

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

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2016 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	I
DATE:	26 th April 2016
TIME:	9:00 a.m. to 11:05 a.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) Identify **two** main international trading partners for Malta. (2 marks)
- (b) State whether **each** of the following characteristics refer to the private sector or to the public sector: (6 X ½ mark each)
- (i) Limited liability;
 - (ii) Government ownership;
 - (iii) Started off by an Act of Parliament;
 - (iv) Profit maximisers;
 - (v) Shareholders;
 - (vi) Dividends.
- (c) Distinguish between the *Command Economy* and the *Free Market Economy*, giving an example of **each** one. (3 marks)
- (d) Give **two** reasons to justify why the tertiary sector is the leading production sector in Malta. (2 marks)
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QUESTION 2

- (a) List any **three** uses of communication. (3 marks)
- (b) How are the concepts of *scarcity*, *choice* and *opportunity cost* related? (3 marks)
- (c) Give a reason why the basic elements in all forms of communication should be present. In your answer, mention **three** of these basic elements. (2 marks)
- (d) Evaluate the contribution of the secondary sector of production to the Maltese economy. Your evaluation must contain **one** positive and **one** negative contribution. (1, 1 mark)
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QUESTION 3

- (a) Define the term *nationalisation* and list **one** advantage. (1,1 marks)
- (b) Copy the following table on the booklet provided and classify the following statements which relate to franchising as **true** or **false**. (3 marks)

Statement	True or False?
The franchiser provides the franchisee with the prices to charge.	
The franchiser gives the franchisee setting-up support.	
The franchisee is in most cases the innovative party in a franchise.	

- (c) Contrast a *centralised* with a *decentralised* internal management structure. (2 marks)
- (d) Define *span of control*. Give **two** circumstances when a narrow span of control is to be recommended. (1,2 marks)
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QUESTION 4

A foreign, long established telecommunications company is considering entering the Maltese market.

- (a) List the 3Ps of the Marketing Mix that are specifically associated with services. (3 marks)
- (b) The Maltese market has three main telecommunication players in the industry in addition to some small players. Why would a price skimming strategy not be ideal for the Maltese market? Give **two** reasons. (3 marks)
- (c) Distinguish between *market segmentation* and *target market*. (2 marks)
- (d) Recommend **three** different segments that this telecommunications company could target for its mobile telephony services. (2 marks)
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QUESTION 5

- (a) What is meant by the term *barter system*? (2 marks)
- (b) Give **two** examples of capital expenditure and **two** examples of revenue expenditure. (4 marks)
- (c) Distinguish between *income* and *expenditure*. (2 marks)
- (d) Susan received a gift of €500 in cash. She wishes to invest her money in such a way as to earn a return after one year. She has asked your opinion on the type of bank account she should deposit her money in. Which type of bank account would you recommend and why? (2 marks)
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QUESTION 6

- (a) Explain the following terms:
(i) primary market research;
(ii) secondary market research. (1,1 marks)
- (b) Mention **three** factors a firm might consider prior to locating its local business. (3 marks)
- (c) Mention any **three** stages of the product life cycle for an innovative type of cupcake. For **each** of the stages you mention, give an example of an activity that is to be undertaken. (3 marks)
- (d) Give **two** arguments for and **two** arguments against advertising. (2 marks)
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QUESTION 7

- (a) What is a *trade union*? (2 marks)
- (b) Give **two** examples of Maltese trade unions. (2 marks)
- (c) Give **three** reasons why people would join a trade union. (3 marks)
- (d) The workers of XYZ Clothing Company have a dispute with the directors of the firm because they are demanding a rise in pay. What type of industrial action would you recommend the trade union to take? Give **two** reasons for your answer. (1,2 marks)
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QUESTION 8

- (a) “A new pressure group was recently set up to campaign for safety on the roads for cyclists”. What does the term *pressure group* mean? (2 marks)
- (b) Name **three** methods that a pressure group can use to achieve its aims. (3 marks)
- (c) Distinguish between the main role of the National Audit Office (NAO) and that of the Malta Financial Services Authority (MFSA). (2 marks)
- (d) For **each** of the following cases, state which organisation should be contacted if:
(i) A young person wants to work as a commercial agent and needs a licence to do so.
(ii) The owner of a large transport company needs to employ a number of labourers as mechanics.
(iii) A recently graduated designer needs advice and financial help to start up a new fashion and design firm. (1,1, 1 marks)
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MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2016 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	IIA
DATE:	27 th April 2016
TIME:	9:00 a.m. to 11:05 a.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

MarJoe Bakery was first established in 1950 as a partnership between Mary Vella and Joe Borg. The bakery supplied bread to one large client until 1960 when this client started facing financial difficulties and started decreasing its orders. As a result, *MarJoe Bakery* started diversifying its business by distributing bread in various towns and villages. In time, it secured contracts to supply bread to various government institutes.

In 1970, with the conversion to metric weights, *MarJoe Bakery* was not awarded the tender for the supply of bread to government institutes and it used its spare capacity to start producing fancy bread, apart from continuing to sell its well-loved loaves to the public. The business further expanded with sales through other bakers, who could not cope with the demand for bread loaves, fancy bread and sliced bread for toast.

Mary's children and Joe's children started entering the business around this time and it was thus decided to turn the business structure into a limited liability company, *MarJoe Bakery Ltd*. It was also decided to register the *MarJoe* brand name.

In 1978, *MarJoe Bakery Ltd* acquired a larger bakery that was further enlarged. A decision was also taken to enter the retail business and a property in the same area as the new bakery was also acquired for this purpose. Both the new bakery and the first *MarJoe* outlet opened in 1980. This enabled the *MarJoe* name to become more well-known and recognised. By this time, Mary's children and Joe's children had taken over the day-to-day operations of the company.

A second outlet was acquired in 1990 and a number of garages were acquired that were developed into a third outlet, which opened in 2000.

The next big move for *MarJoe* was to become a franchise operation, enabling further expansion of the retail network so that, by 2010, these had grown to 50 outlets, based on a convenience store concept, in most if not all parts of the country. In this way, *MarJoe Bakery Ltd* sells its products only through outlets that bear its name.

It was also about this time that the company issued its first written Mission Statement that declared *MarJoe* to be a bakery and convenience store chain that:

- consistently provides best quality and services to customers,
- develops and invests in brand equity and
- gives maximum value to stakeholders through good governance and corporate social responsibility.

Also in 2010, MarJoe Bakery Ltd opened a new state-of-the-art, bakery and food manufacturing establishment in another part of the country. This entailed investment in automated bakery equipment and the recruitment of qualified staff, which in turn enabled the company to offer a wider range of products and services.

Working closely with its suppliers MarJoe Bakery Ltd is very proud of its R&D programme. The production facilities, especially the newer one, are also doing their part for the environment. Both facilities, in fact, use a solar and gas powered oven system while the newer facility uses the latest technology in exhaust energy recovery. Thanks to this system, the factory heats the required water and provides the power for its entire air-conditioning system.

- (a) What is meant by the term *brand name*? What does a brand name try to achieve? (1,1 marks)
- (b) What does the term *channel of distribution* refer to? Which channel of distribution does MarJoe Bakery Ltd use? (1,1 marks)
- (c) Select **two** business objectives *MarJoe* has set to achieve. Use quotes from the extract to show how the business attempted to fulfil these objectives. (1,2 marks)
- (d) Briefly describe **two** effects that production decisions may have on the natural environment and show what MarJoe Bakery Ltd did to mitigate at least some of these effects. (1,1 marks)
- (e) There were several instances when *MarJoe* needed to recruit staff, for example it needed more staff when it secured contracts to supply bread to various government institutes and when it opened a new state-of-the-art, bakery and food manufacturing establishment in another part of the country. Develop a job description that *MarJoe* may have required to recruit a Head Baker. (4 marks)
- (f) MarJoe Bakery Ltd’s Mission Statement states that the organisation “gives maximum value to stakeholders”. However different types of stakeholders may have conflicting objectives. Distinguish between the objectives of any **two** types of stakeholders. (2 marks)
- (g) Distinguish between the **three** business structures that *MarJoe* went through since 1950. (3 marks)
- (h) Expansion brings about economies of scale. Distinguish between internal & external economies of scale. (4 marks)
- (i) *MarJoe* needed effective communication when it “secured contracts to supply bread to various government institutes”. Two methods of communication that may have been used are verbal and written communication. Which of these methods would you have recommended? Give **two** reasons for your answer. (3 marks)
- (j) Give **two** reasons why government should influence business location such as that of the new state-of-the-art, bakery and food manufacturing establishment in another part of the country. (3 marks)
- (k) What is the purpose of the Trade Descriptions Act and the Weights and Measures Act? (2 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) Identify the area of business ethics a business should aim for in relation to **each** of the following:
- (i) the environment;
 - (ii) the European Union;
 - (iii) the government. (3 marks)
- (b) Maltese business persons engaging in exportation of goods and services have to work within the EU framework. Define *imports* and *exports* and show **two** challenges faced by Maltese exporters. (1,1,2 marks)
- (c) Diversification may be obtained through internal as well as external methods of growth. Define the term *diversification* and distinguish between internal growth and any **two** forms of external growth. (1, 6 marks)
- (d) Give **three** recommendations why it is in a government's interest to motivate multinationals to locate within its country. (6 marks)
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QUESTION 3

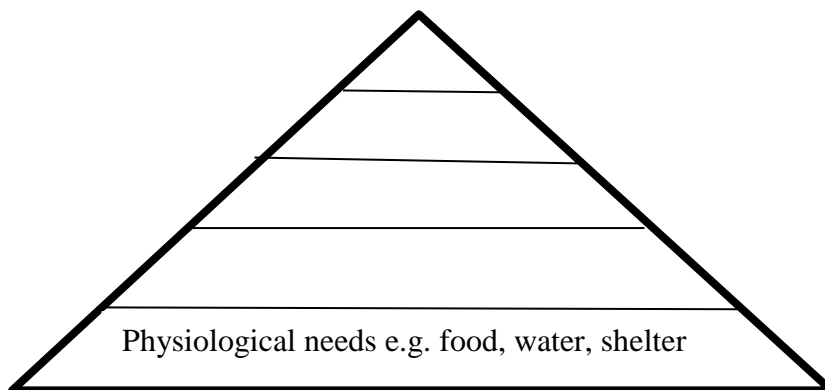
- (a) What is a break-even chart? Sketch a break-even chart clearly indicating the break-even point, and the area of profit. (4 marks)
- (b) Interpret **each** of the following financial results:
- (i) Stock turnover ratio = 8; (2 marks)
 - (ii) Quick asset ratio = 1.1; (2 marks)
 - (iii) Working capital ratio = 2. (2 marks)
- (c) Distinguish, with examples, between internal and external sources of finance for a sole trader. (6 marks)
- (d) State **four** reasons why it is important for a business to prepare its cash budget. (4 marks)
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QUESTION 4

- (a) Define *minimum stock level*, *maximum stock* and *re-order level*. (1,1,2 marks)
- (b) Mention any **two** factors that could result in overstocking. (4 marks)
- (c) Distinguish between a job production system and a batch production system. Give **two** examples for **each** system. (6 marks)
- (d) How would you determine that a manufacturer is suffering internal diseconomies of scale? Which factors give rise to internal diseconomies of scale? Mention any **two**. (6 marks)
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QUESTION 5

- (a) Explain the following terms:
- (i) An autocratic style of management; (2 marks)
 - (ii) A democratic style of management. (2 marks)
- (b) (i) The following diagram represents Maslow's Hierarchy of Needs. Copy it in your booklet and name each level of need. The first one has been done for you. (2 marks)



- (ii) Classify the following needs according to the levels in your diagram above: (1,1,1,1 marks)
- Being respected by your boss;
 - Achieving your goals;
 - Having safety in your work place;
 - Feeling accepted by your workmates.
- (c) What is the difference between *dismissal* and *redundancy*? In your answer, discuss **one** factor that could lead to dismissal and **one** factor that could lead to redundancy. (4 marks)
- (d) Imagine you are the Human Resources Manager of a large manufacturing firm. Suggest **one** way you would use to motivate **each** of the following workers: (2,2,2 marks)
- (i) an assembly line worker with little possibility of promotion;
 - (ii) a salesperson;
 - (iii) a middle manager who has been doing the same job for 5 years.

QUESTION 6

- (a) Define the terms *positive externalities* and *negative externalities*. Give an example of **each**. (5 marks)
- (b) How does the government encourage businesses to adopt eco-friendly technologies such as solar panels? Give **one** example. (4 marks)
- (c) Name **one** factor that could lead to ineffective communication. Analyse **three** consequences of ineffective communication on a business. (5 marks)
- (d) Choca Ltd is a large company manufacturing chocolates. It has many departments and it employs many people. It has a functional organisation structure. Compare and contrast the advantages and disadvantages of this structure to a flatter structure. (6 marks)

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA**SECONDARY EDUCATION CERTIFICATE LEVEL****MAY 2016 SESSION**

SUBJECT:	Business Studies
PAPER NUMBER:	IIB
DATE:	27 th April 2016
TIME:	9:00 a.m. to 11:05 a.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

Blue jeans are casual pants made from denim, noted for their strength and comfort. The name for blue jeans was derived from the colour of the fabric used to make them. Denim was treated with a blue dye obtained from the indigo plant. Blue jean manufacturers imported indigo from India until the twentieth century, when synthetic indigo was developed to replace the natural dye.

Blue jeans didn't come about until the middle of the nineteenth century. Levi Strauss, an enterprising immigrant who happened to have a few bolts of blue denim cloth on hand, recognised a need for strong work pants in the mining communities of California. He first designed and marketed "Levi's" in 1850, and they have stayed essentially the same ever since.

When jeans first became popular, some people reasoned that their low price determined their huge success.

Although the demand for jeans actually decreased in the 1980s, a brief surge occurred with the introduction of designer jeans to the market. Despite the apparent success of designer jeans, however, they did not capture the majority of the market; jeans have not returned to the height of popularity they achieved in the seventies. Manufacturers must therefore constantly seek ways to keep the demand for blue jeans high. Believing that the decrease in demand reflects the changing needs of an aging population, jeans manufacturers have begun to cater to the mature customer by providing roomier, more comfortable jeans. Sally Fox has developed cottons that naturally come in beige, brown, and green. The Levi Strauss Company now markets multi-coloured jeans as well. The company hopes to ride the popular wave of environmentalism, even advertising their new product on recycled denim.

There are several steps between ginned cotton (cotton after it has been picked from fields and processed) and cotton yarn. The cotton undergoes a process known as *carding* to make threads. These are then made stronger and stiffer and then dyed to form yarn.

The yarn is then woven on large mechanical looms. At this point the denim is ready for finishing, a term referring to a variety of treatments applied to cloth after it is woven.

The pieces of denim are ready to be sewn at this point. Sewing is done in an assembly line fashion, with rows of industrial human-operated sewing machines. Each sewer is assigned a specific function, such as making only back pockets. First, the various pockets and belt loops are assembled. Next, one sewer attaches the pockets to the leg seams, another then sews the leg seams together, and still another attaches the waist-band. Once the waist band is secure, the belt loops may be stitched on and the buttons attached. Finally, the rivets are placed in the appropriate places and the maker's label is sewn on last.

The completed pair of blue jeans is then pressed. They are placed into a large pressing machine that steam irons the entire garment at once in about a minute. A size tag is punched into the material and the jeans are folded, stacked, and placed in boxes according to style, colour, and size before being sent to the warehouse for storage. When the jeans are selected to be sent to a store, they are put in large shipping cartons and sent on freight trains or trucks.

- (a) Levi Strauss is described as an enterprising immigrant in the case study. What does the term *entrepreneur* mean? (2 marks)
 - (b) As a large business, the Levi Strauss Company obtains internal economies of scale. What are *internal economies of scale*? (2 marks)
 - (c) “When jeans first became popular, some people reasoned that their low price determined their huge success.” Which pricing strategy was being used here? (2 marks)
 - (d) Describe the trend in employment in **each** of the three production sectors in Malta in the last 50 years. (2 marks)
 - (e) Formal communication is necessary for a jeans order to be selected and sent to a store. What is formal communication? (2 marks)
 - (f) State **two** ways how a buyer of blue jeans may be protected as a consumer. (2 marks)
 - (g) Classify the following productive activities into primary, secondary and tertiary categories:
 - (i) The growing of cotton;
 - (ii) The weaving of the yarn on large mechanical looms;
 - (iii) The storage of the finished blue jeans in warehouses;
 - (iv) The sending of blue jeans on freight trains or trucks to a store;
 - (v) Developing cottons that naturally come in beige, brown, and green;
 - (vi) Securing the waist band, stitching the belt loops and attaching the buttons. (3 marks)
 - (h) List **three** factors that a production manager of a blue jeans manufacturing business would consider when deciding on the method of production to use. (3 marks)
 - (i) Change has an impact on various business issues. In the case of the Levi Strauss Company, despite a brief surge that occurred with the introduction of designer jeans to the market in the 1980s, jeans have not returned to the height of popularity they achieved in the seventies. Outline the marketing techniques that the Levi Strauss Company is using to react to this change in demand. (3 marks)
 - (j) Select and write a sentence from the case study that shows the impact of a demographic trend on the business concern of seeking ways to keep the demand for blue jeans high. (3 marks)
 - (k) Blue jeans manufacturers imported indigo from India until the twentieth century, when synthetic indigo was developed to replace the natural dye. Give **three** other reasons why the blue jeans manufacturing business would engage in international trade. (3 marks)
 - (l) Briefly explain **three** advantages to the Levi Strauss Company of choosing effective suppliers. (3 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) 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. (6 X 1 mark each)

European Union	imports	international trade
exchange controls	infant	tariffs

Protectionism on _____ is undertaken for a number of reasons and in a number of ways. Protecting the _____ industry is one of the reasons why it is done. Government may impose _____ which increase the price competitiveness of a country over a foreign country. A quota can also be imposed to limit the quantity of _____ to a country. Governments may restrict the amount of foreign currency or local currency that is allowed to be traded or purchased in order to control international trade. This is known as _____. Protectionist measures are not applicable amongst member states of the _____ but are applied against non-members states.

- (b) List **four** different types of integration a business can engage in to gain external growth both locally and abroad. Give an example of **each** one. (6 marks)
- (c) Compare and contrast *visible trade* and *invisible trade* in the Balance of Payments. (4 marks)
- (d) Evaluate how each of the following factors has helped Malta perform better within the EU trading bloc:
- (i) The adoption of a single currency: the Euro;
 - (ii) The removal of trade barriers. (4 marks)

Please turn the page.

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.

(7 X 1 mark each)

market research	product	selling
place	promoting	
price	quantities	

Marketing is not just _____. It is about _____ to identify customer needs and wants, producing a _____ that meets customer needs and wants, calculating the _____ that meets customer demand, producing the right _____ to supply customer demand, _____ the product to the customer and distributing the product to the _____ where it is convenient for the customer to buy it.

- (b) A business needs to carry out market research to gather exact and specific market information. Select any **two** methods by which a business can achieve this objective. Describe **each** method. (6 marks)
- (c) Distinguish between *sales promotion* and *advertising*. (4 marks)
- (d) Charles is the owner of a small grocery shop about to open in your village. For what reasons would Charles decide that leaflets are the most appropriate method to use for advertising his business? Give **three** reasons. (3 marks)
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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.

(8 X 1 mark each)

accounting	inland	statement of financial position (balance sheet)
employees	managers	suppliers
income statement (trading and profit and loss account)	shareholders	

The activity of keeping a record of the financial activities of a business is known as _____. There are various users of financial information. _____ want to see this information to check that their jobs are secure. _____ use this information to help them make informed decisions. _____ want to check whether it is safe to give the business credit. The _____ Revenue Department wants to see the financial information to make an accurate assessment of the taxes due. Potential _____ are interested in the business' financial information to decide whether it is worth investing in the business. The _____ gives details of the financial state of the business at a particular time while the _____ shows the net profit of the business usually over a 12-month period.

- (b) Antonella Abela, a sole trader, started off her business with a capital of €235,000. During her first year of trading, she had sales of €235,000 and a cost of sales of €188,000. Her selling and distribution expenses amounted to €8,375 and her administration expenses amounted to €5,075. The depreciation charge for her business was estimated at €3,000. Show by appropriate workings that the Net Profit Margin and the Return on Capital Employed (ROCE) for Antonella's business were equal. (4 marks)
- (c) Distinguish between *non-current (fixed) assets* and *current assets*. (4 marks)
- (d) Peppi is undecided between buying ordinary or preference shares. State **two** advantages of holding preference shares for Peppi. (4 marks)

Please turn the page.

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.

(7 X 1 mark each)

autocratic	democratic	military
communication	job satisfaction	motivated
delegation		

In a/an _____ management style, the person in charge has total control over decision making. This style of leadership may be useful in certain organisations such as the _____. On the other hand, in a/an _____ style of management, the manager allows the employees to take part in decision making. There is two-way _____ and employees feel a sense of belonging to the business. An effective manager knows how to pass on certain tasks to other people to carry them out. This is known as _____. It is important because managers cannot do everything themselves. Another benefit is that the employee may feel more _____ and it can increase _____.

- (b) There are various ways to motivate workers. These include:
- (i) Performance bonus;
 - (ii) Perks such as petrol allowance;
 - (iii) Social facilities such as subsidised canteen;
 - (iv) Possibility of promotion tied to training.
- Illustrate how **each** of the above can increase the motivation of workers. (4 marks)
- (c) Differentiate between *dismissal* and *redundancy* giving **one** example of **each**. (4 marks)
- (d) (i) Why is it important to have Health and Safety regulations at the work place? (2 marks)
- (ii) Suggest **three** ways how employers may promote the safety and welfare of the employees. (3 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)

chain of command	functional	human resources
delaying	general manager	organisation chart
flexible	hierarchy	

The _____ is a diagram that shows how a business is organised. It may take the form of a pyramid showing a/an _____ with the _____ at the top and the factory workers at the bottom. The _____ refers to the way in which information is passed down from the head of the organization to the employees. When a firm is organised according to the functions, e.g. the finance department or the _____ department, it will have a/an _____ organisation. _____ means that the firm reduces its hierarchy to have a flatter pyramid. This helps to make the organization more _____ and it makes communication faster.

- (b) After watching a commercial on TV, an elderly person was persuaded to buy an expensive kitchen appliance which she did not really need. She regretted her decision a few hours later. What rights does this consumer have? Which actions can she take to make sure she is treated fairly? Mention **two** rights and **two** actions. (2,2 marks)
- (c) Businesses have become more aware of the external costs and benefits of their activities. Why is it important for businesses to take them into consideration? (4 marks)
- (d) You work for a firm manufacturing medical equipment. An urgent order has just come in and you need to pass the details to the production manager who is in the next building. Which **two** methods of communication should you use? Give **one** reason for **each** method. (1,3 marks)
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