT paid is the difference between the VAT paid on purchases and collected from sales
- VAT is charged at different rates, depending on the type of goods or services involved.

Implication for business (evaluation)

- The collection of VAT is a significant administrative cost for business.
- High rates of VAT on raw materials and components increase the costs of production for business affecting margins and cash flows.
- High rates of VAT increase the purchase price for consumers. This reduces the demand for goods and services of business.
- The government's planned reduction in VAT rates in the tourism sector from 13.5% to 9% should encourage growth in the tourism sector.

Corporation Tax.

- Corporation tax is a tax on the profits made by companies.
- The current rate of corporation tax is 12.5% for manufacturing businesses.
- Expenses of the business are allowable when calculating the taxable profits of the business.
- Companies must prepare annual final accounts to show their taxable profit.

Implication for business (evaluation)

- Corporation tax in Ireland is relatively low by international standards. This encourages Irish entrepreneurs and foreign investors to set up business here. If corporation tax was to increase it could act as a disincentive to FDI.
- Corporation tax reduces the size of profits and consequently the amount available as retained earnings. This could put pressure on the business to borrow money, leading to high gearing.

(No repeat points in either explanations or implications for each tax.)

(25 marks)

Managing a business is similar to managing a household in the areas of finance and taxation.

(discuss and give examples):

Finance

The household needs money for the purchase of a house, car and other expenses such as the children's education, family holidays, etc. The business needs working capital to finance operational expenses, and long term finance for capital items etc. Both must raise suitable sources of finance.

Short term: Bank Overdraft, creditors, accrued expenses

Medium term: Medium Term Loan / Hire Purchase

Long Term: Mortgages/share capital.

Commenting on the following:

- Where the finances come from;
- Where the money goes/ Keeping Records;
- When they receive and spend money i.e. their cash flow/ Budgetary Planning etc.

Taxation

Households and businesses must pay taxes to the State. Income tax/PRSI and VAT is common to both. Businesses must pay VAT on purchases, capital gains tax on capital gains and corporation tax on the profits earned if the business is a company. Both must fill forms, claim Tax Credits and register with the Revenue.

- Value Added Tax. VAT is a tax on consumer spending. It is chargeable when a business sells goods or services to a customer.
- Income tax is direct tax levied on all income earners in the state who earn income above a certain amount. PAYE applies where wage payments are made to employees by an employer.
- PRSI is the name given to a system of collecting social insurance contributions from employees and employers. The money goes into a fund which pays for social insurance benefits and pensions.

(A) Taxation forms (distinguish):

Form P21

Form P21 is known as a 'balancing statement'. All PAYE taxpayers are entitled to request a Form P21 annually from the Inspector of Taxes. It is an end of year summary of an employee's tax situation and contains all details of income, allowances and the calculations of the tax payable at the various rates for the year. Form P21 will indicate if an employee has overpaid or unpaid tax for the year. If an employee has overpaid tax, the Inspector of Taxes will issue a tax refund. If an employee has underpaid tax, the Inspector of Taxes will issue a tax demand.

Form P60

A P60 is issued by an employer to each of his/her employees at the end of each tax year. It is a certificate which shows details of gross pay, and tax and PRSI deductions made during the year. After 31 December each year, all PAYE taxpayers receive from their employers a Form P60 which has two parts. A PAYE taxpayer has a statutory right to this document and it is used as proof of income for various purposes, e.g. education grants.

(B) Taxation – Joan McCormack’s net annual take-home pay (calculate):

				€
Gross Salary				84,000
Tax				
34,000 @ 20%	6,800			
50,000 @ 41%	<u>20,500</u>			
Gross Tax		27,300		
- Tax Credits				
Single Person	1,760			
PAYE	<u>1,760</u>			
		<u>3,520</u>		
Tax to be paid			<u>23,780</u>	
PRSI (incl. health levy)				
48,800 @ 6%	2,928			
35,200 @ 2%	<u>704</u>			
PRSI to be paid			<u>3,632</u>	
Tax & PRSI to be paid				<u>27,412</u>
Net take-home pay (Annual)				56,588

(C) TQM

Term (explain):

TQM or Total Quality Management is a long-term focused effort to change all parts of an organisation to produce the best products or services for its customers. There are basically three principles to a TQM approach:

- Satisfying customer needs
- Providing top quality products and services
- Teamwork.

TQM of benefit to an organisation (describe):

- Quality of products
- Reduced costs
- Staff motivation
- Public image
- Customer satisfaction
- Productivity.

