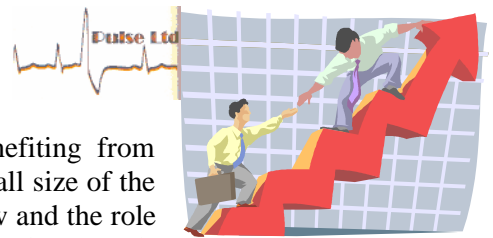




The story continues...

Pulse continues to grow



Pulse Limited has continued to grow and is now benefiting from considerable economies of scale. However, given the small size of the Irish market, the firm is also conscious of competition law and the role of the **Competition Authority**. Following extensive desk research, Pulse has now decided to target the South American market and is considering the most appropriate expansion options to use. **Licensing** and **strategic alliances** have been suggested as possibilities, however the firm is also considering looking for suitable **acquisitions**. To finance this continued expansion, Pulse is prepared to consider using **equity** or **debt financing**. It is unwilling to use sale and leaseback as an option at this time.

Over the past few years, the firm has also built up considerable **retained earnings** that will be of considerable benefit in funding any expansion plans. When a business such as Pulse earns profits, it may be distributed to the owners as a dividend. Alternatively, it may be reinvested in the business to help the business expand and grow without the need to take out loans or sell shares. Retaining the profits in the business is also known as '**ploughing back profits**'. As a source of finance, retained earnings are very attractive to business for two main reasons:

- **Cost** - Does not involve any borrowings or interest charges.
- **Ownership and Control** – It involves no loss of ownership or control of the business.

As a funding option, retained earnings will be of considerable benefit to Pulse in its expansion plans.

1. Explain the underlined terms.
2. As sources of long-term expansion finance, compare sale and leaseback to retained earnings.



Competition Authority investigates cartel in motor trade

The **Competition Authority** has raided 17 motor dealers around the country as part of its investigation into possible illegal price-fixing by the businesses. It is alleged that dealers agreed among themselves the minimum prices that they would sell their cars for. This would deny the consumer any benefit from shopping around between garages for the same model of car. The investigation, which also involves the Garda Bureau of Fraud Investigations, has focused on Citroën garages. However, it is expected that the investigation will widen to include other brands as well.



Recall & Review – Fill in the gaps

After an entrepreneur has successfully established a business, he or she may choose to expand through organic or _____ growth strategies. Organic expansion strategies include looking for new markets or developing new products for existing markets. Alternatively, an entrepreneur could look to expand by looking for other firms with which to form strategic alliances or to takeover.

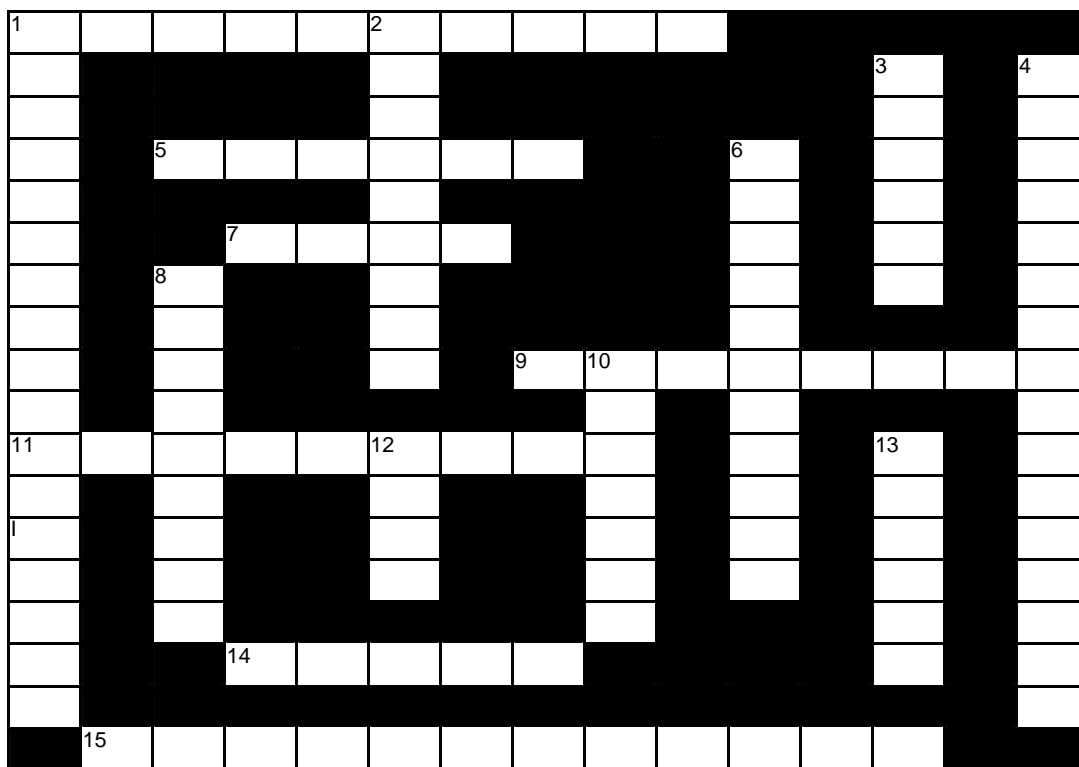
Expanding a business can be a very expensive and risky undertaking as it can involve acquiring new premises and equipment and hiring new staff before any additional profits have been made. It is usually financed through equity, government _____ or bank loans. In some cases firms use the sale and _____ of a valuable asset.

However, firms looking to grow and expand need to be aware of the laws that exist to prevent the emergence of unfair competition that undermines the interests of consumers. These laws are implemented by the Irish _____ Authority and the EU _____.

Score: _____ out of 5



Crossword 18 - Business Expansion



CLUES

Across

- 1. A company where 50% or more of the shares are owned by another company (10)
- 5. A type of mail used to promote a product or service (5)
- 7. The ____ Protection Act requires that information stored about people on computer must be accurate and up-to-date (4)
- 9. A long-term loan used to buy a house (8)
- 11. Disney and Manchester United use this form of business expansion (9)
- 14. Fyffes use take _____ to grow their business (5)
- 15. A diversified holding company that holds shares in companies in many different types of business activity (12)

Down

- 1. When two or more firms agree to co-operate in the establishment of a project or business together (9, 8)
- 2. A long-term loan given to a company who pays a fixed rate of interest (9)
- 3. When the managers and shareholders of two companies agree to voluntarily join together and form a single firm (6)
- 4. Benefits that arise in a business as it becomes larger and more efficient (9, 2, 5)
- 6. This authority is a state agency set up to prevent deals between firms that reduce competition or cause unfair business practices (11)
- 8. To rent a complete business idea, including name, logo and products to someone else (9)
- 12. ____ and leaseback raises cash by selling a piece of property and simultaneously leasing it back long-term (4)
- 10. Business growth through the use of existing products or developing new products (7)
- 13. Finance invested by the owners in a business (6)