

## UNDERSTANDING THE BALANCE SHEET, PROFIT & LOSS AND CASH FLOW

### Why Does a Business Keep Accounts?

All businesses are legally obliged to keep accounts. The primary business accounts are the *Profit and Loss Account (P&L)*, *Balance Sheet* and *Cash Flow Statement*. Business accounts can seem complicated because they use specialised language and show a lot of information. However, if we understand the basics, we can understand most accounts fairly easily. In this lesson we explore some of the basic principles involved.

### Profit or Loss?

Imagine that you bought some books for €35 and you sell them for €45. Have you made a profit? You probably answered 'yes' because you know that your *revenue* (the money you

received) is more than your *costs* or *expenditure*. We can now construct your P&L account showing this.

*Pause here and consider whether you think that €10 is a good profit on sales of €45.*

Obviously, if you had other costs such as postage, your profit would be smaller or even turned into a *loss*. Real businesses do have other costs associated with their *trading transactions*. In the business world, the P&L covers all the transactions that took place over a *stated period of time* such as a month or a year. In a real P&L account you might see entries such as *Depreciation*; *Profit Before Tax (PBT)*; *Profit After Tax (PAT)*; *Dividends*. Make sure you become familiar with these terms.

### Why Must a Balance Sheet Balance?

Assume that you are starting a business called Great Books Ltd. You want to *invest* €200, so you lodge that amount in the bank. You can now produce a *Balance Sheet*. Great Books Ltd. now has an *asset* of €200 in the bank. Your Balance Sheet can now be drawn up, as shown. A Balance Sheet really represents the famous *accounting equation: assets = equity + liabilities*. This equation is always true, hence the term 'Balance Sheet'. We are using the two-column layout here because it illustrates this equation very clearly. Your investment is shown as *owner's funds*, frequently known as *equity*. You now buy books from a *retailer* for a total cost of €100, but you don't pay for them yet. You now have another asset, shown as *stock* and a *liability* to the retailer. The books are now your stock.

If you pay for the books, your Balance Sheet will change. *Pause here and construct this new Balance Sheet. Remember,*

*money has gone out of the bank to pay for the books. In all cases the balance should be preserved.*

Note that the equation can also be expressed as follows: *assets – liabilities = equity*. 'Assets less liabilities' is also known as the *net worth* of the business.

In a real Balance Sheet you might see items such as *Property, Plant and Equipment, Intangibles, Goodwill, Accruals, Prepayments*. Make sure you become familiar with these terms:

#### Great Books Ltd. Balance Sheet (€)

Assets		Owner's Funds	
Bank	200		
Stock:		Liabilities:	
Books	100	Short term debt	100
<b>Total</b>	<b>300</b>		<b>300</b>

### What is an Asset?

Anything the business owns that has value is an asset. Assets can be *current* or *fixed*. Current assets include *cash* and any other assets that can readily be converted to cash, such as *stock*. Anyone who owes the business money is called a *debtor* and the money owed is an asset. So, *accounts receivable* is a current asset. Your Balance Sheet shows current assets.

Fixed assets (sometimes called *capital* assets) such as furniture, machinery and buildings are purchased for long-term use in carrying out the business. As they lose value they can be charged as a *depreciation* expense.

Things like machinery, furniture and cash are *tangible* assets. They have a physical reality. Some assets such as *goodwill* and *patents* are *intangible*. Such assets are very difficult to value, so there are rules governing how to do this.

### What is a Liability?

Anything that the business owes is a liability. Individuals to which money is owed are called *creditors*. Liabilities are often classified as either *short term* (current) or *long term*. In general, short term liabilities must be paid back in less than one year. Such liabilities include *short term loans, accounts payable* and *interest payable*.

One of the most commonly used terms in business is *working capital*. This is the same as *net current assets* (which is equal to current assets less current liabilities). *Pause here and consider why this is called 'working capital'.*

### Why is Cash Important?

A business can make a profit according to its accounts, but it still might not have enough money on hand to pay its bills. How can this happen? The fact is that a business is generally not paid until months after the sale is made. In other words, there is usually a *credit period* before the purchaser has to pay. The P&L account won't show you this because it considers that the sale has been made and does not allow for the credit period.

Of course, if you buy something in a shop, you usually pay on the spot but that is not the case in most *business-to-business* transactions. Therefore, a business can actually show a profit in the P&L and still have no *cash*. A business that does not have enough cash to pay its bills is said to be *insolvent*. This is why the phrase '*Cash is king*' is so well known in business.

The document that records the cash inflows and outflows over particular time period is called a *Cash Flow Statement*. Most businesses attempt to make sure they will have enough cash by working to a *Cash Flow forecast* or *budget*. The cash flow of concern to most businesses is the *operating cash flow* i.e. the cash flow arising from normal trading of goods or services. If the forecast shows a negative cash flow (meaning that outflows are greater than inflows) it may be necessary for the business to raise money.

*Pause here and consider the different ways a business might raise money.*

### What are Financial Ratios?

*Financial ratios* (sometimes called *accounting ratios*) are used to assess the financial performance of the business from various angles. Like all ratios they are calculated by dividing one number by another. The values used in the calculation come from the accounts, in most cases from the Balance Sheet and P&L. There are many financial ratios. Some of the most widely used measure the *liquidity* and *profitability* of the business.

### Your Task

We learn a lot about the way a business is doing when we compare certain entries from the P&L and the Balance Sheet. Consider the following pairs and decide what the ratio between them might tell you. Use your own language and opinion before checking the formal definitions.

- *Current Assets and Current Liabilities*
- *(Current Assets – Stock) and Current Liabilities*
- *Gross Profit and Sales*
- *Net Profit and Sales*

When you are sure you understand why these *financial ratios* are so widely used, check out the other main ratios.

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## UNDERSTANDING THE BALANCE SHEET, PROFIT & LOSS AND CASH FLOW

### Case Summary

This case describes the basic business accounts – *Profit and Loss*, *Balance Sheet*, and *Cash Flow*. The reason why a Balance Sheet must balance and fundamental importance of cash are explained.

During the case, the student is required to review some terminology and carry out an amendment to a Balance Sheet. Finally, the student is required to consider the function of some financial ratios.

### Syllabus Links

#### Leaving Certificate Business

Unit 4: Household and Business Finance

#### Leaving Certificate Accounting

Accounts in general; Financial Ratios

#### LCVP

Enterprise Education: Unit 2 - Finance; Unit 4 - An Enterprise Activity

The case can also be used for related topics in *Junior Certificate Business Studies* and *Leaving Certificate Applied* and during relevant activities in *Transition Year*.

### Learning Outcomes

The case deals with the major accounting records – *Profit and Loss*, *Balance Sheet* and *Cash Flow*. Having studied the lesson and carried out the relevant exercises, students should be able to:

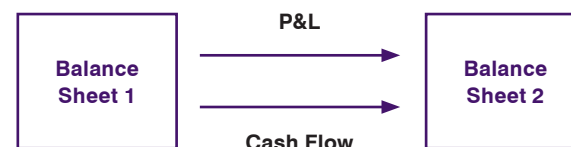
- Describe the function of these records.
- Draw up simple examples.
- Interpret simple examples.
- With further thought, discuss the relationship between the three types of record.
- Explain the relevance of cash flow.
- Explore the meaning of some relevant ratios.

### Building on the Case

The following points can be used to provide additional information and stimulate group discussion around the case.

#### The Balance Sheet, P&L and Cash Flow are related

Changes in the P&L and Cash Flow over a period will affect the Balance Sheet for the end of that period. Cash in and out will affect the current assets entry. Invoices issued but not paid will result in debtors (current assets). Items purchased, but not paid, will be shown as creditors (liabilities).



#### Ratios

Financial ratios are often classified as *Activity*, *Debt*, *Gearing*, *Investment*, *Liquidity* and *Profitability*.

Some frequently used ratios are derived from the P&L entries alone, some from the Balance Sheet alone and from both.

#### From the Balance Sheet

Current Ratio (Working Capital Ratio) = Current Assets / Current Liabilities

Acid-test Ratio (Quick Ratio) = [Current Assets – (Stock) / Current Liabilities

#### From the P&L

Gross Margin = Gross Profit / Sales

Net Margin = Profit Before Tax(PBT)/Sales

#### From Both

Return on Assets (ROA) = Profit Before Tax / Total Assets

Return on Equity (ROE) = Profit Before Tax/Owner's Funds

#### Debtors are assets

Students sometimes find it hard to understand that a *debtor* is an *asset*. How could someone who owes you money be an asset? If the money were paid it would be asset. Therefore, the obligation to pay it is also considered to be an asset. There is always the chance that it may not be

paid. In such a case it becomes a *bad debt*. It seems more obvious to students that *creditors* are classified as *liabilities*.

#### Owners' funds are liabilities

This can also be a difficult concept for some students. How can the owners' money be a liability? The term liability is used to signify that these monies are owed by the business to the owners. However, it is common practice to show Owner's Equity or Funds separately, but the *accounting equation* still holds. The Balance Sheet really represents this accounting equation: **assets = equity + liabilities**.

#### Cash is King

Modern accounts are *accrual based*. Invoices and bills not yet honoured are considered to be revenue and costs. That is why a company can show a profit on the P&L and still not have cash to pay debts. Conversely, it is possible that a business can be make a loss but still have sufficient cash to pay debts. Many of the big internet companies were not profitable for many years.

### Student Exercises

The following student activities can be undertaken by individuals, pairs or group assignments requiring written reports, discussion or presentations. Most of the exercises can also be used to assess learning following a class session.

#### The Case Analysis

The task posed at the end of the case should be used to stimulate analysis of the case material. This will exercise the ability to use judgment and make rational decisions. It can also be used in group mode as a shared learning exercise.

#### Case Study (LCVP)/

#### Applied Business Question (LC Business)

i) Describe the purpose of the following accounts:

- Profit & Loss Account*
- Cash Flow Statement*
- Balance Sheet*

ii) Give examples of how the first two can affect the Balance Sheet.

### Question Time

The following True/False and Multiple Choice questions can be used as quizzes to engage in a review of case terminology. They can be printed out from the CD or website ([www.soe.ie](http://www.soe.ie)) for handout purposes.

#### True or False?

- The P&L account shows how much money a business has.
- A business will definitely survive if it makes a profit.
- The Balance Sheet shows what the business owns and what it owes.
- It is called a Balance Sheet because the sum of all assets must equal the sum of all liabilities.
- Money in the bank is shown on the Balance Sheet as a fixed asset.
- A person who owes the business money is a liability.
- Intangible assets are not worth anything.
- A building is a fixed asset.
- PBIT means 'profit before interest and tax'.
- PAT is the same as 'operating profit'.

#### Multiple Choice

Which of the following is a current asset?

- Debtor
- Stock
- Vehicles
- Machinery

Which of the following is a liability?

- Prepayment
- Creditor
- Accrual
- Software



## THE POWER OF TEAMS

### Why Teams?

The work of an organisation is often too complex to be carried out by one person or by a group of people each working alone. An effective team is greater than the sum of its parts and offers several advantages.



An international Colgate team with members from Ireland, England, USA, Mexico, Poland & Switzerland.

- It brings the different knowledge, skills and abilities of the team members together. Each member can bring different insights, perspectives and suggestions. This can be a significant advantage when problem solving or decision making.
- Members can feel more *empowered* in a team setting. If the *team culture* is right they can be more creative and feel free to put ideas and suggestions on the table for discussion.
- Each member has the opportunity to learn from the others. A good team offers the opportunity for ongoing *personal development*.
- An individual may fear failure and so not make a certain decision or take a necessary action. In a team setting, failure (and success) is shared by all members. Any failure is more likely to be seen as a *learning experience*.
- A team is said to bring *synergy*. This means that the performance of the team is greater than the sum of all the separate individual performances.

### What is a Team?

Obviously a random *group* of people is not necessarily a *team*. A team is often defined as a group of people working towards a common goal. The characteristics of a team include a high level of *interdependence* between the members and commitment to the shared goal. Of course, teams are very familiar in the world of sport. The idea that the individual players must cooperate with each other in order to compete seems obvious. It may not be so obvious that teamwork is also required in business organisations. The goals of the organisation cannot be accomplished by individuals working alone.

### Teams Come in Many Types

Several different types of team are used by organisations to meet the needs of various situations.

- Teams may be *permanent* or *temporary*. The latter type of team is set up to accomplish a single task and then disbanded. Such a team is often called a project team, task

force or a working party. For example, a task force might be set up to plan and manage the move to a new building. Such a project might last for two years or more.

- Team members are often drawn from a number of different functions. Such teams are known as *cross-functional* teams. For example, if the task is to design a new product, a team might be set up with members from the marketing, manufacturing and IT functions.

We will now look at the way *Colgate Palmolive* uses teams in a highly innovative way.

### Team Structure in Colgate

Colgate is a global company, operating in over 200 countries. Many staff, although located in these different countries, work in similar functions, for example, marketing, manufacturing or IT. They are specialists in their area and are known in Colgate as *in-country experts*. Since they work in similar functions, they are likely to come across similar problems and issues in their day to day work. Clearly, it is of great benefit to pool their experiences and share this knowledge. The teams are called *business networks*.

Global businesses are heavily dependent on *IT services* and Colgate is no exception. All Colgate staff require on-going daily support for the various IT services they use. Accordingly, the company provides its global support organisation (the GSSO) which consolidates support expertise into one organisation. Since similar problems frequently arise in different locations, this consolidation results in quicker problem solving and more *efficient* and *effective* overall performance.

### Project Teams

Projects are an everyday occurrence in Colgate and range from small local projects to global projects involving staff from regions such as Europe, Africa, the Americas, and Asia Pacific. These cross-functional, international project teams can involve people from very different lines of business such as pet food and oral care. While manufacturing plants receive the benefit of combined and focused expertise in solving problems and developing new processes, individuals receive valuable experience and personal development.

### The Global Team Challenge

Clearly, there are many challenges associated with global teams including distance and different time zones, language and culture. For example, while working on various projects, an Irish team member has spent months in places such as the US, the Czech Republic and Poland. Although such travel is sometimes unavoidable, much team work is done remotely using tools such as *teleconferencing* and *video conferencing*. Another powerful

tool is the *e-meeting* where a person can share the screen while making a presentation and hand control over to other remote viewers when necessary. In addition, the company also uses an approach called *e-teamrooms* which are places where files can be accessed and shared by global team members. Electronic tools such as these are highly effective because they enable cost effective long distance communication.

### The Whole Organisation is a Team

The goal of all businesses is sustainable and profitable growth. Since all employees are working to achieve this, they are all members of one global team. However, this is only true when people across the company share team values and feel committed to a team *culture*. Accordingly, Colgate managers continually:



- Encourage people to work together as a team to achieve goals.
- Recognise and celebrate team successes. The recognition of achievement is a powerful *motivator*.
- Anticipate and facilitate resolution of *conflict*. It is inevitable that disagreement will arise in any team and team players must develop the skills to deal effectively with this.
- Facilitate a sense of belonging to the organisation through the core Colgate values of *Caring*, *Global Teamwork* and *Continuous Improvement*.

By these means Colgate ensures that ideas, technologies and talents are shared throughout the organisation on a daily basis.

### Your Task

These days most employers attempt to verify that a job applicant has the ability to work in a team. Research shows that this ability is often valued more highly than other characteristics. This means that interviewers will look for good *social* and *communication skills* such as:

- Active Listening • Problem Analysis • Conflict Resolution
- Collaborating with Others • Work Planning

For each of these areas list an occasion in which you feel you have used the particular skill. Don't forget that these skills are used in many walks of life and you may have practised them more than you initially assume.



Colgate Palmolive is a global *consumer products* company with an annual turnover of nearly *\$14 billion*. The company operates in more than *200* countries in four core *lines of business*, namely:

- *Oral Care* - toothpaste, toothbrushes etc.
- *Personal Care* - including soaps, deodorants and antiperspirants
- *Home Care* - products such as detergents, cleaners and fabric conditioners
- *Pet Nutrition* - specialty pet food.

These businesses own many of the most famous *brands* in the world giving the company a market leadership position in many areas.

Around the world, Colgate has consistently increased gross margin while at the same time reducing costs in order to fund growth initiatives, including new product development and increases in marketing expenditure. These, in turn, have generated greater profitability.

Globally the company employs some 37,000 people. All staff are encouraged to undertake training and development programmes to sharpen their skills.

In Ireland, Colgate Palmolive operates its commercial business from City West. The company's IT division is also located there.

You can find out more about Colgate Palmolive, the company's business and careers at [www.colgate.com](http://www.colgate.com).

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This case and all teaching components can be printed from the CD or the Spirit of Enterprise website [www.soe.ie](http://www.soe.ie).

## THE POWER OF TEAMS

### Case Summary

This case describes the use of teams in a business setting, with particular reference to the methods of team management employed by *Colgate Palmolive*.

The student is required to consider some core team skills about which they may be questioned in an interview.

### Syllabus Links

#### Leaving Certificate Business

Unit 3: Management

Unit 4: Managing 2 - Human Resource Management

Unit 7: International Trading/International Business

#### LCVP

Enterprise Education, Unit 1: Teamwork

Preparation for the World of Work, Unit 2: Preparation for an Interview

The case can also be used for related topics in *Junior Certificate* Business Studies and *Leaving Certificate Applied* and during relevant activities in *Transition Year*.

### Learning Outcomes

Having studied the lesson and carried out the related exercises, students should be able to:

- State the reasons for using teams in a business organisation.
- Define a team.
- Identify different types of team.
- Outline the Colgate approach to using teams.
- Discuss the relevance of values in supporting a team culture.
- Identify some core team skills.
- Describe the Colgate Palmolive global business.

### Building on the Case

The following points can be used to provide additional information and stimulate group discussion around the case.

#### Teams are necessary for complex goals

Most organisation goals are too complex to be achieved by individuals working alone. Widely different knowledge, skills and abilities are necessary to achieve the goals. A team is a mechanism for co-ordinating these diverse competencies.

#### Team skills can be developed

People do not necessarily possess natural team skills. Such skills are often learned through experience and training. In particular, interpersonal or social skills are critical to effective teamwork. When teams become dysfunctional, it is often for social or communication reasons rather than lack of technical expertise. Communication is seen as a key area and listening as the most critical communication skill.

#### Everyone is a member of some team

Although individual employees may not be officially assigned to a particular team, in fact, everyone is a member of the organisational team. However, in order for employees to feel this, a strong organisational team culture is necessary. Such a culture will not occur unless it is propagated and supported by management. The Colgate value of global teamwork is a symbol and statement of such support.

#### A modern innovation

*Self-managing* or *self-directing* teams are teams that do not report to a supervisor in the normal way but provide all management controls from inside the team.

#### IT support

Telecommunications and computer technologies enable team members to work together from remote distances. In addition to the ability to communicate, team members can share the same on-line resources such as reports, databanks, drawings, plans and presentations.

### Student Exercises

The following student activities can be undertaken by *individuals*, *pairs* or *group* assignments requiring written reports, discussion or presentations. Most of the exercises can also be used to assess learning following a class session.

#### The Case Analysis

The task posed at the end of the case will stimulate an analysis of the case material and exercise the ability to use

judgment and to engage in self analysis. It can also be used effectively in a group or pair setting, where others recall occasions in which the focal student used a particular skill. The role of focal student should rotate.

#### Student Reflection

##### What have we learned from the case?

This is a powerful exercise, especially when done individually, followed by group discussion. It aids *understanding*, *retention* and *recall*. The teacher can use the learning outcomes listed above when giving feedback.

##### Possible reflection questions include:

- Can I explain why business organisations use teams?
- Do I understand the difference between a team and a group?
- Can I describe some different types of team?
- How does the IT function enable Colgate global team members to communicate?
- What do I realise about teams that I didn't know before?
- Can I identify some team skills?
- Can I state the meaning of the term 'sustainable profitable growth'?
- Can I describe the importance of values in supporting a team culture?

#### Leaving Certificate Business Applied Business Question

- Describe the benefits of using a team to complete a complex project.
- Describe some of the problems that a team might face in reaching consensus on an issue.
- Outline some team skills and state why you feel they are essential to the performance of a team.

#### LCVP Case Study

- Suggest the types of skills a global team member might need.
- What are some benefits of using teams to solve a business problem.
- Describe some different roles that members might have on a football club committee.

#### SWOT/SCOT

Assume that one of the weaknesses identified in a global business is lack of team skills. What effect will this have on the ability to:

- exploit business opportunities?
- protect against threats to the business?

When considering this question remember that both opportunities and threats originate in the external environment.

#### Question Time

The following True/False and Multiple Choice questions can be used as quizzes to engage in a review of case information and terminology.

#### True or False?

- It is easier to operate a global business without teams.
- Being a member of a successful team can improve motivation and commitment.
- The IT function does not enhance the performance of global teams.
- A global team faces the same problems that a local team faces.
- One of Colgate's core values is Global Teamwork.
- Organisations need a strong team culture.
- A project team needs to possess good conflict resolution skills.
- A group is the same as a team.

#### Multiple Choice

The IT service that enables Colgate team members to share the screen while making a presentation is called:

- email
- internet
- e-meeting
- e-teamroom

Which one of the following is not a Colgate business line?

- Oral Care
- Computer Equipment
- Home Care
- Pet Food

#### Presentation Skills

Prepare a presentation to be given to Colgate management outlining why you recommend a company wide training programme called Team Skills.



## YOUNG PEOPLE AND WORKPLACE ACCIDENTS

### The Impact of Accidents

Workplace accidents impact on our lives in many ways. Obviously, there is the personal and family aspect. Serious accidents such as those resulting in death or disability have long term tragic effects on families and their relations. Less serious accidents can mean loss of work and, for younger people, a withdrawal from sporting activities or other pastimes. Then there is the effect on the broader economy. Accidents result in lost time at work, which can then result in lower national productivity. Additional demand is placed on national health services that are funded by the government; it can only do this by using money from the taxpayer. In this case study we look particularly at the non fatal accidents associated with young people at work.

### Focus on Young People

For the purpose of statistics young workers are defined as those in the 15-19 age bracket. It is estimated that, although young people constitute only 4% of those in employment, injuries to young people represent around 10% of reported injuries. In fact, it is possible that the figure is worse than this since many accidents may not be reported. These figures are of great concern and it is essential that we all become aware of the need for improvement in this area.

### What Kinds of Accidents Involve Young People?

Accidents are generally categorised in terms of the underlying cause. The latest available information indicates that the top three accident triggers of reported non-fatal accidents (2009) are:

- **Manual handling:** this category includes incidents caused by lifting, carrying, pushing, pulling, twisting and turning.
- **Fall on same level:** this includes trips, slips or stumbles where the fall is not from a higher level to a lower one.
- **Body movement:** these accidents involve no specific work related activity but result simply from the movement of the body. In other words, the body has not been physically stressed by external actions.

More specifically, the top three accident triggers affecting young people are:

- Moving machinery
- Slips, trips or falls on the level
- Manual handling

### Machinery That Moves is a Hazard

Vehicles that move around a workplace or its vicinity are a serious hazard. For example, on farms there are many accidents involving tractors. However, such accidents frequently occur in other work settings also. Mary was working in a large supermarket during her school holidays. One afternoon she was asked to go to the loading bay office to collect some documents. She waved to the driver of a lorry and then passed behind it, thinking that the driver had seen her. However, the vehicle started to reverse and knocked her to the ground.

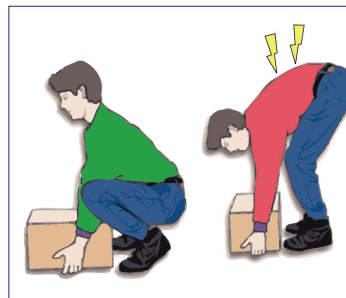
### A Serious Fall

Some 18% (1,293) of all notified accidents (7,179) are categorised as 'falls at the same level'. It is estimated that 15 of these involved the 0-17 year old age group (2009 data). This is 21% of all accidents notified to the HSA relating to 0-17 year olds (71).

Gráinne was working in a restaurant during the summer break. In restaurant kitchens, where food is prepared, sharp implements, powered equipment and heat can present many *hazards*. Accordingly, the restaurant owner had produced a *safety statement* listing all these hazards, a related *risk assessment* and a list of the *controls* to minimise or eliminate each risk. Gráinne had been shown this safety statement and been asked to familiarise herself with it. One of the controls stated that a spill on the restaurant floor should be cleaned up immediately. However, one day a customer had accidentally spilled some tea on the floor. Grainne was passing by a few seconds later, slipped on the wet surface and hit her head on the table edge. In spite of the controls in place, such things can happen and this accident illustrates the need for constant vigilance and swift action. The controls already in place need to be reviewed and updated where necessary to prevent similar accidents occurring.

### A Manual Handling Incident

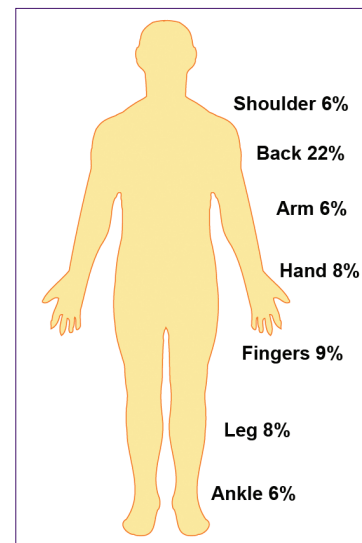
Alan works in a warehouse owned by a courier and freight delivery company. Fork lift trucks are used to load pallets of boxes on to and off delivery vans and lorries. Conveyor belts are also used to move boxes and parcels from the entrance to positions along the warehouse aisles. However, everything cannot be mechanised and it is frequently necessary to lift and



move a box by hand. Alan, like all the other employees has attended safety courses and is familiar with the correct way to lift objects. There are numerous posters on the warehouse walls and in the staff canteen drawing attention to the correct lifting procedure. However, it is very easy to forget the right procedures and to assume that nothing can go wrong while simply lifting something. This is exactly what happened to Alan. He was placing the box he had lifted on a higher shelf when he felt a wrench in his lower back. The next morning Alan could not even get out of bed. His local doctor diagnosed a slipped disc and muscle strain. It took a very unpleasant six weeks to get back to work.

### Which Parts of the Body Are Most Vulnerable to Injury?

Accident reports show that some 22% of workplace injuries affect the back with other body parts affected as shown in the graphic.



### Your Task

The HSA has found that many employees think it is the duty of the employer to ensure that slips, trips and falls do not occur and that employees are not responsible. However, you are aware that employees also have a responsibility under the *The Safety, Health and Welfare at Work Act, 2005*. Among other things, employees have a duty to protect themselves and others, including visitors. Employees must also report anything that could increase the likelihood of an accident. You have also learned that it is estimated that, in 2009, there were 1,293 accidents notified to the Health and Safety Authority arising from falls on the same level, and that 15 of these related to the 0-17 age bracket.

You have been asked by the committee of a local youth centre to design a one page brochure to raise awareness among their employees about these risks. To carry out this task you should consult the document called *Get A Grip* which is available at [www.hsa.ie](http://www.hsa.ie).

The *Health and Safety Authority* is the national body in Ireland with responsibility for securing safety and health at work. It is an independent body operating under the Safety, Health and Welfare at Work Act, 2005 (SHWW Act) and has overall responsibility for the administration and enforcement of occupational safety and health and dangerous chemicals legislation in Irish workplaces. The Authority monitors compliance with the relevant legislation and can take enforcement action, including prosecutions, where appropriate. The key objective of the Authority is to make workplace safety, health and welfare an integral part of doing business in every workplace in Ireland.

The principal functions of the Authority are to promote workplace safety, health and welfare, to provide information and expert advice to employers, employees and the self-employed, to propose new regulations, guidelines and policies and to monitor and enforce compliance with occupational safety and health and chemical legislation. It employs over 200 people who work in eight locations throughout the country.

The latest information on workplace accidents is available in the *Summary of Workplace Injury, Illness and Fatality Statistics* at [www.hsa.ie](http://www.hsa.ie).

**Health and Safety Authority**  
The Metropolitan Building  
James Joyce Street  
Dublin 1  
Tel: 1890 289 389

This case and all teaching components can be printed from the CD or the *Spirit of Enterprise* website [www.soe.ie](http://www.soe.ie).

You can find out more about the work of the Health and Safety Authority on [www.hsa.ie](http://www.hsa.ie).

## YOUNG PEOPLE AND WORKPLACE ACCIDENTS

### Case Summary

The case deals with the topic of workplace accidents involving young people (defined as 15-19 years). Proportionally, young people are involved in more accidents than other age groups.

The student is required to use the HSA *Get A Grip* material to produce an awareness brochure.

### Syllabus Links

#### Leaving Certificate Business

Unit 4: Human Resource Management

Unit 6: Social and Ethical Responsibilities of Business – Safety and Health in the Workplace

#### LCVP

Preparation for the World of Work: Unit 1 – Introduction to Working Life; Unit 4 – Health and Safety in the Workplace

The case can also be used for related topics in *Junior Certificate Business Studies* and *Leaving Certificate Applied* and during relevant activities in *Transition Year*.

The HSA class work templates *Safety Statement* (Spirit of Enterprise, Edition 3) and *Spot the Hazard* (Spirit of Enterprise, Edition 4), can be downloaded from [www.soe.ie](http://www.soe.ie).

### Learning Outcomes

Having studied the lesson and carried out the related exercises, students should be able to:

- Outline some impacts that workplace injuries have on the economy.
- Describe the main workplace accident triggers.
- Relate the broad statistics regarding workplace accidents to young people.
- Discuss some responsibilities of the employer for safety and health in the workplace.
- Describe the role and mission of the HSA.

### Building on the Case

The following points can be used to provide additional information and stimulate group discussion around the case.

#### Terminology Review

This case provides the opportunity to revise the essential terms associated with safety in the workplace. The HSA cases in previous editions of Spirit of Enterprise deal with the terminology in detail. The critical terms are repeated here for ease of access.

- **Hazard:** anything that has the potential to cause harm.
- **Risk:** the likelihood that harm could occur from a particular hazard and its consequences.
- **Control:** anything done to eliminate or reduce the risk.
- **Risk Assessment:** the process of evaluating risks in the workplace and putting in place the most appropriate controls and precautions
- **Safety Statement:** a written programme which describes how the employer ensures the safety, health and welfare of employees, visitors to the workplace and those who may be affected by the work activities.

#### Health and Safety in the Curriculum

The HSA online course *Get Safe – Work Safe. Workplace Safety and Health for Senior Cycle Students* introduces students to the principles of safety and health. It is useful for senior cycle students whose programme of learning includes some form of work experience and those who are actively engaged in part-time or holiday work. The unit is relevant to all students as future members of the workforce. This course is available at [www.hsa.ie/education](http://www.hsa.ie/education) or [www.alison.com/hsa](http://www.alison.com/hsa)

The HSA guide *Health and safety matters for students embarking on work experience* is designed to assist teachers when preparing students for participation in a work experience programme. It can be downloaded at [www.hsa.ie](http://www.hsa.ie).

#### Young Persons

*The Protection of Young Persons (Employment) Act* protects the health of young workers. It is designed to ensure that work done during school years does not put education at risk. Information on the Act is available at [www.employmentrights.ie](http://www.employmentrights.ie), which is the website of the *National Employment Rights Authority (NERA)*.

### Student Exercises

The following student activities can be undertaken by *individuals*, *pairs* or *group* assignments requiring written reports, discussion or presentations. Most of the exercises can also be used to assess learning following a class session.

#### The Case Analysis

The task posed at the end of the case should be used to stimulate analysis of the case material. This will exercise the ability to use judgment and make rational decisions. It can also be used in group mode as a shared learning exercise.

#### Student Reflection

What have we learned from the case?

This exercise is particularly effective when done individually, followed by group discussion. It aids *understanding*, *retention* and *recall*. Possible reflection questions include:

- Can I suggest the impact that workplace accidents have on individuals, families and the economy?
- Can I identify the top three accident triggers?
- Can I describe some of the steps employees can take to avoid workplace accidents?
- Do I understand what the terms hazard, risk assessment and controls mean?
- Can I relate the information in this case to what I already know about safety, health and welfare at work?
- Do I know what the HSA does and why?

#### Applied Business Question (LC Business)

- Identify the main workplace accident triggers.
- Describe some hazards that are likely to lead to slips, trips and falls in a commercial office.
- Outline the controls you would suggest to reduce the risk involved.
- Suggest some reasons why young people appear to be more prone to workplace accidents than other age groups.

#### Case Study (LCVP)

- Describe three types of workplace accident trigger.
- Identify three hazards that might lead to slips, trips or falls in a shopping centre and suggest what could be done to eliminate them.
- List some actions that could be taken to raise the awareness of restaurant employees about slips, trips and falls.
- Draw a pie chart showing the most injured parts of the body resulting from workplace accidents.

### Question Time

The following True/False and Multiple Choice questions can be used as quizzes to engage in a review of case terminology. They can be printed out from the CD or website ([www.soe.ie](http://www.soe.ie)) for handout purposes.

#### True or False?

- Young people are less prone to accidents at work than older people.
- In general, the back is the most vulnerable part of the body.
- A Safety Statement guarantees that there will be no accidents.
- Accidents have a negligible impact on the economy.
- Employers are not legally bound to produce a Safety Statement.
- Falls at the same level is the leading accident trigger.
- Manual handling is the third leading accident trigger.
- Employees have a responsibility to avoid slips, trips and falls in the workplace.
- The proportion of young people in the workforce is estimated to be around 4%.
- The proportion of workplace accidents to young people is about the same.

#### Multiple Choice

Accident prevention is the responsibility of:

- The HSA
- The employer
- The employees
- Employer and employees.

The proportion of workplace injuries affecting the back is estimated to be:

- 17%
- 45%
- 22%
- 6%

#### Writing Skills

Students can be asked to read the case and then prepare a short synopsis. This is an exercise in the isolation of key ideas, requiring judgment and composition skills. It is also a valuable revision tool.





# SPIRIT OF ENTERPRISE

## MCDONALD'S AND CORPORATE SOCIAL RESPONSIBILITY

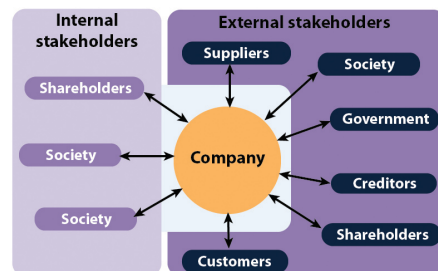
### What is Corporate Social Responsibility?

It is obvious that business organisations have certain responsibilities to their employees and customers. Indeed, such responsibilities are usually set out in legislation such as consumer and employment law. However, in modern times many organisations take a much broader and more inclusive view. This is the concept of *corporate social responsibility (CSR)* or *corporate citizenship*. CSR means that the business recognises legal, ethical and social responsibilities to a diverse range of stakeholders.

### Who Are The Stakeholders?

The term stakeholder is frequently defined as any entity that can have an effect on, or be affected by, the activities of the business. A distinction is often made between internal and external stakeholders. In effect, the organisation is accepting a different form of relationship with its stakeholders, particularly the broader community in which it operates on a daily basis.

Here we describe how McDonald's defines its CSR and look at the various ways in which the company puts the concept into action.



### The Community Focus

*Ronald McDonald House Charity of Ireland (RMHC)* was established in 1997 to assist organisations working for the benefit of children.

Ronald McDonald House is a home away from home for families of seriously ill children receiving treatment in Crumlin's Children's Hospital. To date, nearly 1500 families have stayed at the House, some for up to as long as one year. The House was the first of its kind to be built in the country and was funded with the help of many McDonald's restaurants, customers and suppliers.



Ronald McDonald House, Crumlin, Dublin

*McHappy Day* is a major children's fundraiser which is run each year by McDonald's worldwide to help raise funds for the RMHC. McDonald's is also heavily involved in the Little Athletics programme which is designed by the Athletics Association of Ireland to develop athletic capabilities and fitness of the children aged five to ten years in an enjoyable and non-competitive way.

### What Is Responsible Advertising?

Advertising is probably the most widely used form of promotion, one of the famous 4Ps. All businesses have a responsibility to ensure that any statements made in adverts are valid and truthful. Accordingly, McDonald's adheres to the standards of the *Broadcasting Authority of Ireland* as set out in the *Children's Advertising Code*. In fact, McDonald's have developed their own internal code of practice which, in many ways, goes beyond the requirements of the Code. All McDonald's adverts are designed to promote messages that support active and balanced lifestyles by depicting sports and similar activities, particularly for children.

### Supporting The Local Economy

Each year, McDonald's purchases over €80 million worth of 100% Irish beef for use in its restaurants here in Ireland, but also for export to other McDonald's markets across Europe. One out of every five hamburgers sold across Europe in McDonald's is made from Irish beef. McDonald's uses over twenty different local suppliers to provide over €12.5 million worth of food products every year. Each individual supplier must commit to the company's standards of *quality assurance*, *business ethics* and social responsibility. There is a strict verification process that is conducted by external auditors who may inspect a site, examine documents or interview employees. McDonald's won a *Chambers Ireland* 2010 CSR award for its work with suppliers under the 'Flagship Farms' programme which recognises farmers who supply the McDonald's system.



### Protecting The Environment

The *Rainforest Alliance* is a *non-profit organisation* that works to transform the use of land in order to develop sustainable farming practices and protect biodiversity and the environment. When these things happen, the *supply chain* and farming incomes are protected into the future. In 2007 McDonald's switched to coffee supplies that are certified by the Rainforest Alliance in support of these principles.

McDonald's is a member of *Repak* and is currently the industry leader in waste management with up to 80% of all waste being

recycled. In a most exciting project, waste cooking oil will be converted to biodiesel for use in the company's fleet of vehicles. All local communities appreciate the McDonald's *Litter Patrols* who collect all packaging litter (not only McDonald's packaging) every day, within a 100-metre radius of each restaurant.

### Jobs And The Quality Of Work

McDonald's employs over 3,600 people in Ireland. The company has been listed as one of the best companies to work for the past six years and, this year, achieved the best workplace in the hospitality sector and the 5th best large company to work for in Ireland. This is a result of specific employment policies, that promote fair and progressive employment practices. McDonald's staff come from all age groups and include parents, teenagers, university students, people with disabilities and senior citizens. Jobs can be long term contracts or part-time jobs with flexible hours. McDonald's has been recognised for its work with people with disabilities, being chosen as an *O2 Ability Awards* winner for the past few years and is a founding member of the *Kanchi Ability Network*.

### Developing People

Supporting education and training is a valuable contribution to society. McDonald's provides employee training programmes that develop skills in the areas of teamwork, customer service, leadership and communication. These are transferable skills that can be applied in any job in any industry or sector. These skills are recognised by *City and Guilds* with a certificate in multi-skilled hospitality. McDonald's, in conjunction with the National College of Ireland has developed a Level 6 certificate in front line management for its managers.

All employees are encouraged to undertake further education. The Employee Scholarship Programme has provided more than €200,000 for those who do so. Personal development is also encouraged by the *McPassport* which enables employees to work in a McDonald's restaurant anywhere in Europe.

### Your Task

About 80% of McDonald's restaurants are franchises, owned and operated by franchisees. These owners often live in the local community served by the restaurant. You are carrying out a research exercise to establish the level of CSR practised by businesses in your locality. You need to design a questionnaire to be used for the survey. List the questions that you intend to ask, making sure you cover all areas mentioned in the case. Attempt to include some open and closed questions. You may also wish to include tick boxes and multiple choice formats.



In 1977, the first McDonald's in Ireland opened on Grafton Street in Dublin. There are now 77 McDonald's restaurants in the country. Of these, 65 are franchises, run by individuals or husband and wife teams. In total, some 3,600 people work with McDonald's in Ireland.

The McDonald's Ten Commitments illustrate the company's commitment to its social responsibilities. These commitments are:

1. Serving quality food
2. Fully traceable food
3. The highest standards of business ethics
4. Being an excellent employer
5. Supporting balanced active lifestyles
6. Listening to you
7. Supporting local communities
8. Being a responsible advertiser
9. Ensuring you enjoy your meal
10. The environment

**McDonald's Restaurants of Ireland**  
7 Richview Office Park  
Clonskeagh  
Dublin 14  
Tel (00353)1 2080020  
Email: [info@ie.mcd.com](mailto:info@ie.mcd.com)

You can learn more about McDonalds at: [www.mcdonalds.ie](http://www.mcdonalds.ie).

This case and all teaching components can be printed from the CD or the Spirit of Enterprise website [www.soe.ie](http://www.soe.ie).



## SPIRIT OF ENTERPRISE



### MCDONALD'S AND CORPORATE SOCIAL RESPONSIBILITY

#### Case Summary

The case deals with the concept of Corporate Social Responsibility (CSR) and describes how it is practised by McDonald's, the largest restaurant franchise in the world.

The student is required to design a questionnaire to be used in a local CSR survey.

#### Syllabus Links

**Leaving Certificate Business**  
Unit 6: Domestic Environment

Unit 7: International Environment

##### LCVP

Preparation for the World of Work: Unit 1 – Introduction to Working Life

Enterprise Education: Unit 2 – Local Business Enterprises

The case can also be used for related topics in *Junior Certificate* Business Studies and during enterprise activities in *Transition Year*.

#### Learning Outcomes

Having studied the lesson and carried out the related exercises, students should be able to:

- Explain the meaning of the term Corporate Social Responsibility
- Define the term stakeholder
- Identify some internal and external stakeholders
- Describe some CSR principles underlying McDonald's activities in the areas of community, environment, employment quality and education
- Discuss the principles of responsible advertising.

#### Building on the Case

The following points can be used to provide additional information and stimulate group discussion around the case.

The term CSR appears to have come in to common business use in the early 1970s, and its use has grown significantly

since then. It is common practice now for companies to publish a CSR policy and an annual CSR report, often including reference to ethics, community and the environment.

The term stakeholder appears to have originated in the Stanford Research Institute in the 1960s.

ISO 26000 is the recognized international standard for CSR.

An alternative approach adopted by some organisations such as the United Nations is called the Triple Bottom Line (TBL) – meaning People, Planet and Profit.

The Rainforest Alliance is a non-profit organisation that works with people whose livelihoods depend on the land, helping them transform the way they grow food and harvest wood in order to conserve biodiversity and ensure sustainable livelihoods. [www.rainforest-alliance.org](http://www.rainforest-alliance.org)

The Broadcasting Authority of Ireland (BAI) was established under the Broadcasting Act 2009.

McDonald's is involved in the well known Junior Achievement Programme where employees, managers and franchise owners visit schools to teach enterprise skills and discuss career choices.

The Little Athletics age group is recognised to a critical stage in the long term physical development of the child.

All McDonald's fish must come from sustainable and well-managed fisheries. To ensure that this is so, McDonald's consults with external experts such as the Marine Stewardship Council and Conservation International.

Currently, some forty different nationalities work in McDonald's restaurants, so the company is sponsoring a research project at Dublin City University to ensure that managers are competent in a multicultural work environment.

Kanchi is a non-profit organisation that works to promote the ability and value of every person with a disability and challenges traditional stereotypes. Originally called Aisling (meaning dream or vision), the organisation was founded by Caroline Casey who raised funds on a 1000km trek across India on an elephant named Kanchi.

McDonald's suppliers must also comply with strict standards on employment practices and workplace conditions as set out in the McDonald's Supplier Code of Conduct.

#### Student Exercises

The following student activities can be undertaken by *individuals*, *pairs* or *group* assignments requiring written reports, discussion or presentations. Most of the exercises can also be used to assess learning following a class session.

##### The Case Analysis

The task posed at the end of the case will stimulate an analysis of the case material and exercise the ability to use judgment and to engage in self analysis. It is an opportunity to review skill definitions.

##### Student Reflection

###### What have we learned from the case?

This is a powerful exercise, especially when done individually, followed by group discussion. It aids *understanding*, *retention* and *recall*. The teacher can use the learning outcomes listed above when giving feedback.

###### Possible reflection questions include:

- What did I learn about the concept of CSR?
- Can I identify any CSR related activities carried out by the businesses in my areas?
- What do I know about business management that I did not know before I read the case?
- Can I define the term stakeholder?
- Can I relate the information in this case to what I have learned in any other classes I have attended?
- Can I suggest some of the advantages that a business might get from having a CSR policy?

##### Applied Business Question (LC Business)

- Discuss the concept of CSR
- Identify some ways in which a business might demonstrate its CSR commitment.
- Describe some responsible employment principles.
- Outline ways in which a business might cause harm to the environment.

##### Case Study (LCVP)

- Identify some opportunities that a business in your locality might have to support the environment.
- What benefits do you feel might be gained by a business with a good CSR record.
- Outline three ways in which a local shop can reduce litter.
- Explain why CSR is important to our economy

#### Question Time

The following True/False and Multiple Choice questions can be used as quizzes to engage in a review of case terminology. They can be printed out from the CD or website ([www.soe.ie](http://www.soe.ie)) for handout purposes.

##### True or False?

- A customer is not a stakeholder in a business.
- The Little Athletics programme promotes activities for teenagers in the 14 -16 age group.
- A shareholder is a stakeholder, but a stakeholder is not necessarily a shareholder.
- McDonald's employ about 100 people in Ireland.
- The company uses over 20 different local suppliers in Ireland.
- McDonald's is an equal opportunities employer
- The 4Ps marketing model does not include advertising.
- Waste cooking oil from McDonald's restaurants will be converted into biodiesel.
- The McPassport allows a member of staff to get a job in any McDonald's restaurant in the world.
- McDonald's do not have a policy on employee development.

##### Multiple Choice

Which of the following represents the number of nationalities working as McDonald's employees?

- 100
- 19
- 40
- 38

##### Which one of the following is not one of McDonald's 10 Commitments?

- Supporting local communities
- Being a responsible advertiser
- Having a TV in every restaurant
- The environment

##### Which of the following organisations was founded to support sustainable farming in developing countries?

- Rainforest Alliance
- Athletics Association of Ireland
- Repak
- Broadcasting Authority of Ireland