

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

**SECONDARY EDUCATION CERTIFICATE LEVEL**

**MAY 2014 SESSION**

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SUBJECT:	<b>Business Studies</b>
PAPER NUMBER:	I
DATE:	20 <sup>th</sup> May 2014
TIME:	9:00 a.m. to 11:00 a.m.

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

**Answer ALL questions.**

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

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**QUESTION 1**

- (a) List the **four** factors of production. (2 marks)
- (b) Define ‘opportunity cost’. (2 marks)
- (c) Give **one** example of an opportunity cost for a business and **one** example of an opportunity cost for a customer. (2 marks)
- (d) Identify **two** ways to measure the size of a business. (2 marks)
- (e) Identify **two** objectives of enterprises in the public sector. (2 marks)

**QUESTION 2**

*Zeppi and his sons work in the agricultural sector. In recent years they were given EU funds to diversify their business activities. In addition to the agricultural produce, they introduced processed foods such as olive oil, wine, cheese and other products. They have also embarked on agritourism offering holiday accommodation, excursions and ‘hands on’ farming experience. This has been a big success for family holidays.*

- (a) Identify and describe the sectors in which Zeppi’s family business is operating. Give **one** example of the output of each business activity. (6 marks)
- (b) What is the term used to describe the sale of services to other countries? (1 mark)
- (c) Suggest **two** benefits of Malta’s EU membership for Zeppi’s business other than EU funding. (2 marks)
- (d) Name **one** way how the Malta Tourism Authority (MTA) can help Zeppi’s business. (1 mark)

### **QUESTION 3**

- (a) What is meant by a mixed economy? (1 marks)
- (b) List **three** advantages of a mixed economy. (3 marks)
- (c) Explain the term 'franchising'. Distinguish between the 'franchisee' and the 'franchisor'. (4 marks)
- (d) What is fair trade? (2 marks)

### **QUESTION 4**

- (a) What is meant by a barter system? List **three** major problems of this system if it is used for trading. (4 marks)
- (b) List **three** banking services offered by the local commercial banks. (3 marks)
- (c) Maintaining price stability is one of the functions of the Central Bank of Malta. List **three** other functions of the Central Bank. (3 marks)

### **QUESTION 5**

- (a) What is the difference between a public corporation and a co-operative? Give **one** local example of each organisation. (5 marks)
- (b) What is the difference between 'capital expenditure' and 'revenue expenditure'? Give **one** example of each class of expenditure. (4 marks)
- (c) Describe the main role of the Malta Resource Authority (MRA). (1 mark)

### **QUESTION 6**

- (a) Suggest **three** reasons why *online shopping* is proving to be more popular than traditional shopping. (3 marks)
- (b) List and explain any **four Ps** of the marketing mix. (4 marks)
- (c) Explain the difference between arbitration and conciliation. (2 marks)
- (d) Define 'liquidity'. (1 mark)

### **QUESTION 7**

- (a) Name the basic elements in the process of effective communication. (2 marks)
- (b) Explain the difference between one-way and two-way communication. (2 marks)
- (c) List **two** roles of the Employment and Training Corporation (ETC). (2 marks)
- (d) What is meant by the distribution chain? (2 marks)
- (e) Identify **four** different stakeholder groups involved in business activity. (2 marks)

### **QUESTION 8**

- (a) Give **two** reasons why firms reduce the number of employees. (2 marks)
- (b) What do you understand by the term 'industrial relations'? (2 marks)
- (c) List **four** functions of trade unions. (4 marks)
- (d) What is an employer association? Why do businesses join employer associations? (2 marks)

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UNIVERSITY OF MALTA, MSIDA**SECONDARY EDUCATION CERTIFICATE LEVEL****MAY 2014 SESSION**

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SUBJECT:	<b>Business Studies</b>
PAPER NUMBER:	IIA
DATE:	21 <sup>st</sup> May 2014
TIME:	9:00 a.m. to 11:00 a.m.

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

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

**QUESTION 1**

Vella Casha Builders Ltd is a construction company that uses *job production*. It is located in the north of Malta. The company works in the *high-end* market specialising in the construction of luxurious apartments and houses.

The company was formed by the *parent company* Casha Ltd. In a very short span of five years, it has become renowned for its efficient work and quality services. *Turnover* and *profits* have increased steadily since 2009, the year in which the company was set up.

The work of this business organisation is made up of five core construction processes. These are:

- The Programme Phase - where it learns and examines the wants of the customers.
- The Design Concept Phase - here the company studies the entire information that has been gathered from the client and starts developing concepts to satisfy the client.
- The Design Development Phase – an estimate is prepared of how much it will cost to build the house.
- The Interior Design Phase – where the actual design of the house is made for the construction of the house.
- The Construction Phase - this phase consists of various jobs that are all related to the construction of the house.

Upon construction the house is transferred to the client and the company is paid for its work.

The major objective of the company is *profit maximisation*. Recently, one of the senior managers of the company has attributed the success of this business to the fact that although it does charge high prices, most clients are satisfied with the company's work.

Vella Casha Builders Ltd is seriously considering *relocating* as a way to expand. In fact, the company is in the process of increasing its workforce in the near future. Vacancies exist at various levels – *unskilled, semi-skilled* and *highly skilled*.

- (a) What is *job production*? (2 marks)
- (b) List **three** main characteristics of job production and illustrate how Vella Casha Builders Ltd is engaged in job production. (6 marks)
- (c) What is meant by (i) a *high-end market* and (ii) a *parent company*? (4 marks)
- (d) What is the difference between *turnover* and *profit*? (2 marks)
- (e) What does the abbreviation *Ltd* stand for? Explain its meaning in the context of a company. (2 marks)
- (f) Identify the main features of batch and mass production. (4 marks)
- (g) What is meant by *profit maximisation*? List **two** other main business objectives. (4 marks)
- (h) Identify **six** major factors that business organisations examine before they *relocate* their business. (3 marks)
- (i) What is the difference between *unskilled*, *semi-skilled* and *highly skilled* workers? Give **one** example of each type of worker. (3 marks)
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**SECTION B: Answer ANY THREE questions from this section (20 marks each).**

**QUESTION 2**

- (a) What is the main purpose of marketing? (3 marks)
- (b) Name and explain the **two** main types of advertising. (6 marks)
- (c) List **two** arguments for and **two** against advertising as a method of promotion. (4 marks)
- (d) What are the functions of an advertising agency? (4 marks)
- (e) Explain why a business uses an advertising agency to organise and carry out its advertising campaign. (3 marks)

**QUESTION 3**

The following information relates to the business of Arthur Attard:

**Income Statement for the year ended 31 December 2013**

	€
Sales	<u>2,500,000</u>
<b>Gross Profit</b>	500,000
Administrative expenses	(235,000)
Interest expense	<u>(15,000)</u>
<b>Net profit</b>	<u><b>250,000</b></u>

	€
<b>Assets</b>	
Net non-current assets	711,000
<i>Current assets</i>	
Stock	84,000
Debtors	67,500
Bank and cash	<u>2,500</u>
	154,000
<b>Total assets</b>	<u><b>865,000</b></u>

<b>Capital and liabilities</b>	
Capital	645,000
<i>Non-current liabilities</i>	
10% Loan	150,000
<i>Current liabilities</i>	
Creditors	<u>70,000</u>
<b>Total Capital and liabilities</b>	<u><b>865,000</b></u>

Using the figures given above, calculate the following:  
(where appropriate, give your answer to 1 decimal place)

- |  |           |
|--|-----------|
| i) Cost of sales                         | (2 marks) |
| ii) Total expenses                       | (2 marks) |
| iii) Gross profit margin (%)             | (3 marks) |
| iv) Net profit margin (%)                | (3 marks) |
| v) Current ratio (working capital ratio) | (3 marks) |
| vi) Quick ratio                          | (3 marks) |
| vii) Return on capital employed (%)      | (4 marks) |

#### **QUESTION 4**

- (a) What is meant by the term *business ethics*? (4 marks)
- (b) Give **two** examples of ethical business practice and **two** examples of unethical business practice at the workplace. (6 marks)
- (c) Mention **two** main benefits that a business organisation may achieve from ethical behaviour. (4 marks)
- (d) What is meant by *globalisation*? (2 marks)
- (e) List **two** disadvantages of globalisation. (4 marks)

#### **QUESTION 5**

- (a) What is trade protectionism? (4 marks)
- (b) List **five** reasons why governments decide to shield local producers from foreign competition. (5 marks)
- (c) List **four** major consequences of protecting the local economy. (4 marks)
- (d) What does the balance of payments record? Name the **two** accounts that are in this statement. (4 marks)
- (e) Name Malta's main trading partners. (3 marks)

#### **QUESTION 6**

- (a) What is the main role and objective of the Human Resources Department? (3 marks)
- (b) List **three** typical duties of a Human Resource manager. (6 marks)
- (c) Identify **four** ways how a business can motivate and reward its employees. (4 marks)
- (d) List **three** business organisation costs arising from failure to train personnel. (3 marks)
- (e) What is a contract of employment? Mention **one** obligation of the employer and **one** obligation of the employee that are included in a contract of employment. (4 marks)

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**SECONDARY EDUCATION CERTIFICATE LEVEL**

**MAY 2014 SESSION**

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SUBJECT:	<b>Business Studies</b>
PAPER NUMBER:	IIB
DATE:	21 <sup>st</sup> May 2014
TIME:	9:00 a.m. to 11:00 a.m.

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

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

**QUESTION 1**

Roberta is the owner of a successful retail business. She is planning to expand it in order to increase profits. She has already laid the foundations for e-commerce and for the direct purchase of large quantities of inventory from the manufacturer. The firm will break the bulk purchase into smaller quantities to sell to retailers and directly to customers. Roberta has invited her friend Amanda to either become a partner in her business or to form a private limited company together. Choosing the best business structure will ultimately impact on the success of the business. They are currently weighing the advantages and disadvantages of both business structures before deciding which set-up will work for them.

Roberta and Amanda are assessing the alternative forms of finance to expand the business. They will need to finance the purchase of additional fixed assets (non-current assets) and it will be necessary to increase the firm's working capital. Roberta will be asking the bank to increase her current overdraft facility to provide the working capital needed by the business for the day-to-day operations. Moreover, the business will have to recruit new employees.

- (a) Identify Roberta's current business structure and state **two** advantages of this type of business organisation. (3 marks)
- (b) List **four** benefits that Roberta may gain should Amanda accept to become her business partner. (4 marks)
- (c) Name the **two** documents that are prepared before a company is formed. (2 marks)
- (d) Identify **one** of the main roles of the Malta Financial Services Authority (MFSA). (2 marks)
- (e) Identify **three** advantages and **three** disadvantages of a private limited company. (6 marks)
- (f) What is the difference between a share issue and a debenture issue? (4 marks)
- (g) What is the *working capital* of a business? (2 marks)
- (h) What is the difference between a bank loan and bank overdraft? (4 marks)
- (i) What is *e-commerce*? (2 marks)
- (j) *The business shall buy in bulk from the manufacturer to sell in smaller quantities to retailers.* What is the term used to describe this business activity? (1 mark)

**SECTION B: Answer ANY THREE questions from this section.**

**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>scarcity</i>	<i>production</i>	<i>objectives</i>	<i>private sector</i>
<i>economic growth</i>	<i>international trade</i>	<i>standard of living</i>	<i>barriers</i>
<i>unlimited</i>	<i>exchange rate</i>	<i>public sector</i>	<i>free trade</i>
<i>division</i>	<i>unemployment</i>	<i>services</i>	<i>allocation</i>
<i>globalisation</i>	<i>common currency</i>	<i>resources</i>	<i>control</i>

Human wants are \_\_\_\_\_ but the world’s \_\_\_\_\_ are insufficient to meet the consumers’ demands. The economic problem of \_\_\_\_\_ is tackled by making the optimum \_\_\_\_\_ of resources. The \_\_\_\_\_ process is split up into different tasks and each worker performs one of these tasks. This is known as \_\_\_\_\_ of labour. The business \_\_\_\_\_ are the aims that a business works to achieve. However, governments may take steps to \_\_\_\_\_ business activity. A mixed economy has both a \_\_\_\_\_ and a \_\_\_\_\_.

Governments must ensure \_\_\_\_\_ and seek to maintain low levels of \_\_\_\_\_ and inflation. In this manner the \_\_\_\_\_ will improve. All countries have to buy from and sell to each other. This exchange of goods and services is called \_\_\_\_\_. The \_\_\_\_\_ is the price of one currency in terms of another.

Trade \_\_\_\_\_ are measures to restrict trade and to make trade more difficult. \_\_\_\_\_ is a system where trading of goods and \_\_\_\_\_ between one country and another takes place without any restrictions. The Euro in the European Union is a \_\_\_\_\_ that facilitates trade. The increased worldwide competition between businesses is called \_\_\_\_\_.

**QUESTION 3**

- (a) What is the purpose of business activity? (2 marks)
- (b) List and explain **three** business objectives of enterprises in the private sector. (6 marks)
- (c) What is the purpose of a ‘Trading and Profit and Loss Account’ (Income Statement)? (2 marks)
- (d) List the elements that make up the Trading Account and the Profit and Loss Account. (4 marks)
- (e) Distinguish between current assets and fixed assets (non-current assets). List **two** assets from each class. (6 marks)



**QUESTION 4***MEMO*

<i>To:</i>	<i>Housekeeping Dept</i>
<i>From:</i>	<i>HOD Housekeeping</i>
<i>Date:</i>	<i>01/04/2014</i>
<i>Subject:</i>	<i>Daily room cleaning</i>

*It has come to my attention that the room furniture is not being left in its original position after the daily cleaning. This is causing unnecessary inconvenience to our patients. It is the duty of every employee to move back the furniture in place once the room has been cleaned.*

*Thank you for your co-operation.*

- (a) Define 'communication'. (4 marks)
- (b) What is the purpose of a memo similar to the one illustrated above? (2 marks)
- (c) Is a memo an internal or an external means of communication? Name **one** advantage and **one** disadvantage of a memo. (3 marks)
- (d) What is the difference between internal and external communication? (4 marks)
- (e) Identify **three** barriers to effective communication when sending a message. (3 marks)
- (f) List **four** verbal and **four** written methods of communication (excluding memos). (4 marks)

**QUESTION 5**

- (a) Why is stock control important in a business? (4 marks)
- (b) Identify the main features of job, batch and mass production. (6 marks)
- (c) What is the difference between primary and secondary market research? (4 marks)
- (d) List **three** characteristics and **three** functions of money. (6 marks)

**QUESTION 6**

- (a) Human Resources Departments ensure that all stages dealing with recruitment are given extreme importance. List **four** drawbacks of recruiting unsuitable employees. (8 marks)
- (b) What is a shortlist and what purpose does it serve? (2 marks)
- (c) What is meant by internal recruitment? List **three** main advantages of internal recruitment. (8 marks)
- (d) What is meant by labour turnover? (2 marks)