

JUNIOR LYCEUM ANNUAL EXAMINATIONS 2003

Educational Assessment Unit – Education Division

FORM 5

BUSINESS STUDIES

TIME: 1hr 45min

Name: _____

Class: _____

SECTION A: ANSWER ALL QUESTIONS

Put the letter corresponding to the right answer, in the box provided at the end of each question.

1. Malta is classified as a mixed economy, since:
(a) parliament is made up of mixed members of two political parties.
(b) there are both a private sector and a public sector.
(c) there are both rich people and poor people in the country.

2. Air pollution resulting from the production of a commodity adds to:
(a) indirect costs.
(b) fixed costs.
(c) social costs.

3. Small firms survive because:
(a) their markets are small and their product range is very wide.
(b) they offer a personal service and serve niche markets.
(c) they can compete with large firms through bulk-buying and price reduction.

4. Why would government choose to apply a progressive tax?
(a) To take a higher proportion of income as income rises.
(b) To take a higher percentage of funds from goods bought.
(c) To take a smaller percentage of one's salary as income rises.

5. As a businessman involved in the home trade, you would make sure to have the following documents ready for use:
(a) quotations, invoices and delivery notes.
(b) bills of lading, quotations and order forms.
(c) bills of exchange, invoices and certificates of origin.

6. Which of the following would **NOT** be a reason for privatising?
- (a) Increasing revenue for government and creating more competition.
 - (b) Preventing private firms from exploiting the consumer.
 - (c) Freeing organisations from political influence.
- ☐
7. If a manager is experiencing dissatisfaction from his subordinates to complete a particular task, one would try to:
- (a) change his chain of command.
 - (b) centralise further his authority.
 - (c) reduce his span of control.
- ☐
8. A businessman is successfully engaged in “unit” or “job” production. He would base his workshop system on:
- (a) the division of labour concept.
 - (b) a labour-intensive environment.
 - (c) mass production techniques.
- ☐
9. The Stock Exchange:
- (a) obliges firms to issue new shares.
 - (b) audits the accounts of limited liability companies.
 - (c) is a market for second-hand securities.
- ☐
10. Consumer Protection legislation:
- (a) permits bargaining on the conditions of a sale.
 - (b) does not protect consumers from biased contracts of sale.
 - (c) prohibits the sale of goods by door-to-door salesmen.
- ☐

(20 marks)

SECTION B: Answer this question, with all its sub-divisions, (a) up to (h), on the foolscaps provided.

1. Below is a Balance Sheet relating to John Vella's business. Examine this statement and then answer all the questions set below it.

John Vella Balance Sheet as at 30 September 2002			
<u>Fixed Assets</u>	<i>Lm</i>	<i>Lm</i>	<i>Lm</i>
Premises			A
Plant and Machinery			60,000
Motor Vehicles			10,000
Furniture and fittings			<u>2,000</u>
			B
 <u>Current Assets</u>			
Stock		28,000	
Debtors		12,000	
Cash		<u>1,000</u>	
		41,000	
 <u>Less Current Liabilities</u>			
Creditors	8,000		
Bank Overdraft	<u>10,000</u>	<u>C</u>	<u>D</u>
			<u>E</u>
 <u>Financed by:</u>			
Capital			157,000
add Net Profit			<u>26,250</u>
			183,250
less Drawings			<u>8,250</u>
			<u>175,000</u>

- (a) Give the values of the amounts marked A, B, C, D, E. (5 marks)
- (b) Calculate the following ratios:
- (i) Current Ratio
 - (ii) Acid Test Ratio
 - (iii) Return on Capital Employed (3 marks)
- (c) What is the difference between assets and liabilities? (2 marks)
- (d) What is the difference between fixed assets and current assets? (2 marks)
- (e) What is the difference between current liabilities and long-term liabilities? (2 marks)
- (f) What are the amounts in D and E in the above balance sheet called? (2 marks)
- (g) The Balance Sheet is one of the final accounts a firm prepares at the end of the financial year. Give the name of another final account and say what it shows. (2 marks)
- (h) Mention one type of users of final accounts from outside the firm and state one use they make of the final accounts. (2 marks)

SECTION C: From this section, answer any TWO (2) questions, (with all their respective sub-divisions), on the foolscaps provided.

1. The founder of a “chain of food stores”, namely, Mr. Sacco, tried his best to be very successful in business. He believed that leaving the employees entirely on their own to “work” as they please would make him popular and they would do their best to raise production. Human nature as it is, one can imagine what happened! Instead of success, the result was a total disorganisation. Mr. Sacco gave up and employed Mr. Bonavia to manage the business efficiently. Things changed drastically – not because Mr. Bonavia was not highly academically qualified, but because he became the “unquestioned boss”. He was sure to show everyone that the employees could not in any way show their point of view on things occurring at their place of work.



- (a) One could classify the above persons as Theory Y and Theory X managers, but this apart, with which **style of management** would you associate:
- Mr. Sacco
 - Mr. Bonavia ?
- (2 marks)*
- (b) If you were a consultant to the firm and your task was to advise management on **how to become more successful** in business:
- What different style of management from those mentioned above would you recommend? *(2 marks)*
 - Describe this kind of style and the type of communication you would use to be more successful with the employees. *(5 marks)*
- (c) Workers sometimes form “pressure groups” to show their disapproval to certain modes of action.
- What is a “**pressure group**”? *(2 marks)*
 - Suggest any **two (2)** different ways how the workers could show their disapproval to management’s way of behaviour. *(4 marks)*
- (d) List **three (3)** different **non-financial rewards** that can motivate employees to work harder. *(3 marks)*
- (e) A “**chain of food stores**” – what do you understand by this term? *(2 marks)*

2. “Adventuring Co. Ltd.” is engaged in the production of camping tents selling a particular model at Lm120. For a total not exceeding 1,000 tents, the Fixed Costs are Lm2,100 and the Variable Costs are Lm50 per unit.



- (a) “Adventuring Co. Ltd.” – what **type of business unit** do you consider this organisation to be? (1 mark)
- (b) In which **sector of the economy** would this business operate? (1 mark)
- (c) What do you understand by:
 (i) **Fixed Costs**?
 (ii) **Variable Costs**? (2 marks)
- (d) Calculate the **profit** if the firm sells:
 (i) 150 camping tents.
 (ii) 200 camping tents. (4 marks)
- (e) Draw up a labelled diagram to show how one would represent the **Fixed Costs, the Variable Costs and the Total Costs**. (6 marks)
- (f) If you were asked to raise the amount of tents being sold, describe any **three (3) methods of advertising/promotional techniques** you would use. (6 marks)
3. (a) Analyse the picture illustrated below and comment on it, making sure that you clearly define “**marketing**” and the “**marketing process**”, which functions, are usually carried out by the Marketing Department of a business organisation. (6 marks)

Sometimes those with the goods search in vain for those with money, and vice versa. Some magic is needed to bring them together.

*We call this magic
MARKETING.*

- (b) Imagine you are a producer of a certain commodity and you decide to start operating in “**International Trade**”. What necessary initial steps would you carry out to find the ideal destination of your products? (4 marks)

- (c) Amongst other things you must also decide on the **type of transport** to use for your commodity. Mention **three (3)** factors that you would take into account before deciding on the type of transport to use. (3 marks)
- (d) Mention **two documents** you would be needing to operate in “foreign trade”. (2 marks)
- (e) Work out the (i) **Balance of Trade** and the (ii) **Balance of Payments** from the following statistics:
- | | | |
|--------------------------|-----------|-----------|
| | Lm | |
| <i>Visible Exports</i> | 580,000 | |
| <i>Visible Imports</i> | 1,154,000 | |
| <i>Invisible Exports</i> | 75,000 | |
| <i>Invisible Imports</i> | 60,000 | (4 marks) |
- (f) In the above example, does the Balance of Payments figure represent a **deficit** or a **surplus**? (1 mark)

SECTION D: Write a short essay on ONE (1) of the suggested titles below. Be sure to answer all questions related to the essay you have chosen!

1. **“Apart from the six basic functions of a business, the Customer Care Section of a firm is an essential asset to the business.”**
Comment on this statement, making sure to describe the functions of the Customer Care Section of the firm and how the business stands to benefit from such a section.
2. **Why might a person decide to set up his own business as a sole trader?**
What personal qualities do you think are necessary to make a success of this decision? At the same time, what disadvantages can such a person stand to suffer by being the sole proprietor of his business?
3. **“If customers apply the principle of ‘Let the buyer beware’ or ‘Caveat Emptor’, in reality, there is no need for consumer protection.”**
How far do you agree with this statement? Is being aware of what you are buying always enough to protect you against some less than honest businessmen? If not, then what and who can also protect you as a consumer?
4. **Imagine you are sitting as one of the interviewers on an interviewing board. Your task is to choose the ideal candidate for a Kindergarten Assistant.**
Describe how you would prepare yourself for the interviewing part, listing also about four (4) questions you would ask your candidates. Also list about four (4) qualities (apart from academic qualifications) you would look for in the interviewee and how you would behave during the interviewing session. (20 marks)

