

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

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2015 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	I
DATE:	11 th May 2015
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) During 2013, Malta imported 3,931 and exported 2,944 worth of goods. In the same year, the income from services was 3,801 while expenditure on services was 2,359 (all figures in € millions). Calculate Malta's Trade Gap and its Balance of Invisible Trade for the year 2013. (1,1 marks)
- (b) Show why Malta cannot impose its own tariffs on goods imported into the country. (3 marks)
- (c) Give **three** circumstances when the main business objective might not be profit. (3 marks)
- (d) Give **two** reasons why foreign trade is important to a small island state like Malta. (2 marks)
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QUESTION 2

- (a) What is meant by the term *globalisation*? (2 marks)
- (b) Illustrate any **three** problems that Maltese exporters may face when they try to do business overseas. (3 marks)
- (c) Draw **two** organisation charts, one showing a tall organisation and the other showing a flat organisation. Below each chart, state **one** disadvantage of the management structure your chart is showing. (1,1,½, ½ marks)
- (d) Evaluate the importance of the tertiary sector to the Maltese economy. (2 marks)
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QUESTION 3

- (a) What is meant by *e-commerce*? (2 marks)
- (b) Show how the Maltese economy has changed in response to market changes. (3 marks)
- (c) Distinguish between downward, upward and horizontal communication. (3 marks)
- (d) Outline **two** advantages of centralisation as a way in which a business is organised. (2 marks)
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QUESTION 4

- (a) What is meant by the term *economies of scale*? (2 marks)
- (b) Classify the following situations as to whether they show an internal economy, internal diseconomy, external economy or external diseconomy: (3 marks)
- (i) Too many layers of management may mean that managers lose contact with workers;
- (ii) Where there is a high concentration of firms in an area, specialised services for those firms tend to develop;
- (iii) A shortage of labour develops and this may raise wage costs;
- (iv) An increase in output makes it worthwhile to buy special equipment that will be used to maximum capacity;
- (v) Borrowing money may be cheaper for large firms;
- (vi) Increased congestion of road traffic may increase transport costs.
- (c) The EU Directive on Safety and Health at Work was adopted in 1989 while the EU Directive on Air Quality was adopted in 1996. Identify three similarities and three differences between these two directives. (3 marks)
- (d) Give **two** reasons why some entrepreneurs prefer to keep their business small. (2 marks)
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QUESTION 5

- (a) Give a short description of any **two** main objectives of the marketing department in a business. (2 marks)
- (b) What business decisions need to be made for the effective distribution or placement of goods? (3 marks)
- (c) Explain the difference between *penetration pricing* and *skimming*. (3 marks)
- (d) *Physical evidence* is one of the 7Ps. How does physical evidence affect a business? (2 marks)
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QUESTION 6

- (a) Joe and Ann bake cup-cakes which they sell for €3 each. They ascertain their fixed costs at €80 and variable costs at €1 per cup-cake. Copy the following table onto your booklet and complete it with the missing figures for Total Revenue, Fixed Costs, Total Variable Costs and Total Cost according to the data above. (2 marks)

Number of cup-cakes sold	Total Revenue	Fixed Costs	Total Variable Costs	Total Cost
	€	€	€	€
0				
20				
40				
60				
80				

- (b) Classify the following costs under the headings 'Fixed Costs' or 'Variable Costs': (3 marks)
- (i) Rent;
 - (ii) Raw material purchases;
 - (iii) Wages of bakers in a cup-cake factory;
 - (iv) Interest on loan;
 - (v) Depreciation;
 - (vi) Wages of supervisors in a cup-cake factory.
- (c) How many cup-cakes must Joe and Ann produce and sell to break even? Show your workings and your reasoning. (3 marks)
- (d) To what extent will break-even analysis be useful to a business? (2 marks)
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QUESTION 7

- (a) What is meant by the term *demography*? (2 marks)
- (b) Give a numerical example to show how the *dependency ratio* is calculated. (3 marks)
- (c) In what way are on-the-job and off-the job training similar and in what way are they different? (3 marks)
- (d) Give **two** reasons why demography is important for business persons. (2 marks)
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QUESTION 8

- (a) What is the Malta Stock Exchange? (2 marks)
- (b) Why is the Malta Stock Exchange important to investors? (2 marks)
- (c) Copy the following table on the booklet provided and in **each** of the following cases, hereunder, insert in the space provided, to which office or organisation one should resort. (3 marks)

		Office / Organisation
(i)	I have bought a faulty product and I cannot come to terms with the seller of this item.	
(ii)	We are a foreign commercial bank wishing to extend our services to Malta.	
(iii)	We want to register a Limited Liability Company and obtain the Certificate of Registration.	

- (d) Establish a role of the Malta Environment and Planning Authority (MEPA) that might have an effect on business decisions. (3 marks)
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MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA**SECONDARY EDUCATION CERTIFICATE LEVEL****MAY 2015 SESSION**

SUBJECT:	Business Studies
PAPER NUMBER:	IIA
DATE:	12 th May 2015
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

Salvu Spiteri manufactures home furniture under the brand name Star Furniture. His output consists of standard items, such as standard chairs and tables. However Salvu also takes orders from individual customers to make furniture for them. The furniture is unique and made to each customer's requirements.

During the year ended 31 December 2014, Star Furniture had sales of €1,000,000. Its opening inventory (stock) was €25,000 while its closing inventory (stock) was €16,500. Purchases of materials amounted to €750,550 while the expenses of the business, including depreciation, were €194,470.

As at 31st December 2014, the non-current (fixed) assets of the business amounted to €550,000 at cost with an accumulated depreciation of €100,000. On the same date the current assets amounted to €50,500 while the current liabilities amounted to €35,700. There were no non-current (long-term) liabilities.

Salvu employs eight workers in his business. He organises a meeting for all eight workers on Monday morning where he briefs them about the week's operations. Communication at these meetings is always top-down.

Salvu operates from a workshop in Mellieha. The demand for Star Furniture has increased in the two years in which Salvu has been operating. For this reason, Salvu is looking at relocating his business.

- Which are the **three** categories (stages) of business activity (production)? In your answer, state the category in which Salvu operates. *(2 marks)*
- Name **two** stakeholders who might be interested in seeing Salvu's business statistics and for **each** of these stakeholders, identify **one** reason why they would want to see these statistics. *(4 marks)*
- How would you organise the Monday meeting to bring in all the basic elements of communication? *(2 marks)*

- (d) Describe **two** factors that may affect Salvu's decision in deciding where to relocate his business to. (2 marks)
- (e) Copy the sentence from the case study above that shows the *method of production* that Salvu is using to manufacture furniture. Which *method of production* is this sentence referring to? (2 marks)
- (f) Give **one** example of an external cost and **one** example of an external benefit of a large business relocating to a new area. (2 marks)
- (g) Salvu is thinking of changing his business into a public limited company (plc). Briefly describe **two** sources of finance that would be available if he did 'go public' and that would not have been previously available to him. (3 marks)
- (h) Select the channel of distribution that Salvu should use for the custom-made furniture and justify your choice. Should Salvu use the same channel for his standard items? Justify your answer. (4 marks)
- (i) Distinguish between Salvu's possible motivation to work and that of his eight employees in terms of Maslow's Hierarchy of Needs. (5 marks)
- (j) From the financial data in the information above, to what extent do you think that Salvu is satisfied with the return on his capital? (4 marks)
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SECTION B

This Section consists of FIVE (5) questions.

Answer ANY THREE (3) questions from this section (20 marks each).

QUESTION 2

- (a) Define *scarcity* and *opportunity cost*. (4 marks)
- (b) Show how a business organisation may strive to safeguard the national, social and global environment whilst being profitable. (6 marks)
- (c) Outline **three** government actions in a mixed economy that help to mitigate the disadvantages of a free market economy. In your answer, provide definitions of the terms *mixed economy* and *free market economy*. (5 marks)
- (d) Evaluate the benefits that Malta's economy may have achieved through the presence of multinationals in the country. (5 marks)
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QUESTION 3

- (a) Define the terms *market segmentation* and *target market*. (5 marks)
- (b) Give an example of a market segment and a target market for each of the following:
(i) Car market;
(ii) Beverage market. (2,2 marks)
- (c) An organisation is undecided on the type of market research to use in gaining a deeper understanding of the perception of customers on the introduction of a new brand of organic cosmetics in the market. Distinguish between the **two** types of market research and state, giving **one** reason, which type of research you would recommend. (5 marks)
- (d) List **three** reasons why some large business organisations engage an advertising agency and **three** reasons why similar organisations choose not to engage an advertising agency. (6 marks)
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QUESTION 4

- (a) What is meant by the *barter system*? Give **two** examples. (4 marks)
- (b) Explain how the introduction of money helped to overcome the shortcomings of the barter system. (4 marks)
- (c) Compare and contrast the functions of commercial banks and the Central Bank of Malta. (6 marks)
- (d) Classify the following transactions as to whether they are revenue or capital expenditure:
- (i) the purchase of a new vehicle;
 - (ii) replenishment of stock (inventory) in a vending machine;
 - (iii) payment to debtors in cash;
 - (iv) the cost of painting the façade of a new premises just bought by the business;
 - (v) replacement of car seat due to wear and tear;
 - (vi) an additional car seat to increase the capacity of a van. (6 marks)
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QUESTION 5

- (a) Mention and define the **two** types of labour immobility. (4 marks)
- (b) A high remuneration is not the only factor determining the choice of a job. Identify **two** factors for **each** of the following employees that might increase their job satisfaction:
- (i) A working mother;
 - (ii) A young graduate. (2,2 marks)
- (c) Analyse **two** factors that might lead to an increase in the labour supply. (6 marks)
- (d) Assess McGregor's management styles by establishing **one** advantage and **one** disadvantage of **each** management style. (6 X 1 mark each)
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QUESTION 6

- (a) State **four** functions of the Employment and Training Corporation (ETC). (4 marks)
- (b) Identify **six** ways how Malta Enterprise can help a foreign business to set up in the Maltese Islands. (6 marks)
- (c) Distinguish between government aid and non-government aid to business. Provide **two** examples of **each**. (6 marks)
- (d) What is the meaning and role of pressure groups? (4 marks)
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UNIVERSITY OF MALTA, MSIDA

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2015 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	IIB
DATE:	12 th May 2015
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

Businesses are constantly making decisions about issues such as what to produce, where to locate, what procedures to adopt when recruiting employees and selecting appropriate marketing methods. Like other institutions, businesses make their decisions on what they think is best for them in their situation. These decisions may affect others positively or negatively.

Some businesses are involved in the primary sector. Some others are involved in the secondary sector while others are involved in the tertiary sector of the economy. This is just one classification that may be made of all the businesses that exist in Malta and Gozo. Businesses may also be classified by their ownership or their objectives.

Entrepreneurs set up a business to make profit and they are interested to know how much profit they are making and whether this profit is worth their while. For this reason they employ accountants whose job it is to keep the financial records of the business. These records are then used to calculate the profit, assets, liabilities and capital of a business.

Businesses also have to decide on their internal structures. Large businesses may have a functional structure with an organisation chart that includes both line managers as well as staff managers. Thus effective communication is a must.

- (a) Give **two** examples of business activities in the primary sector and **two** examples of business activities in the tertiary sector of the Maltese economy. *(2 marks)*
- (b) Money is used as a measure of value in the financial records of a business. Name **two** other functions of money and **two** characteristics (features) of money. *(2 marks)*
- (c) What is meant by:
- (i) a business having a functional structure?
 - (ii) line managers?
 - (iii) staff managers? *(1, 1, 1 marks)*
- (d) When a vacancy has to be filled, the first stage is to draw up a *job analysis*. What is the function of this document? *(2 marks)*

- (e) Name **two** human needs according to Maslow’s hierarchy. (2 marks)
- (f) Which are the **two** basic elements of communication? (2 marks)
- (g) Briefly describe **one** factor that may affect the business decision on which channel of distribution to use. (3 marks)
- (h) Show **one** way how business decisions “may affect others positively” and **one** way how business decisions “may affect others negatively”. (2 marks)
- (i) Identify **one** similarity between owners, managers, employees, consumers, the government and the community where the business is located. (3 marks)
- (j) The case study above states that “Businesses may also be classified by their ownership or their objectives.” In the light of this statement, establish **one** difference in *ownership*, **one** difference in *management* and **one** difference in *objectives* between a business in the private sector and one in the public sector. (3 marks)
- (k) An important business decision is how much inventory (stock) to carry. In the light of this statement, briefly describe **two** disadvantages of overstocking. (3 marks)
- (l) During 2014, the sales of a business amounted to €240,000 and its purchases amounted to €60,000. Its opening inventory (stock) was €40,000 while its closing inventory was €52,000. Use this information to:
 - (i) Calculate the Gross Profit; (1 mark)
 - (ii) Calculate the Gross Profit Margin (GPM) and comment on the result. (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) Choose the correct word/phrase from the following table to complete the sentences below. Each word/phrase is to be used only once. Write the complete sentences on the booklet provided.

(8 X 1 mark each)

franchisee	liquidity	share
franchisor	member	shareholders
liability	partnership	

There are various types of organisations that participate in the Maltese economy. One such organisation is the Company that has the characteristic of limited _____ which means that had the company to face _____ problems, its creditors have no right on the private possessions of _____. Another organisation is the Co-operative. This type of organisation is very similar to the Company. However the rule of the cooperative at the AGM is one-_____ -one-vote while in a company the rule is one-_____ -one-vote. Sometimes a project is carried out between a private-sector company and a government agency. This is called a Public-private _____. Another arrangement, Franchising, is an agreement in which one business, the _____, buys the right to sell the products and use the name of another business, the _____.

- (b) List **three** barriers to trade (free trade restrictions) and state their function. (5 marks)
- (c) Differentiate between internal and external expansion of a business and mention a benefit of growth. (3 marks)
- (d)
 - (i) What is the difference between fair trade and free trade?
 - (ii) Recommend **two** ways by which a business may be ethical with its employees. (2, 2 marks)

QUESTION 3

- (a) Choose the correct word/phrase from the following table to complete the sentences below. Each word/phrase is to be used only once. Write the complete sentences on the booklet provided. (8 X 1 mark each)

analysed	interviews	secondary
collecting	market	surveys
focus	primary	

Two friends are considering starting their own business. Having followed a short course in marketing, they are now aware of the importance of market research. Market research is the process of _____ data and finding out if there is a _____ for the proposed products or services. The main aim of research is to get a better understanding of the market. There are two types of market research; _____ research and _____ research. A number of tools are used to collect data, three of which are _____, _____ groups and _____. The data collected is then inputted, _____ and the findings are presented.

- (b) Differentiate between mass marketing and niche marketing. (4 marks)
 (c) Why do businesses make special offers? (4 marks)
 (d) What are the advantages and disadvantages of using an advertising agency? (4 marks)

QUESTION 4

- (a) Choose the correct word/phrase from the following table to complete the sentences below. Each word/phrase is to be used only once. Write the complete sentences on the booklet provided. (7 X 1 mark each)

banks	increase	retained
debentures	internal	
external	overdraft	

Sunny Days Limited will be expanding its retail operations and requires additional finance. There are two sources of finance: _____ and _____. Various alternative sources of finance are being considered. Over the years, the company did not distribute all the profits and _____ the profits in the business to increase its reserves. The company's accountant suggested the stock (inventory) levels were high and could reduce the stock to _____ the cash balance. The company may also request the bank to increase its bank _____. An alternative source is loans. The company may take loans from _____ or issue _____ which are a form of loan from the public.

- (b) State **two** differences between ordinary shares and preference shares. (2, 2 marks)
 (c) At the end of the financial year, the accountant presented the financial ratios to the business owners. Interpret the following ratios:
 (i) Gross profit margin: 60%;
 (ii) Stock turnover: 10. (2, 2 marks)
 (d) As at 31 December 2014, Sunny Days Limited had the following balances in its books:

	€		€
Fixed Assets	50,000	Current Assets	150,000
Current liabilities	100,000	Stock (inventory)	60,000

Calculate the following ratios:

- (i) Working capital ratio;
 (ii) Quick asset ratio. (5 marks)

QUESTION 5

- (a) Choose the correct word/phrase from the following table to complete the sentences below. Each word/phrase is to be used only once. Write the complete sentences on the booklet provided. (8 X 1 mark each)

cost	regional	standard
frictional	resources	willing
opportunity cost	skills	

Unemployment includes all those individuals who are _____ and able to find a job but are unable to do so. There are various types of unemployment. One of which is _____ unemployment which arises when an individual is searching for a job after he has finished his studies. When unemployment is concentrated in a particular area of a country it is referred to as _____ unemployment.

Unemployment has a number of negative effects on society and the economy. The unemployed individual tends to suffer from a loss in _____ of living especially in times when the _____ of living is rising. Moreover the economy faces a large _____ since the unemployed person tends to lose some of his _____ leading to lost _____ in the economy.

- (b) What is the difference between *job description* and *job specification*? Illustrate your answer with reference to the job description and job specification of a computer technician. (4 marks)
- (c) Establish **four** restrictive practices trade unions might decide to adopt. Differentiate between any two of them. (2, 2 marks)
- (d) Why do you think a new employee applying for a post through internal job advertising rather than through external job advertising might be more beneficial to the company? (4 marks)

QUESTION 6

- (a) Choose the correct word/phrase from the following table to complete the sentences below. Each word/phrase is to be used only once. Write the complete sentences on the booklet provided. (8 X 1 mark each)

clarity	social	transmitter
non-verbal	spoken	visual
oral	technical	

Communication is a very important aspect in an enterprise. Communication can take place in a number of ways. Meetings and using online chats are an example of _____ communication. A bar chart is an example of _____ communication. _____ communication is an effective way for fast and immediate communication and reply. It is however important that the _____ uses a clear tone and speech. The way the person sits and face expression, that is the _____ communication, also plays an important role in communication. Distortions in communication can arise for _____ reasons, language reasons or _____ reasons. On the other hand concentration, _____ and correctness are basics for effective communication to take place.

- (b) Small businesses can benefit from a number of governmental aids including:
- (i) Subsidies;
 - (ii) Training schemes;
 - (iii) Rental of business premises at very low rates;
 - (iv) Export aid through Malta Enterprise.
- Illustrate how these aids can help increase the performance of small firms. (4 marks)
- (c) Contrast **two** advantages of privatisation with **two** advantages of nationalisation. (4 marks)
- (d) In order to keep its performance a business needs to continuously change to face new realities. Briefly explain **four** reasons why a firm's management might resist such change. (4 marks)