



**L-Università  
ta' Malta**

**MATSEC  
Examinations Board**



**Specimen Papers**  
SEC 05 Business Studies

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## Specimen Assessments: Controlled Paper LEVEL 1-2



L-Università  
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MATRICULATION AND SECONDARY EDUCATION  
CERTIFICATE EXAMINATIONS BOARD

**SECONDARY EDUCATION CERTIFICATE LEVEL  
SAMPLE PAPER – ALL CANDIDATES**

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SUBJECT: **Business Studies**  
 PAPER NUMBER: **Level 1 – 2**  
 DATE:  
 TIME: 2 Hours

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Answer ALL the questions in the spaces provided. There may be more space than you need. Calculators may be used. The total mark for this paper is 100. The marks for each question are shown in brackets. Use this as a guide as to how much time to spend on each question. Some questions must be answered by ticking with a horizontal line (–). If you change your mind about an answer, put a vertical line through the horizontal line (+) and then mark your new answer with a horizontal line (–).

**Question 1**

- (a) Some of the goods and services that we buy include smart phones, clothes, food and a haircut. Classify these **FOUR** goods or services into needs and wants in Table 1. (2)

Table 1

<u>Needs</u>	<u>Wants</u>

- (b) Tick the correct answer.
- (i) The difference between the tertiary stage of production and the other two stages is that in the tertiary stage businesses produce (1)
- A goods only, while in the other two stages businesses produce services.
- B both goods and services, while in the other two stages businesses produce goods only.
- C services only, while in the other two stages businesses produce goods.
- D goods only, while in the other two stages businesses produce both goods and services.
- (ii) In terms of employment, in the Maltese economy (1)
- A the primary stage is the largest stage of production.
- B the secondary stage is the largest stage of production.
- C the tertiary stage is the largest stage of production

- D the primary and secondary stage together are larger than the tertiary stage of production.

(c) (i) State **ONE** stakeholder of a business. (1)

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(ii) For your answer in 1 c (i), show what interest the stakeholder has in a particular business activity. (1)

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(d) Tick whether this statement is true or false and provide a reason for your answer.

A job description is a statement that explains the minimum eligibility requirements for performing a particular job. (2)

- True     False

Reason:

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(e) (i) Identify **ONE** form of training. (1)

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(ii) For the form of training identified in 1 (e)(i), give **ONE** advantage and **ONE** disadvantage. (2)

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(f) Tick which **TWO** of the following are main features of an employment contract? (2)

- A Qualifications
- B Normal hours of work
- C Period of probation
- D Work experience

(g) (i) Some inputs of the production process include trucks, cement mixers, wood and architects. Write down these **FOUR** inputs under their appropriate heading in Table 2. (2)

Table 2

<u>Land</u>	<u>Labour</u>	<u>Capital</u>

(ii) The output of the production process includes earrings, hairdressing, retailing and railings. Write down these **FOUR** items under their appropriate heading in Table 3. (2)

Table 3

<u>Goods</u>	<u>Services</u>

(h) (i) Define opportunity cost. (1)

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(ii) Identify the opportunity cost involved when a student chooses to study Business Studies instead of Biology as an option subject. (2)

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**(Total: 20 marks)**

**Question 2**

(a) Read the following statement and answer the questions that follow.

Joan Borg owns a supermarket. She already employs three cashiers and is in the process of employing two cleaners. Joan is the undisputed boss in the supermarket and she takes decisions without discussing with workers.

(i) Tick the correct answer. (1)

Joan's business is classified as:

- A a sole trader
- B a partnership
- C a private limited company
- D a public limited company

(ii) Describe **TWO** main features of a partnership. (2)

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(iii) One of the main disadvantages of Joan's business is that of unlimited liability. Why should she be worried about this? (2)

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(iv) Which style of management is Joan adopting in her business? (1)

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(v) List **ONE** disadvantage of the style of management Joan is using in her business. (1)

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- (b) (i) Choose the correct word/phrase from the word bank to complete the sentences below. (2)

privatisation	nationalisation
franchising	diversification

\_\_\_\_\_ is the transfer of a business, industry, or service from public to private ownership and control while \_\_\_\_\_ is the transfer of a major branch of industry or commerce from private to state ownership or control.

- (ii) Give **ONE** reason for a business to be privatised. (1)

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- (c) Tick whether this statement is true or false and provide a reason for this.

Paul is one of the owners of a partnership. He can be referred to as shareholder of the business. (2)

True       False

**Reason:** \_\_\_\_\_  
\_\_\_\_\_

- (d) Briefly explain **ONE** way how government can influence business decisions in a mixed economic system. (1)

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- (e) Briefly explain financial literacy. (1)

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- (f) Vince Zammit needs to pay off his car loan of €4,000 in May 2022. On 1<sup>st</sup> March Vince does not have any cash or bank balance except for €5,000 in his term deposit (fixed account), which he is using to save up to buy a larger house. Vince earns a net salary of €2,500 per month. His expected regular payments for the three months ending 31 May 2022 are €450 per month on food and other household items and €500 per month for the rent of his apartment. His water and electricity bill should be coming in May and he estimates that it would be €300 payable in the same month he receives it. In May, Vince is also expecting to spend money on gifts for Mother’s Day and for his girlfriend’s birthday. Develop a personal budget, using the format of the budget in Table 4 below, taking into consideration Vince’s expected income, expenditure and any credit repayments to show how much he can spend on the gifts without having to borrow money or withdraw his term deposit. (6)

Table 4: Budget of Vince Zammit for the three months ending 31 May 2022

Detail	March	April	May
	(€)	(€)	(€)
<u>Expected receipts</u>			
<u>Expected payments</u>			
Payments for gifts			
Total payments			
Net receipts			

**(Total: 20 marks)**

**Question 3**

- (a) (i) Sustainable production is (1)
- A ensuring strict quality control
  - B investing in research and development
  - C conserving energy and natural resources
  - D being accountable to all the stakeholders of a business
- (ii) The following is one of the elements of the marketing mix: (1)
- A production
  - B promotion



- C physical features
- D purchasing

(b) Explain **ONE** factor to consider when choosing suppliers. (2)

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(c) Match the following by writing down the appropriate number in the middle column. (2)

i. market segmentation		buying goods by using the internet.
ii. purchasing department		using various equipment to produce goods.
iii. e-commerce		target groups.
iv. automation		buying the raw materials and equipment a firm needs.

(d) Choose the correct word/phrase from the word bank to complete the sentences below. (2)

batch	better
cheaper	mass

The method of production whereby a very large number of units of the same product are produced is called \_\_\_\_\_ production. It has the advantage of producing \_\_\_\_\_ goods.

(e) You are about to open up your own firm. Explain **TWO** factors which might influence your business location. (4)

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(f) Your friend explains to you that as your business expands, it might start facing 'diseconomies of scale'. What are these? (2)

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(g) Explain any **FOUR** elements of the marketing mix. (4)

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(h) Choose the correct word/phrase from the word bank to complete the sentences below. (2)

Desk research	Market research
Field research	Market segmentation

\_\_\_\_\_ is the gathering and analysing of information, already available in print or published on the internet. \_\_\_\_\_ is any activity aimed at collecting primary (original or otherwise unavailable) data.

**(Total: 20 marks)**

**Question 4**

(a) Explain **TWO** reasons why businesses need financing. (4)

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(b) A company which produces clothes has incurred the following costs:

Table 5

Material for clothes	€250,000
Factory rent	€15,000
Production manager's salary	€24,000
Power for sewing machines in the factory	€35,000

Use the information above in Table 5 to calculate the company's total:

(i) Variable costs. (1)

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(ii) Fixed costs. (1)

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(c) Expenditure by a business may be classified into capital expenditure and revenue expenditure. What is capital expenditure? (2)

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(d) The following information relates to a company which offers plumbing services:

Table 6.

Sales	€120,000
Gross profit	€30,000
Net profit	€20,000
Current assets	€150,000
Current liabilities	€75,000

Use the information above in Table 6 to calculate the company's:

(i) Gross profit margin. (1)

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(ii) Current ratio. (1)

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(e) Name, any **FOUR** stages of the product life cycle. (2)

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(f) Explain **ONE** main function of the Malta Financial Services Authority (MFSA). (2)

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(g) Describe any **ONE** risk faced by businesses. (2)

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(h) List **TWO** services offered by banks. (2)

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(i) Explain overspending in relation to personal budgeting overspending (2)

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**(Total: 20 marks)**

**Question 5**

- (a) State any **ONE** difficulty that Maltese businesses may face when they are trying to export goods. (1)

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- (b) The following is the Balance of Payments on current account for the first Quarter of 2018 according to NSO News Release 098/2018:

Table 7: Balance of Trade for the first Quarter of 2018.

	Credit (€000)	Debit (€000)
Goods	703,698	931,473
Services	2,920,128	2,197,298
Income	2,624,687	2,729,255

- (i) Is the Balance of Trade for the first Quarter of 2018 in surplus or in deficit? Explain your answer. (2)

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- (ii) Give **TWO** examples of services that might be included in the figure of €2,920,128,000 above. (2)

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- (c) Following the Ukraine war governments have resorted to protectionism.

- (i) Outline the role of protectionism. (1)

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(ii) Briefly explain **ONE** way in which protectionism is carried out by countries. (2)

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(d) Tick the correct answer. Multinationals are companies that: (1)

- A have a number of departments.
- B operate in a number of countries.
- C have employees of various nationalities.
- D operate by producing a variety of products.

(e) The last 30 years have seen an increase in both the number and size of multinational companies. What is the name of this phenomenon, and how is this related to the rise of the multinational company? (3)

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(f) Choose the correct word/phrase from the word bank to complete the sentences below. (1)

consumers	domestic
international	producers

Fair trade is a type of \_\_\_\_\_ trade that enables farmers a chance out of poverty by guaranteeing fair prices and sustainability. If a product has Fair Trade Certification, \_\_\_\_\_ can recognize and support the just trading policies of the producer by purchasing their product.

(g) Fair trade is very important to achieve SDG 13: "Climate action." Briefly explain why. (1)

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(h) List **THREE** components of a business plan. (3)

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(i) Outline the role of social entrepreneurship. (2)

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(j) Explain **ONE** risk resulting from business activity. (1)

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**(Total: 20 marks)**

Specimen Assessments: Controlled Paper LEVEL 2-3



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MATRICULATION AND SECONDARY EDUCATION  
CERTIFICATE EXAMINATIONS BOARD

**SECONDARY EDUCATION CERTIFICATE LEVEL  
SAMPLE PAPER – ALL CANDIDATES**

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SUBJECT: **Business Studies**  
PAPER NUMBER: **Level 2 – 3**  
DATE:  
TIME: 2 Hours

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Answer ALL the questions in the spaces provided. There may be more space than you need. Calculators may be used. The total mark for this paper is 100. The marks for each question are shown in brackets. Use this as a guide as to how much time to spend on each question. Some questions must be answered by ticking with a horizontal line (-). If you change your mind about an answer, put a vertical line through the horizontal line (+) and then mark your new answer with a horizontal line (-).

**Question 1**

- (a) Some businesses make things that people need and want, and others sell them. There are also businesses that support the making and selling of goods. Give **TWO** examples of business activities that support the selling of goods. (2)

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- (b) Businesses in the tertiary stage of production are always dependent on those in the primary and secondary stages. Do you agree with this statement? State your reasons why. (6)

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- (c) (i) Factors of production include rivers, canals, roads and trees. Write down these **FOUR** factors under their appropriate heading in Table 1. (2)

Table 1

<u>Land</u>	<u>Capital</u>

- (ii) Business organisations follow a recruitment process that leads to the job advertisement. The stages of this process are job analysis, job description, person specification and interview. Describe **ALL** of these stages. (4)

Job analysis:

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Job description:

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Person specification:

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Interview:

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- (d) The interests of the managers and those of the employees of the same business organisation are always in conflict. Discuss. (6)

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(iii) Ruth thinks that any business is better run as a private limited company than as a partnership. Discuss. (3)

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(iv) Public limited companies can issue shares or bonds to the general public. Give **ONE** difference between shares and bonds. (1)

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(v) Explain **TWO** important steps that should be taken to set up a franchise. (2)

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(b) Ridley Scott is regarded as one of the few Hollywood directors who have made profitable and critically acclaimed movies. He always has utmost control over others, rarely accepting feedback or input, yet demanding full accountability from other people when success is not realised. Discuss this style of management. (3)

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(c) The business stands to benefit when employees are given off-the-job training. Mention **TWO** advantages of this form of training. (2)

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(d) Explain the impact of globalisation on the tertiary sector of production in Malta. (3)

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(e) HSBC acquired Mid-Med Bank in 1999 for the equivalent of €191 million. This is an example of privatisation that happened in Malta. Give **TWO** reasons for such privatization. (2)

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**(Total: 20 marks)**

**Question 3**

(a) Describe any **TWO** functions of the purchasing department within a business organisation. (2)

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(b) Why should a business in the service sector have a sound inventory management system? (2)

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(c) Analyse the benefits enjoyed by a business that has a sound inventory management system. (3)

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(d) You and your friend are thinking of opening up your own business producing a new smartphone model which you have just come up with through your research and development efforts.

(i) Explain **ONE** production method that might be used to manufacture smartphones.(2)

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(ii) Discuss **THREE** factors you will be taking into consideration when choosing the location of your enterprise. (3)

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(iii) Briefly explain the importance of branding your new smartphone model. (2)

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(iv) You and your friend are noticing that the saturation stage of the product life cycle may have been reached. Explain **TWO** possible ways to relaunch this product. (4)

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(v) Discuss **ONE** ethical aspect that a business may take into consideration when creating a marketing strategy for the relaunch of the smart phone in 3(d)(iv). (2)

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**(Total: 20 marks)**

**Question 4**

(a) Internal sources of finance are always better to use than external sources. Discuss. (4)

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(b) Define:

(i) Fixed cost. (1)

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(ii) Variable cost. (1)

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(c) As a financial literacy advisor, distinguish between insurable and non-insurable business risks. (4)

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(d) A Statement of Profit or Loss is prepared to show the assets and liabilities of a business. Do you agree with this statement? Explain your answer. (2)

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- (e) You have been given the following Statement of Profit or Loss which is incomplete. Calculate the missing figures in the shaded grey boxes in Table 2. (2)

Table 2

	€	€
Sales		75,000
Less Cost of goods sold:		
Opening inventory	10,000	
Add Purchases	<u>35,000</u>	
	45,000	
Less Closing inventory	<u>(15,000)</u>	
		(i) _____
Gross profit		(ii) _____
Less expenses:		
Wages	7,000	
Rent	1,000	
Water and electricity	1,700	
Postage and stationery	300	
		(iii) _____
Net profit		(iv) _____

- (f) The following information in Table 3 relates to a company which imports household goods. Use this information to show whether the company has become more:

Table 3

	Financial Year ended 31 December 2017 €	Financial Year ended 31 December 2016 €
<b>Sales</b>	600,000	500,000
<b>Net profit</b>	90,000	50,000
<b>Current assets</b>	378,000	288,000
<b>Current liabilities</b>	180,000	160,000

- (i) profitable. (2)

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- (ii) liquid. (2)



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(g) Give **TWO** reasons why young people need to be educated in financial literacy. (2)

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**(Total: 20 marks)**

**Question 5**

(a) The following Table 4 is the Balance of Payments on current account for the first quarter of 2018 according to NSO News Release 098/2018:

Table 4: Balance of Payments

	Credit (€000)	Debit (€000)
Goods	703,698	931,473
Services	2,920,128	2,197,298
Income	2,624,687	2,729,255

(i) Describe the Balance of Trade by making reference to the figures above in Table 4 and show whether this component of the Balance of Payments helped to give rise to a deficit or surplus for the first quarter of 2018. (2)

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(ii) Give **TWO** examples of services that might be included in the figure of €2,920,128,000 above. (2)

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(ii) Evaluate **TWO** factors that enhance entrepreneurship and **ONE** factor that hinders the entrepreneurial spirit. (3)

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**(Total: 20 marks)**

Specimen Assessments: Controlled Assessment (Private Candidates Only)  
LEVEL 1-2-3



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MATRICULATION AND SECONDARY EDUCATION  
CERTIFICATE EXAMINATIONS BOARD

**SECONDARY EDUCATION CERTIFICATE LEVEL  
SAMPLE PAPER – PRIVATE CANDIDATES**

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SUBJECT: **Business Studies**  
PAPER NUMBER: **Level 1-2-3**  
DATE:  
TIME: 2 Hours

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Answer ALL the questions in the spaces provided. There may be more space than you need. Calculators may be used. The total mark for this paper is 100. The marks for each question are shown in brackets. Use this as a guide as to how much time to spend on each question. Some questions must be answered by ticking with a horizontal line (–). If you change your mind about an answer, put a vertical line through the horizontal line (+) and then mark your new answer with a horizontal line (–).

**Question 1**

(a) Choose the correct word/phrase from the word bank to complete the sentences below.

(2)

written	inside
oral	outside

Jack, the owner of Panta Store, made a Skype call with a client regarding an order that had been placed. This is an example of \_\_\_\_\_ communication taking place \_\_\_\_\_ the business.

(b) Tick whether **each** of these statements is true or false and provide a reason for **each**.

(i) Risk taking is one of the functions of an entrepreneur. (2)

True     False

Reason:

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(ii) One of the functions of Malta Enterprise (ME) is to issue trading licences to traders. (2)

True     False

Reason:

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(c) Commercial banks can offer support to businesses. Describe **THREE** ways in which this is done. (3)

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(d) Henry Ford, the American entrepreneur and founder of the Ford Motor Company, has said that "a business that makes nothing but money is a poor business."

(i) How does the above statement relate to the role of social entrepreneurship? (2)

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(ii) Explain **TWO** rewards that result from the activity of businesses led by social entrepreneurs. (2)

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(e) Entrepreneurship competence should be considered as one of the key competences for life (EC, 2018). Discuss **THREE** factors that encourage the entrepreneurial spirit.

(6)

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(f) (i) Give **TWO** similarities in the roles of Malta Enterprise and the Department of Commerce. (2)

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(ii) Briefly describe **ONE** difference between the functions of Malta Enterprise and the Department of Commerce. (2)

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(g) Give **TWO** reasons why a business might need to respond to change. (2)

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**(Total: 25 marks)**

**Question 2**

(a) List **THREE** personal services that youths can avail themselves from commercial banks. (3)



(g) You are thinking of opening up your own business producing a new model of a drone. You are thinking of ways how to encourage interested clients to buy your product on credit. Distinguish between consumer spending by cash to consumer spending made on credit from the consumer's point of view. (3)

(h) Define the following terms:

(i) overspending (1)

(ii) contingency planning (1)

(i) Table 1. is an extract from Jane Borg's bank statement:

Table 1

Date	Transaction description	Withdrawals	Deposits	Balance
30 JUN 19	BALANCE BROUGHT FORWARD			303.99
02 JUL 19	POS CLIFF LTD - DINGLI	240.83		63.16
20 JUL 19	24X7 TR 40024823524		1,000.00	1,063.16
23 JUL 19	<b>CHEQUE 2165</b>	1075.20		?

(i) Explain why the item CHEQUE 2165 in Table 1 is a withdrawal. (1)



(ii) By referring to Table 1 show that Jane Borg's bank balance as at 23 July 2019 is overdrawn. (1)

(j) Table 2 is Vince Zammit's expected receipts and payments for the three months ending 30 June 2022:

Table 2

Detail	April	May	June
	(€)	(€)	(€)
<u>Expected receipts</u>			
Salary	2,500	2,400	2,550
Other income	500	200	300
<u>Expected payments</u>			
Food and beverages	350	350	450
Other household items	200	50	320
Clothing	220	100	520
Rent	500	500	500
Repayment of car loan			4,000
Repayment of PVP loan	110	110	110
Other payments	120	390	200

Vince is asking you whether he will need to take out an overdraft for July. He also tells you that at the beginning of April, he is expecting to have a cash and bank balance of €1,000. Advice Vince accordingly. (3)

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**(Total: 25 marks)**

**Question 3**

(a) Identify **THREE** media that can be used for job advertising. (3)

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(b) Choose the correct word/phrase from the word bank to complete the sentences below.

exit interview	letter of application
curriculum vitae	letter of resignation

(i) A(n) \_\_\_\_\_ is a summary of a person's employment and educational record. (1)

(ii) A(n) \_\_\_\_\_ is written when a person intends to leave his/her job. (1)

(iii) An employer might ask an employee for a(n) \_\_\_\_\_ on termination of employment. (1)

(c) List **TWO** forms of training. (2)

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(d) You are given a job description which only includes the *Job Title* and *Purpose of the Job*. Discuss another **THREE** details that should be included in a job description. (6)

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(e) Explain **TWO** advantages and **ONE** disadvantage of using websites as a form of job advertising medium. (3)

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(f) Explain **TWO** non-financial methods that can be used to motivate employees at the place of work. (4)

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(g) Explain **TWO** main functions of Jobsplus. (2)

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(h) Demonstrate **TWO** essential actions an employer should take to prepare for an employment interview. (2)

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**(Total: 25 marks)**

**Question 4**

- (a) Tick the correct answer. The role of the marketing function within a business organisation (1)
- A involves analysis of the market with reference to people that share similar characteristics
  - B is to attract, retain and grow revenue from a company's targeted customers
  - C is to defend an existing market from new entrants, to increase market share within a market or to enter a new market
  - D is to allow potential customers to make a somewhat informed decision on the products or services that they choose to use

(b) Tick whether this statement is true or false and provide a reason for your answer. (2)

Product design is the detailed specification of a manufactured item's parts.

- True       False

Reason: \_\_\_\_\_

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- (c) Tick the correct answer. A channel of distribution may include: (1)
- A road, rail, ship and air
  - B cost plus pricing, creaming the market and penetration pricing
  - C producer, wholesaler, retailer and consumer
  - D sole proprietors, partnerships, companies and co-operative

(d) Choose the correct word/phrase from the word bank to complete the sentences below. (2)

Advertising	Direct selling
Branding	Sales promotion

\_\_\_\_\_ is the stimulation of sales achieved through giveaways, special offers, and similar activities. On the other hand, \_\_\_\_\_ is the sale of

products or services, usually at the home or office of a prospective client, by the independent direct sales representatives.

(e) Name **TWO** elements of the marketing mix. (2)

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(f) (i) Mention **ONE** advantage of air transport and **ONE** advantage of road transport for a business organisation to deliver products to customers. (2)

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(ii) Mention **ONE** disadvantage of transport by sea for a business organisation to deliver products to customers. (1)

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(g) Describe **TWO** types of market segmentation. (4)

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(h) Cost plus pricing is the best pricing strategy that a business organisation can use. Discuss. (6)

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