

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

**SECONDARY EDUCATION CERTIFICATE LEVEL**

**MAY 2017 SESSION**

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SUBJECT:	<b>Business Studies</b>
PAPER NUMBER:	I
DATE:	4 <sup>th</sup> May 2017
TIME:	4:00 p.m. to 6:05 p.m.

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This paper consists of **EIGHT** questions of 10 marks each.

Answer **ALL** questions.

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

1. (a) Malta exports and imports from other European countries such as Italy and Germany.
  - (i) Identify **TWO** of Malta's main imported goods.
  - (ii) Identify **TWO** of Malta's main exported goods. (2)
- (b) How does the EU (European Union) ensure that Maltese businesses follow its trade practices? (3)
- (c) Distinguish between each of the **THREE** sectors of business activity. (3)
- (d) Give **ONE** reason for each of the following trends in Malta along the years:
  - (i) The primary sector has fallen drastically;
  - (ii) The tertiary sector is expanding. (2)

**(Total: 10 marks)**

2. (a) List **TWO** temporary measures a country might adopt to finance a Balance of Payments deficit. (2)
- (b) Mention **THREE** effects of having more multinationals operating in Malta. (3)
- (c) The internet has revolutionised the way we communicate. Point out **THREE** main advantages which modern ways of communication have over traditional ones. (3)
- (d) Give **TWO** reasons why ineffective communication in a business organisation is not desired. (2)

**(Total: 10 marks)**

3. (a) Define the term 'Globalisation'. (2)
- (b) State the type of business organisation that is described by each of the following statements:
- (i) This enterprise is owned by a number of individuals who have signed a deed stating details and terms of ownership.
  - (ii) This enterprise is owned by the government and provides a service for which it receives a revenue.
  - (iii) This enterprise has limited liability and is financed by family and friends.
  - (iv) This enterprise operates mainly in the interest of workers and/or customers who are also the owners of the enterprise. (4)
- (c) Mention **ONE** main advantage of nationalisation and **ONE** main advantage of privatisation. (2)
- (d) 'A formal organisation chart shows the structure or relationships through which a firm intends to work'.
- (i) Give **ONE** reason why a committee organisation structure might be preferred over a line organisation structure. (1)
  - (ii) Give **ONE** reason why a staff organisation structure is less preferred than a line organisation structure. (1)

**(Total: 10 marks)**

4. (a) What are the main functions of promotion? (3)
- (b) List **TWO** methods of promotion. (2)
- (c) Give **TWO** reasons why the use of social media (such as Facebook) may be an effective promotion tool to target consumers between the ages of 18 and 22. (2)
- (d) Low cost airlines use direct mail to promote their offers to the general public. Give **THREE** reasons why direct mail is their main promotion tool. (3)

**(Total: 10 marks)**

5. (a) Define 'marketing mix'. (3)
- (b) List any **FOUR** of the 7Ps of the marketing mix. (2)
- (c) Explain briefly the **FOUR** stages of the product life cycle for a product of your choice. (2)
- (d) A producer of morning breakfast cereals notices a decline in the sales of one of its cereals. State **THREE** actions the producer may take to increase product sales again. (3)

**(Total: 10 marks)**

6. (a) Explain the barter system of exchange. (2)
- (b) Give **TWO** examples of each of the following:
- (i) internal sources of finance;
  - (ii) external sources of finance. (4)
- (c) Money can be used as a medium of exchange or as a store of value. Distinguish between these **TWO** functions of money. (2)
- (d) Ms Joanne Cauchi has €1,000 in savings. She is considering investing this sum in a company either in ordinary shares or debentures (bonds) but not both. Advise Ms Cauchi giving **TWO** reasons to support your answer. (2)

**(Total: 10 marks)**

7. (a) Explain the following terms:
- (i) contract of work; (2)
  - (ii) statutory hours of work. (1)
- (b) Illustrate with examples how the process of collective bargaining can be beneficial to both the employer and the employee. (3)
- (c) Distinguish between the use of work-to-rule and strike as two possible actions to settle an industrial dispute. (2)
- (d) A dispute over wage increases has arisen between the employers and employees at Drive2U Ltd. The employees are all members of a union. The directors would not like the dispute to escalate. Evaluate the use of arbitration to settle this dispute. (2)

**(Total: 10 marks)**

8. (a) Describe the main role of the Malta Stock Exchange. (2)
- (b) Show how consumers stand to gain when competition and fair trading are promoted in the business environment. (3)
- (c) What is the difference between the services provided by the Malta Financial Services Authority (MFSA) and the Planning Authority (PA) to a new foreign owned business setting up in Malta? (2)
- (d) A government may have different policies to deal with the external cost of pollution caused by fossil fuels. Evaluate the use of taxation to reduce this type of pollution. (3)

**(Total: 10 marks)**

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD  
UNIVERSITY OF MALTA, MSIDA**SECONDARY EDUCATION CERTIFICATE LEVEL****MAY 2017 SESSION**

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SUBJECT:	<b>Business Studies</b>
PAPER NUMBER:	IIA
DATE:	5 <sup>th</sup> May 2017
TIME:	4:00 p.m. to 6:05 p.m.

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This paper consists of **SIX** 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****Compulsory question.**

1. Susan Smith graduated first class in engineering from the University. She tried looking for employment in her field of specialisation but after a number of interviews at which she was always turned down in favour of male colleagues, Susan decided that her only way into her chosen field was to open her own consultancy business. She fulfilled her dream two years after graduation by partnering with John Jones, a childhood friend with connections in the construction industry.

Things soon started to pick up for Susan as she started taking small engineering assignments that did not take more than a couple of days to solve. She wasn't making millions of Euro. However she was establishing a reputation among small firms in the industry for her ingenuity. Up to that point, the consultancy business was known simply as Jones & Smith, which wasn't very good marketing.

About a year and a half after the business was launched, it was making a good amount of profit such that Susan was earning more than the equivalent of the minimum wage and assignments were increasing rapidly. At this stage, John and Susan decided that they should review the operations of the business and draw up a business plan to manage the firm's growth. The first issue they had to decide was whether to continue marketing their service to small firms only and grow slowly or whether to employ engineers and go for large assignments and fast growth.

When taking this second road, a further decision would be to see how the organisation is to be structured. Should the business employ engineers or should they take them in as partners? This is an important human-resource decision. If Jones and Smith take in engineers as partners, the new partners will have an active say in the decision-making of the business. However if they take them on as employees, they will require some form of worker participation according to ILO conventions and EU directives. Such worker participation may be direct or indirect. Presently, Jones and Smith cannot afford to pay high salaries and may have to look at other methods to overcome poor motivation and get the best engineers to work for them.

Another question that has to be asked and solved regards the marketing strategy. Here, information gathering is of the utmost importance. The best investment programmes are supported by painstaking information gathering. A good marketing strategy requires quality control where goods are tested at various stages of the production process. The first step is to ensure that suppliers are reliable especially if Jones & Smith goes for a just-in-time system (JIT).

In general, Jones & Smith, as a business must see that by its activities it satisfies not only the interest of its owners but also that of its stakeholders, including pressure groups.

- (a) List **FOUR** items that may have been included in Susan's contract of employment if she had found work soon after she graduated. (2)
- (b) Briefly describe **FOUR** marketing activities other than promotion. (4)
- (c) (i) Which type of market would Jones and Smith be targeting by "marketing their service to small firms only"? (1)
- (ii) What does this type of market consist of? (1)
- (d) Internal finance may be good enough if Jones and Smith decide to "continue marketing their service to small firms only". Briefly describe **TWO** other factors that may affect the methods of finance chosen. (4)
- (e) Growth is one of many business objectives. Under which economic circumstances would it be wise for *Jones & Smith* to "go for large assignments and fast growth"? Briefly describe **TWO** economic circumstances. (2)
- (f) "The best investment programmes are supported by painstaking information gathering." Distinguish between any **TWO** methods of information gathering. (4)
- (g) Distinguish, with examples, between direct and indirect forms of worker participation in decision-making. (4)
- (h) Briefly explain the key difference between stakeholders and pressure groups. (2)
- (i) Briefly explain **TWO** advantages of a just-in-time system (JIT). (2)
- (j) Job enrichment and job enlargement are two ways of overcoming poor motivation. Which of these job improvement methods would be more motivational? Briefly explain your answer. (2)
- (k) Susan, as a partner, does not get a wage but earns part of the profits of the business. In light of this statement, explain the significance of the sentence "it (the business) was making a good amount of profit such that Susan was earning more than the equivalent of the minimum wage". (2)

**(Total: 30 marks)**

## SECTION B

**This section consists of FIVE questions.**

**Answer ANY THREE questions from this section.**

- 2. (a) Consider the Balance of Payments items listed below. Identify and group them under two headings: 'Balance of Payments Current Account' and 'Balance of Payments Capital and Financial Account'. (4)

- Imports of goods
- Changes in the reserves account
- Exports of services
- Dividends received from abroad
- Salaries paid abroad
- Foreign Direct Investment
- Global monetary flows
- Changes held in other countries

(b) What are the main aims of Fair Trade? (5)

(c) Study the following business objectives then answer (i) and (ii) below.

- Profitability
- Changes in wage pay
- Better customer relationship
- Training of employees

(i) A business' objectives affect a number of stakeholders. For each objective listed above, mention **ONE** stakeholder. (2)

(ii) State briefly why each objective is important to the business and why the objective is also important to the stakeholder you mentioned in (i). (4)

(d) The four factors usually used to measure the scale and related performance of a business are: the physical size of a business, the capital employed (total value of assets), the number of employees, and turnover.

(i) Briefly discuss why, when comparing two or more businesses, assessing the physical size, the capital employed and the number of employees individually to compare scale and performance might be misleading.

(ii) Evaluate how best to assess scale and performance. (5)

**(Total: 20 marks)**

3. (a) Market research is an on-going business activity. List the **FIVE** stages of market research. (4)

(b) State how one would segment the market for:

(i) Bicycles; (1)

(ii) Ice cream; (1)

(iii) Cars. (1)

In each case, give a reason for your answer. (3)

(c) Distinguish between primary research and secondary research. In your answer, name **ONE** source from where each type of research may be obtained. (6)

(d) Two pricing strategies that businesses may use are creaming (skimming) and penetration pricing. Briefly discuss **TWO** advantages and **TWO** disadvantages of any **ONE** of these pricing strategies. (4)

**(Total: 20 marks)**

4. (a) Define:
- (i) Capital expenditure;
  - (ii) Revenue expenditure. (4)
- (b) Give **TWO** examples of each of the following for a hairdresser:
- (i) Items in the Income statement (Trading and Profit and Loss Account);
  - (ii) Non-current assets (Fixed assets);
  - (iii) Current assets;
  - (iv) Liabilities. (4)
- In which of the above is depreciation included? (2)
- (c) Distinguish between:
- (i) Advertising and Sales Promotion; (2)
  - (ii) Informative advertising and Persuasive Advertising. (2)
- In your answer to (i), above, define promotion as the fourth part of the marketing mix. (2)
- (d) Justify the use of packaging for 100g of jelly babies. (4)

**(Total: 20 marks)**

5. (a) What does Herzberg mean when he refers to hygiene factors in his motivational theories? In your answer, give **TWO** examples of hygiene factors. (4)
- (b) Show what impact an ageing population may have on business concerns. (6)
- (c) Distinguish between Cyclical, Frictional and Structural unemployment. (6)
- (d) Why are trade unions still important in a modern economy? (4)

**(Total: 20 marks)**

6. (a) Explain briefly how Consumer Protection Laws help buyers. Give **TWO** examples. (4)
- (b) Show what impact new technology may have on manufacturing. (4)
- (c) List **TWO** similarities and **TWO** differences between internal and external communication. In your answer, give **ONE** example of an internal communication and **ONE** example of an external communication. (6)
- (d) Give **THREE** reasons why people resist change. (6)

**(Total: 20 marks)**

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**SECONDARY EDUCATION CERTIFICATE LEVEL**

**MAY 2017 SESSION**

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SUBJECT:	<b>Business Studies</b>
PAPER NUMBER:	IIB
DATE:	5 <sup>th</sup> May 2017
TIME:	4:00 p.m. to 6:05 p.m.

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This paper consists of **SIX** 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**

**Compulsory question.**

1. George Gatt has been in business all his life as a sole trader and importer of household goods. He employs five workers, all of whom are multi-skilled. Three of his employees act as handymen, shop assistants and delivery personnel. Another two employees, Jill and Jack, are in charge of accountancy and personnel (human resources) including general administrative duties respectively. These two also help in George's shop and also do deliveries.

George is thinking of retiring and does not have children to whom he can leave the business. So he is thinking of selling it. His most recent Income Statement (Trading and Profit and Loss Account) showed the following:

Sales	€300,000	Net profit	€45,000
Gross profit	€90,000	Average inventory (stock)	€17,500

The Statement of Financial Position (Balance Sheet) as at the same date showed:

Total assets	€900,000	Current liabilities	€20,000
Non-current (Fixed) assets	€850,000		

Purchasing is a key function of retailers, wholesalers and importers. In this highly competitive world, George relies heavily on the ability to offer quality products at the best price. Achieving a competitive price, while maintaining profitability, comes down to George's purchasing skill in sourcing products and negotiating deals with suppliers. George has to keep up to date with what suppliers internationally are offering, not just household goods but all the accessories and supplementary products that go with them.

Keeping up-to-date involves information gathering and dissemination. Any business, however small, needs information and also needs to disseminate information even if the business is a sole trader without employees. Nowadays, information gathering and dissemination has been made easier through information technology (IT) and the entrepreneur who buys George's business will have to be IT-literate if he or she wants to be more successful than George.



Many people think that stakeholders and pressure groups are issues that may affect large businesses only. However this is a false premise. Although George's business is, by all measures, a small business it still has stakeholders. Furthermore, George's behaviour in his business may also be influenced by the actions of pressure groups.

George's business, like many small businesses, has a flat management structure. However any investor who wants to buy George's business and make it grow faster will have to decide on whether to go for a tall management structure or whether to keep it as flat as possible. Many large organisations with tall structures have tried out a process of delayering as a way of reducing operating costs, particularly as a response to the economic downturn.

Another issue that any potential buyer of George's business has to contend with is marketing. As in the function of purchasing, the role of marketing is also key to the success of a business.

- (a) From the figures given from George's financial statements, calculate:
- (i) the Gross Profit Margin (GPM); (1)
  - (ii) the Net Profit Margin (NPM); (1)
  - (iii) the Inventory Turnover ratio (Stock Turnover ratio); (2)
  - (iv) the Current ratio (Working Capital ratio). (2)
- (b) List **FOUR** items that may have been included in the contract of employment of any one of George's employees. (2)
- (c) Briefly describe any **THREE** marketing activities. (3)
- (d) Which of the ratios you calculated in (a) are profitability ratios and which are liquidity ratios? (2)
- (e) With reference to any **ONE** of its functions, show that the personnel department is a staff department of an organisation. (2)
- (f) How may delayering affect the average span of control? (3)
- (g) As an importer, George must have faced various methods of trade protectionism. Name any **TWO** methods of protectionism and distinguish between them. (3)
- (h) George is an entrepreneur while his employees are classified as labour. Compare and contrast these two factors of production. (2)
- (i) Briefly explain the key difference between stakeholders and pressure groups. (2)
- (j) Assess the importance of the function of purchasing to George's business. (3)
- (k) Briefly discuss **TWO** advantages that information technology has brought about for information gathering and dissemination. (2)

**(Total: 30 marks)**

**SECTION B**

**This section consists of FIVE questions.**

**Answer ANY THREE questions from this section.**

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)

entrepreneurs	private	public
planned economy	profit	service

In a free market economy, resources are in the hands of the \_\_\_\_\_. In a \_\_\_\_\_, the state decides what is made, how it is made, and for whom it is made. A mixed economy contains both \_\_\_\_\_ and \_\_\_\_\_ sectors: these have objectives to make a \_\_\_\_\_ and to provide a \_\_\_\_\_ respectively.

- (b) Foreign experts say that in Malta we produce very good wines. However none of it is exported. Mention and briefly explain **TWO** issues why local producers do not export more goods than they do. (4)
- (c) Establish in each case, giving **ONE** example, a negative effect that each of the three sectors of business activities might have on the economy. (6)
- (d) A business aims at being highly ethical. The following three enterprises are considering implementing the following proposals, which are being highly criticised by experts:
- ABC Ltd has been striving to achieve higher labour productivity by launching a system through which any employee wrongdoings reported are financially compensated.
  - XYZ Ltd has decided to buy more yet lower quality safety shoes for its employees. The money saved will be used for employee training by foreigners.
  - FEG Ltd is concerned that its liquid spirit might be hazardous for its employees thus it has invested in a system which drains the liquid directly into the sewage systems.
- (i) Choose any **TWO** proposals and explain why they are not ethical. (2)
- (ii) Recommend any changes to the **TWO** proposals you have chosen in (i) to make them ethical. (2)

**(Total: 20 marks)**

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)

expense	maximum	stock control
inventory	raw materials	under stocking
just in time	re-ordered	

\_\_\_\_\_ includes keeping information about each item of stock held by a business. The stock can consist of \_\_\_\_\_, components or finished goods. It is important to calculate how much \_\_\_\_\_ you need to hold in order to run your business efficiently. Having too much stock can cause extra \_\_\_\_\_ while \_\_\_\_\_ may lead to loss of income. The \_\_\_\_\_ level is the quantity of stock that can be held in storage; it depends on the type of stock and the level of sales. Before the minimum level is reached, stock must be \_\_\_\_\_ to allow time for delivery. One method of stock control is referred to as \_\_\_\_\_.

- (b) A large software provider has been expanding in recent years. It has experienced the following circumstances. State whether they are examples of economies or diseconomies of scale: (4)

	Economy or Diseconomy of Scale
(i) Getting a discount on purchase of components as a result of bulk buying.	
(ii) Finding it difficult to replace a highly skilled IT technician due to high demand for this type of personnel by the industry.	
(iii) Managing to get a bank loan at a favourable interest rate.	
(iv) Technicians feel demotivated because they are just one of a number.	

- (c) Select any **TWO** departments in a business organisation involved in the secondary sector and show why it is important for the Production Department to have good links with each of the chosen departments. (4)
- (d) Give **TWO** advantages and **TWO** disadvantages of using budgets as an aid to help business planning. (4)

**(Total: 20 marks)**

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. (6)

breaking bulk	perishable	short
long	production chain	wholesaler

The \_\_\_\_\_ refers to the stages a product goes through before being sold to the consumer. Some products, such as clothes, go through a \_\_\_\_\_ chain of production. Other products such as \_\_\_\_\_ items have a \_\_\_\_\_ chain. The functions of the \_\_\_\_\_ are important in some industries such as manufacturers of household goods. They include \_\_\_\_\_, stock holding and distribution services.

- (b) (i) Suggest the best method of production (job, batch or mass production) for each of the following products: (3)

PRODUCT	METHOD OF PRODUCTION
Designer dresses	
Hand-made crafts	
Bread	
Soap	
A local electrician	
Motor cars	

- (ii) Choose **ONE** product from the above table and explain the method of production that you have identified as the suitable production method. (3)
- (c) Soft Toys Co Ltd is considering whether to locate its manufacturing plant in Gozo in an area where as yet there has been no construction. Analyse **TWO** positive and **TWO** negative effects of locating this plant in Gozo. (4)
- (d) (i) Mention **THREE** attributes that an efficient production manager must have for the success of a business. (3)
- (ii) Briefly evaluate the importance of having an efficient production manager. (1)

**(Total: 20 marks)**

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)

duties	on the job	selection
job description	person specification	training
off the job	redundant	

One of the responsibilities of the Personnel Manager is the \_\_\_\_\_ of new employees to fill any vacancies that may arise in the firm. Before a vacancy is advertised, the company must decide exactly what the job entails. A document known as a \_\_\_\_\_ is drawn up. This will include details such as the job title, the purpose of the job and specific \_\_\_\_\_ to be carried out by the person appointed for the job. Another document, the \_\_\_\_\_, describes the type of person who would be the ideal candidate for the job. Another task of the Personnel Department is to provide \_\_\_\_\_ for the employees. This can be \_\_\_\_\_ training where the new employee observes and works with someone else who already has the necessary skills. Another method is \_\_\_\_\_ training where the employees are sent to a school or training centre. If the employee is no longer required by the firm, due to a number of factors, he or she may be made \_\_\_\_\_.

- (b) Imagine you have been selected for a job interview as a secretary at an accountancy firm. Describe the way you will prepare yourself for the job interview. (4)
- (c) Distinguish between centralised and decentralised business organisations. Give **ONE** advantage and **ONE** disadvantage of each type of organisation. (5)
- (d) Why would a firm have to reduce the number of its employees? Give **THREE** reasons. (3)

**(Total: 20 marks)**

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. (5)

capital	fixed	wages
effective	industrial restructuring	

Different economic trends impact on the way businesses operate and their investments. The adaptation of businesses to different economic climates through outsourcing, downsizing and layoffs is known as \_\_\_\_\_. An enterprise might choose to lay off workers and embark on a \_\_\_\_\_ intensive production approach which generates higher production with the same \_\_\_\_\_ costs and is thus more cost \_\_\_\_\_. Even though such approaches are not viewed positively by society at large, failing to do so might force the enterprise to close its activity in that particular country and relocate to other countries where labour \_\_\_\_\_ are cheaper.

- (b) (i) Classify each of the following situations as positive or negative externalities: (3)

Investing in solar panels
Walking to work
Disco bars playing loud music
Education
Building a new road in a green area
A farmer growing apples

- (ii) Link government revenue and government expenditure to positive and negative externalities, giving examples. (3)
- (c) Analyse how the MEPA (PA and ERA), MFSA, MTA, MRA and Jobsplus (ETC) might influence a hotel in its establishment and operations. State **ONE** benefit, requirement or limitation for each governmental institution mentioned in relation to the given situation. (5)
- (d) Both internal as well as external communication are equally important to any organisation. Discuss why they are both important, listing **TWO** advantages in each case. (4)

**(Total: 20 marks)**