

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2013 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	I
DATE:	25 th April 2013
TIME:	4:00 p.m. to 6:00 p.m.

This paper consists of EIGHT (8) questions of 10 marks each.

Answer ALL questions.

Candidates are to write the question number and letter in the margin provided.

QUESTION 1

- (a) Which **three** advantages do multinational companies bring to a host country? (3 marks)
- (b) Suggest **two** possible forms of assistance that can be provided by the government to small businesses. (2 marks)
- (c) Identify **two** advantages Malta enjoys when it trades with other countries. (2 marks)
- (d) Why does the Maltese government encourage businesses to export goods and services? List **two** reasons. (2 marks)
- (e) Briefly explain the difference between the Trade Gap and an adverse balance of payments. (1 mark)

QUESTION 2

- (a) Briefly describe **two** criteria which are used to measure the size of a business. (2 marks)
- (b) Briefly explain the following terms: (2 marks)
- scarcity
 - opportunity cost.
- (c) What does the term *stakeholder* mean? (1 mark)
- (d) List **three** elements of business activity. (3 marks)
- (e) Name **two** financial statements that are prepared by business organisations and explain the purpose of **each** one. (2 marks)

QUESTION 3

Selma and Tara are equal business partners who design and sew wedding dresses tailored to customers' specifications.

- (a) In which sector of the economy is the partnership operating? (2 marks)
- (b) Describe the sector that you have identified in (a) above. (2 marks)
- (c) Name **one** advantage and **one** disadvantage of a partnership. (2 marks)
- (d) What does the phrase '*equal business partners*' mean? (2 marks)
- (e) Name and describe the method of production employed by this partnership. (2 marks)

Please turn the page over.

QUESTION 4

- (a) What is the purpose of stock control? (2 marks)
- (b) What does the minimum stock level represent? (2 marks)
- (c) Why should a firm establish a maximum stock level? (2 marks)
- (d) What is meant by mass production? (2 marks)
- (e) How can specialisation help small firms to survive? (2 marks)

QUESTION 5

- (a) Identify **three** duties of a Human Resources Manager. (3 marks)
- (b) List **two** advantages of internal recruitment. (2 marks)
- (c) Distinguish between job description and job specification. (1 mark)
- (d) What does 'structural unemployment' mean? (1 mark)
- (e) List **three** social costs that are associated with unemployment. (3 marks)

QUESTION 6

- (a) What is effective communication and why is it necessary? (2 marks)
- (b) Mention and explain **three** reasons for poor communication. (3 marks)
- (c) Distinguish between internal and external communication and give **one** example of each. (2 marks)
- (d) Define the term '*business ethics*'. (1 mark)
- (e) List **two** ways how society can influence organisations to behave ethically. (2 marks)

QUESTION 7

- (a) Describe the role of the Malta Stock Exchange. (2 marks)
- (b) Describe **three** services offered by the ETC (Employment and Training Corporation). (3 marks)
- (c) What does the phrase '*sustainability of resources*' mean? (2 marks)
- (d) What is fair trade? (1 mark)
- (e) List **two** ways in which the consumer is protected by the Consumer Protection Act. (2 marks)

QUESTION 8

Terry is a young entrepreneur who has just completed his first year of business. His accountant has presented him with a set of financial documents together with a report wherein he qualified the following:

“Despite the adverse effect of the overall recessionary economic climate, during the first year of operations the firm has recorded a remarkable 15% ROCE (return on capital employed). The worrying fact, however, is that whilst our profitability is high, we are facing liquidity problems.”

- (a) Distinguish between the terms *profitability* and *liquidity*. (2 marks)
- (b) Why is a recessionary economic climate bad news for firms? Give **two** reasons. (2 marks)
- (c) How is the ROCE (return on capital employed) measured and what does this calculation tell the owner of the firm? (2 marks)
- (d) Identify and explain **one** accounting ratio which measures liquidity. (2 marks)
- (e) Suggest **two** measures Terry can adopt in order to improve his firm's liquidity for the coming year. (2 marks)

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2013 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	IIA
DATE:	26 th April 2013
TIME:	4:00 p.m. to 6:00 p.m.

This paper consists of SIX (6) questions.

Answer Question 1 from Section A and ANY THREE questions from Section B.

Candidates are to write the question number and letter in the margin provided.

SECTION A

This is a COMPULSORY question (30 marks).

QUESTION 1

Lucky Brand Ltd is a clothing company that was set up in 2000. It sells good quality traditional casual and sports clothes for running, walking, tennis and other sports. The firm is owned by an English business organisation. It uses Lucky Brand Ltd as *a wholesale distribution outlet*.

The company has experienced rapid sales growth over the last five years. Furthermore, there has also been a substantial increase in its workforce for the same period. The following figures reveal this trend:

	Sales (€'000)	Number of Employees
2007	15	8
2008	20	8
2009	30	10
2010	45	14
2011	60	18

Note: The main increase in employment was noted in the warehouse and management departments.

A spokesman for Lucky Brand Ltd attributes this success to *positive changes in the economy* as well as *in the way people live*. Market research, pricing and promotions also helped to achieve the company's current success.

Although the present position of the company is very positive, it is thinking of different strategies to get a *bigger share of the market*. Two possible strategies that have been identified are selling on the internet and taking over a competitor. No decision has been taken by management as to the strategy that should be adopted.

During the last weeks, the *parent company* in England has been experiencing some protests outside their main offices by Child Rights Campaigners. This *pressure group* is protesting against the growing concern that the firm's products are made in Asia and that the business has been using *child labour* to keep its prices down.

Lucky Brand Ltd is concerned that these protests might have a negative effect on their operations in Malta. In fact there have already been some articles and letters in the written press about this case.

Please turn the page over.

- (a) (i) What is a *wholesale distribution outlet*? (2 marks)
- (ii) Give two reasons why the company experienced an increase in its workforce. (2 marks)
- (b) Through its expansion, Lucky Brand Limited, stands to gain internal economies of scale. Briefly describe **two** sources of such economies. (2 marks)
- (c) The increase in employment in the management department was due to Lucky Brand Limited changing from a flat to a tall organisation. Draw an organisational chart for a tall organisation. (2 marks)
- (d) Identify **three** disadvantages of tall organisations. (3 marks)
- (e) What does '*positive changes in the economy*' mean? (2 marks)
- (f) Suggest **three** factors that the business should take into account when setting the selling price of one of its products. (3 marks)
- (g) Explain briefly **two** types of promotion that the firm might use to sell its products. (2 marks)
- (h) Briefly explain **two** reasons why Lucky Brand Limited might want to increase its market share. (2 marks)
- (i) Mention **two** advantages and **two** disadvantages of selling on the internet. (4 marks)
- (j) Identify **two** main advantages of '*taking over a competitor*'. (2 marks)
- (k) What is a **pressure group**? Give **one** example. (2 marks)
- (l) Identify **two** ways of how the negative publicity on the newspapers may have a damaging effect on Lucky Brand Ltd. (2 marks)

SECTION B: This Section consists of FIVE (5) questions.
Answer ANY THREE (3) questions from this section. (20 marks each)

QUESTION 2

- (a) What is meant by:
 (i) autocratic leadership;
 (ii) laissez faire leadership?
 Explain **one** advantage and **one** disadvantage of **each** of these leadership styles. (2, 4 marks)
- (b) Distinguish between arbitration and conciliation as methods of resolving industrial disputes. (4 marks)
- (c) Suggest and explain **two** steps that may be taken by an employer needing to make some employees redundant. (4 marks)
- (d) Briefly describe **three** advantages of visual communication. (3 marks)
- (e) List **six** terms and conditions that may be included in the *contract of employment*. (3 marks)

QUESTION 3

The following information relates to the business of Nicole Grima.

	2010	2011
	€	€
Gross profit	100,000	76,500
Net profit	25,000	13,500
Sales	500,000	450,000
Capital employed	250,000	250,000

- (a) Calculate the following accounting ratios for **each** financial year (organise your work properly and show all workings):
 (i) Gross profit margin (%); (1 mark)
 (ii) Net profit margin (%); (1 mark)
- (b) Suggest **two** possible causes for the change, if any, in **both** the gross profit margin and the net profit margin between the years 2010 and 2011. (4 marks)
- (c) (i) What is meant by the *break-even point*? (2 marks)
 (ii) Nicole's business consists in baking and selling standard wedding cakes. In 2010, she baked and sold 2,000 cakes for a price of Euro 250 each. The variable cost of one cake was Euro 200. Her fixed costs were Euro 75,000. How many cakes did she have to sell to break-even? (2 marks)
- (d) Nicole is analysing the possibility of converting the business into a limited liability company. You have been asked to explain to her the following key terms:
 (i) limited liability; (1 mark)
 (ii) shareholders; (1 mark)
 (iii) debentures (bonds); (1 mark)
 (iv) dividends. (1 mark)
- (e) Nicole has contacted a management consultant to recommend the restructuring of her business operations.
 (i) What is meant by *business decision-making*? (1 mark)
 (ii) Distinguish between *centralised* and *decentralised* decision-making. (3 marks)
 (iii) What is meant by *delegated* decision-making? (2 marks)

Please turn the page over.

QUESTION 4

Although the main business objective is to make a profit, businesses are also encouraged to behave ethically.

- (a) State **two** business objectives other than making profit. Give **two** examples of circumstances under which the current business objective may not be that of making profit. (2, 2 marks)
- (b) Briefly describe **two** external costs and **two** external benefits of a sole trader opening shop as a car mechanic in a residential area. (2, 2 marks)
- (c) How does the government in Malta influence the location decision of a business? (6 marks)
- (d) List **three** advantages of ethical behaviour and **three** disadvantages for the unethical behaviour of a business organisation. (6 marks)

QUESTION 5

- (a) What does the 'global economy' refer to? (2 marks)
- (b) List **five** reasons why Malta needs to import a large variety of goods. (5 marks)
- (c) Name **three** factors that have altered Malta's dependency on manufacturing. (3 marks)
- (d) Define the following:
 - (i) tariffs; (2 marks)
 - (ii) quotas. (2 marks)
- (e) Classify the following items in Malta's Balance of Payments as *visible exports*, *invisible exports*, *visible imports* and *invisible imports*:
 - (i) A Spanish person buys a Maltese book;
 - (ii) AirMalta leasing an American aeroplane;
 - (iii) A German lady comes to study Business English in Malta;
 - (iv) Second-hand Japanese cars sold in Malta;
 - (v) Maltese football fans watching a football match in a stadium in Rome;
 - (vi) Maltese tuna sold in Japanese restaurants. (1 mark each)

QUESTION 6

Amy is a marketing consultant for an enterprise running a chain of local supermarkets.

- (a) Why is the marketing function important for the enterprise? (4 marks)
- (b) Price and product are two elements of the marketing mix. Explain their relevance to this enterprise. (6 marks)
- (c) What is meant by the term 'sales promotion'? Illustrate your answer with **two** sales promotion techniques that Amy may recommend to the chain of supermarkets. (2, 2 marks)
- (d) (i) Outline the distribution channel which a supermarket may use in order to source its supply of canned pineapples from India. Support your answer with reasons for your choice. (3 marks)
- (ii) Which distribution channel should a supermarket use in order to source its supply of fresh fish? Support your answer with reasons for your choice. (3 marks)

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2013 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	IIB
DATE:	26 th April 2013
TIME:	4:00 p.m. to 6:00 p.m.

This paper consists of SIX (6) questions.

Answer Question 1 from Section A and ANY THREE questions from Section B.

Candidates are to write the question number and letter in the margin provided.

SECTION A: This is a COMPULSORY question (30 marks).

QUESTION 1

Godwin has been employed with a manufacturing company for the last fifteen years. Due to the recent international problems in the *economic and financial world*, his company has been experiencing a steady decline in the demand for its products. As a result, he was recently made redundant.

The Employment and Training Corporation (ETC) has helped Godwin to find a similar position in another manufacturing business. However, he decided to move away from the manufacturing industry and to open his own business.

He used his *redundancy money* and all his savings to purchase a shop in a prime location in the main square of Paola, selling newspapers and magazines, confectionery items and daily foodstuffs. Unfortunately his redundancy money and his savings were not sufficient to purchase the premises and the initial stock. Godwin has contacted the bank seeking to obtain a long term loan and an overdraft facility. The bank manager has asked Godwin to prepare a cash budget.

The first days of his new business were quite hard. He had to work very long hours to get his business going. His wife, Amanda, was quite worried about this new reality – the risks Godwin had to face for starting up his new business. Since she is a mother of two young children, Amanda cannot help him in the day to day running of the shop. However, she was giving him all the necessary support and helping out with some initial administration work from their home.

- (a) What are ‘*redundancy payments*’? (2 marks)
- (b) Distinguish between the aim of an enterprise in the public sector and an enterprise in the private sector. (2 marks)
- (c) What is the difference between the *economic world* and the *financial world*? (2 marks)
- (d) Give **two** reasons Godwin may have been given by his employer to justify his redundancy. (4 marks)
- (e) Give **three** main reasons why Godwin might have considered setting up his own business. (3 marks)

- (f) Which type of business organisation do you recommend Godwin should set up? Give **one** reason for your answer. (2 marks)
- (g) Explain **two** problems Godwin might face when he chooses to run his own business. (4 marks)
- (h) Suggest any **three** major ways in which Malta Enterprise can help Godwin in his new business. (3 marks)
- (i) Identify **one** internal source of finance and **one** external source of finance from the case study above and briefly describe **each** one. (4 marks)
- (j) What is a budget? Why do businessmen prepare budgets? Give **two** reasons. (2, 2 marks)

**SECTION B: This Section consists of FIVE (5) questions.
Answer ANY THREE (3) questions from this section. (20 marks each)**

QUESTION 2

Choose the correct word / phrase from the following to complete the sentences. Each word / phrase is to be used only once. Write the complete sentences on the booklet provided.
(20 x 1 mark each)

<i>packaged and distributed</i>	<i>supply</i>	<i>sustainable</i>	<i>human resources</i>
<i>distribution of products</i>	<i>tertiary</i>	<i>manufacture</i>	<i>primary</i>
<i>consumer needs</i>	<i>services</i>	<i>secondary</i>	<i>services</i>
<i>new product development</i>	<i>stakeholders</i>	<i>environment</i>	<i>growing</i>
<i>consumer goods</i>	<i>production</i>	<i>supply chain</i>	<i>natural resources</i>

It is easy to take for granted everyday fast-moving _____ such as bread. When consumers go to a corner shop or the supermarket, they simply expect these products to be there and to be freshly baked. An average family will probably replace their supplies of bread several times a week.

Behind these _____ for fresh products, there is a complex process of _____. In the case of bread, meeting these needs is not just dependent upon a bread manufacturer. The process starts with the _____ of the wheat. This is then milled into flour before being baked into the bread, to be _____ to stores to be made available to the consumer.

A company's dedication to _____ continuously high quality products, whilst investing in innovation and _____ is the recipe for the success of an organisation. Every organisation has to plan for the future.

A company must find a _____ approach to running the business. This means that it adopts practices that can continue long into the future by managing the _____ to meet customer needs. This involves such things as using sources that minimise the impact on the _____ for future generations. However, it also includes developing long-term relationships with its _____ to ensure the supply of quality products for the foreseeable future.

The first sector of industry is the _____ sector. This is concerned with _____ and the extraction of raw materials. In this industry, this means working with farmers who grow the grain that is required to make its bread and bakery products. The next sector of industry is the _____ sector. This involves the _____ or refining of goods from the raw materials obtained in the primary sector. The millers who turn the grain into flour, and the bakeries that use capital equipment and _____ to create the products consumers want, belong to this sector. The third sector is called the _____ sector and this is where _____ are provided to businesses and consumers. The _____ falls into this sector, as do the _____ provided to retailers by the organisation.

QUESTION 3

- (a) What is an *organisational chart* ? (3 marks)
- (b) Briefly describe any **three** key duties of a manager. (3 marks)
- (c) List any **three** conditions of work a manager must respect when dealing with his subordinates. (6 marks)
- (d) Why do businessmen delegate? Explain **one** advantage and **one** disadvantage of delegation. (2, 2 marks)
- (e) Explain **two** advantages and **two** disadvantages of written communication. (3, 1 marks)

QUESTION 4

- (a) What is meant by industrial relations? Give **one** example. (2, 1 marks)
- (b) List **three** functions of trade unions. (3 marks)
- (c) List and explain **two** features of Herzberg's theory of motivation. (2, 2 marks)
- (d) Distinguish between **two** styles of leadership. (6 marks)
- (e) Explain the difference between *arbitration* and *conciliation*. (4 marks)

QUESTION 5

- (a) Why do businesses require an efficient transport system? Give **two** reasons. (2 marks)
- (b) Explain **four** factors that a business must consider before it chooses a method of transportation for its goods. (4 marks)
- (c) List **four** advantages of road transport. (4 marks)
- (d) Firms must set their prices cautiously. What is *predatory pricing* and when would firms use this pricing method? (2, 2 marks)
- (e) Differentiate between *skimming* and *penetrating* pricing methods and describe a situation when it is appropriate for a firm to choose **each** one of these pricing strategies. (6 marks)

QUESTION 6

- (a) What does the term *limited liability* mean? (2 marks)
- (b) Financial statements are prepared for different users of accounting information. Name **four** users of financial statements and identify their key interest. (4 marks)
- (c) Distinguish between capital expenditure and revenue expenditure. List **two** examples for **each** class of expense. (6 marks)
- (d) How are debentures (bonds) different from a loan? Give **two** differences. (4 marks)
- (e) Explain how a public limited liability company raises its capital. (4 marks)