

JUNIOR LYCEUM ANNUAL EXAMINATIONS 2005

Educational Assessment Unit – Education Division

FORM 5

BUSINESS STUDIES

TIME: 1h 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.

Each question carries 2 marks, giving a total of 20 marks for the whole Section.

1. An example of a **social cost** incurred as a result of building a new stretch of motorway is:

- (a) farmer's cost of land
- (b) construction cost
- (c) environmental damage

2. **Motivating** workers to achieve more **job satisfaction** can include:

- (a) job rotation, prospects for promotion, empowerment
- (b) deindustrialisation, job enrichment, teamwork
- (c) increased pay, job security, less responsibilities

3. Your brand of detergent is losing some of its market share to a rival product.

To regain your share of the market, you would:

- (a) stop producing this particular brand
- (b) re-launch the product
- (c) increase price to enforce effectiveness

4. The **price** of "lampuki" has **gone down** to a few cents per kilo, **as a result** of:

- (a) an increased demand for the product
- (b) a shift in the price mechanism
- (c) an increased supply of the commodity

5. A businessman in a “**free-market economy**”:
- (a) takes all the profits of his business without being burdened by tax
 - (b) has to abide by state decisions as to what and how to produce
 - (c) can indulge in any economic activity within the boundaries of the law

6. A **franchise agreement** permits a firm to:
- (a) use the name and logo of a foreign firm
 - (b) sell the products of the foreign firm under a new brand name
 - (c) use the technology of a foreign firm to produce new products

7. An **industrial dispute** may be **resolved** by means of:
- (a) a wild cat strike, a lock-out, damaging equipment
 - (b) industrial tribunal, dismissal, resignation
 - (c) discussions, arbitration, an official strike

8. The **Human Resources Department** is **responsible for** the:
- (a) recruitment, selection and training of employees
 - (b) employment, posting and decision of trade union membership
 - (c) promotion, welfare and the private activities of employees

9. Good **Public Relations** are important to:
- (a) obtain as much financial aid from the state as possible
 - (b) maintain a good public image of the firm
 - (c) be able to obtain good conditions from suppliers

10. The **transfer of firms from the public sector to the private sector** is referred to as:
- (a) nationalisation
 - (b) privatisation
 - (c) liberalisation

SECTION B: Study carefully the Balance Sheets of two separate businesses as provided below and then answer questions (a), (b) and (c) on the foolscaps provided.

This Section carries a total of 20 marks.

Balance Sheets as at 31st March, 2004

| | B. Abela | | D. Spiteri | |
|-----------------------------|-----------------|---------------|-------------------|---------------|
| | Lm | Lm | Lm | Lm |
| <u>Fixed Assets</u> | | 8,490 | | 10,500 |
| <u>Current Assets:</u> | | | | |
| Stock | 2,000 | | 1,500 | |
| Debtors | 1,000 | | 1,000 | |
| Bank/Cash | <u>3,000</u> | | <u>500</u> | |
| | 6,000 | | 3,000 | |
| <u>Current Liabilities:</u> | | | | |
| Creditors | <u>4,000</u> | | <u>3,500</u> | |
| | | <u>2,000</u> | | <u>7,000</u> |
| | | 10,490 | | 17,500 |
| <u>Financed by:</u> | | | | |
| Capital | | 8,000 | | 12,000 |
| + Net Profit | | <u>4,000</u> | | <u>8,000</u> |
| | | 12,000 | | 20,000 |
| - Drawings | | <u>1,510</u> | | <u>2,500</u> |
| | | <u>10,490</u> | | <u>17,500</u> |

- (a) For the **two** businesses, calculate the:
- ROCE**
 - Working Capital Ratio**
 - Net Profit Margin**, if the sales figures were Lm9,000 and Lm11,000, respectively

Note: all workings must be shown!

(12 marks – 2 marks for each answer)

- (b) Comment on the results obtained, indicating the purpose of **each of the above ratios**, and showing also **which of the two businesses is doing better in each case.** (6 marks)
- (c) Indicate to **what type of business** in the private sector the above Balance Sheets refer, and furthermore, **give any reason** why you believe so. (2 marks)

SECTION C: Answer any two (2) questions (with all their respective subdivisions), on the foolscaps provided.

Each question carries a total of 20 marks, giving a total of 40 marks for the whole Section.

Question 1

In each of the cases (a) – (j), hereunder, indicate in the space provided, to which organisation/office one should resort. To help you, an example is given below:

- **I am a new recruit and I would like to join an organisation to protect my conditions of work - Trade Union**

(a) I have bought a faulty product and I cannot come to terms with the seller of this item –

(b) I am an employer seeking a number of adequately skilled personnel to be recruited in my firm –

(c) I am an investor who wishes to buy shares of listed companies –

(d) We are a foreign company wishing to establish financial services in Malta –

(e) I am going to start my sole owner business and wish to obtain a long-term loan –

(f) I must make sure that for any theft or incident happening in my business, I am covered and compensated –

(g) We are forming a Ltd. Liability Co. We have to register the company and obtain the Certificate of Incorporation –

(h) We are small and medium enterprises (SME's), requiring assistance to become more competitive in a liberalised market –

(i) I am a retailer who is seeking membership in an organisation which caters for my rights –

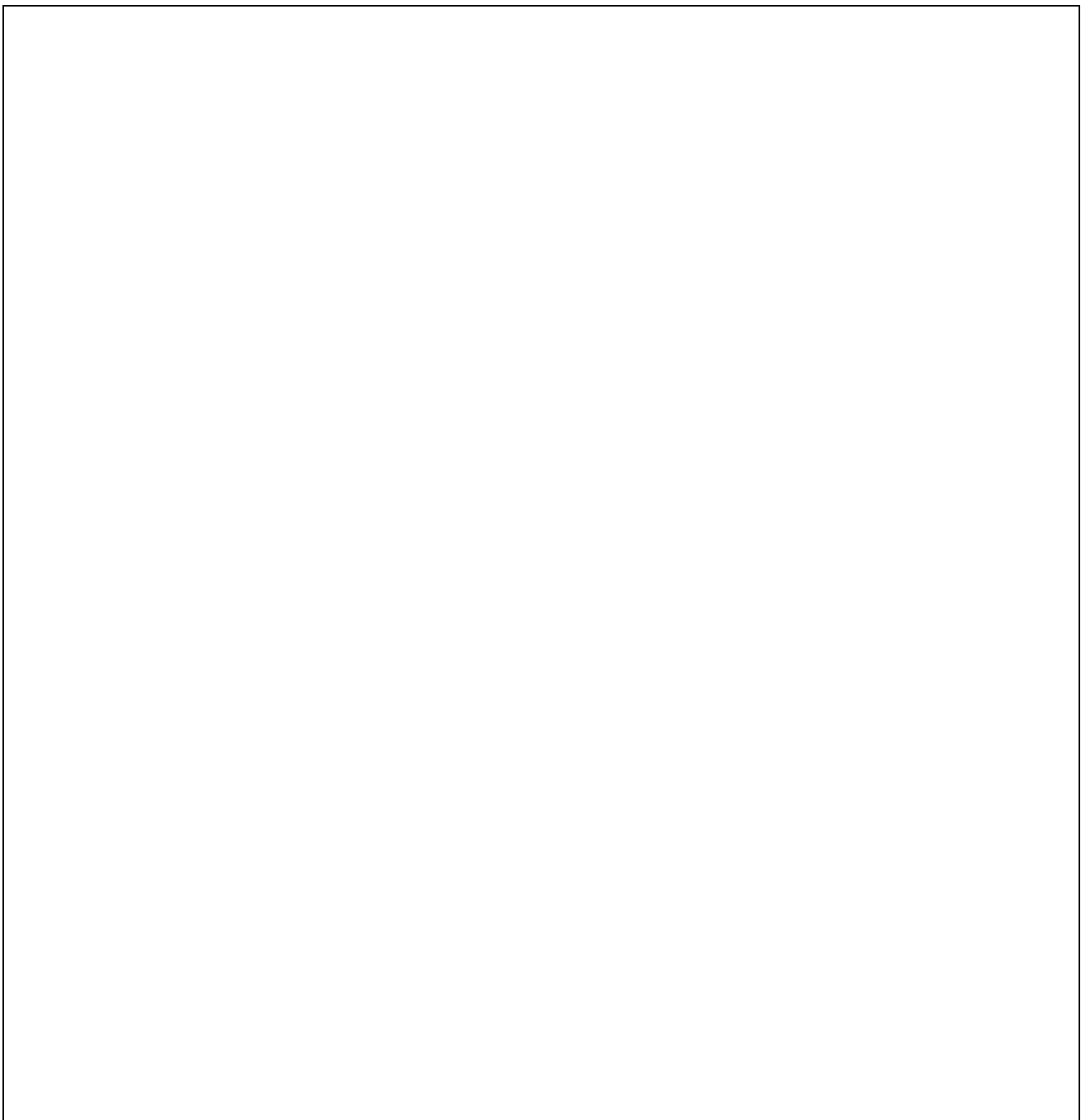
(j) I am a businessman indulging in commerce who would like to join a well-known, voluntary association and meet other commercialists –

(10 marks)

Question 1 (continues)

Now answer also this part of question 1 in the space provided beneath the question.

- (k) All the organisations referred to in the first part of this question use different methods of communication to make contact with members/employees, customers and other firms. Make a list of **4 (four) important rules for good communication**, which you intend to hang up on the notice-board of your firm. Take into consideration that the method being used is a notice-board.



(10 marks)

Question 2

Complete the following table relating to costs and revenues of production. Then use the graph paper provided to plot a break-even graph, as asked for later on.

(a)

| Quantity | Revenue Lm | Fixed Costs Lm | Variable Costs Lm | Total Costs Lm | Profit/Loss Lm |
|----------|---------------|-------------------|-------------------------|-------------------|-------------------|
| 0 | 0 | 4,000 | 0 | 4,000 | |
| 400 | 10,000 | | 8,000 | | |
| 800 | 20,000 | | 16,000 | | |
| 1,000 | 25,000 | | 18,000 | | |

(5 marks)

- (b) What is the **break-even quantity** from the above table? (1 mark)
- (c) Give **one example** of a **fixed cost** and **one example** of a **variable cost** of a factory **producing furniture**. (2 marks)
- (d) **Why** would **break-even analysis** be used? (2 marks)
- (e) Now, **using the data in the above table**, **plot** a break-even graph on the graph paper provided. **Label the graph appropriately showing also the break-even point, the position of the break-even price and the position of the break-even quantity**. (6 marks)
- (f) On the same graph, **shade the area** relating to **profit** and that relating to **loss**, **indicating clearly which is which**. (4 marks)

Question 3

Read the following passage carefully and then answer the questions that follow:

As a result of Malta joining the European Union it had to remove all trade barriers on products coming from other EU countries. At the same time, Maltese products can enter any other EU member state without restrictions or trade barriers. This would ease the transfer of goods and services among member countries of this trade bloc.

- (a) What do you understand by **trade barriers**? (2 marks)
- (b) Mention **three types** of trade barriers. (3 marks)
- (c) What do you understand by the term **trade bloc**? (2 marks)
- (d) What is the difference between a **customs union** and a **free trade area**? (4 marks)
- (e) Is the **EU** a customs union or a free trade area? (1 mark)
- (f) Besides the exchange of goods and services, mention **one other advantage** that Malta could gain from **its membership in the EU**. (2 marks)
- (g) What will happen to the **balance of payments** of a country if its **exports were to increase**, all other things remaining unchanged? (2 marks)
- (h) What is the difference between **visible trade** and **invisible trade**? Give one example of a Maltese visible export and an example of a Maltese invisible export. (4 marks)

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!
Each title carries a total of 20 marks. Two (2) marks will be allotted for a well-presented essay, in each case below.

- (a) **Swapping goods or the barter system, is the oldest form of exchange! Today we live in an entirely different world, where the focus is on the “medium of exchange”.**
- (i) **Describe the bartering system.** (2 marks)
 - (ii) **Explain with examples, the difficulties incurred in using such a system of exchange.** (8 marks)
 - (iii) **Why is it stated that today “we live in an entirely different world”? In your answer indicate the kind of production now applied, and on which principles it is based.** (3 marks)
 - (iv) **Which is the “medium of exchange” used nowadays and what forms can it take?** (3 marks)
 - (v) **Mention 2 characteristics that such a medium should have.** (2 marks)
- (b) **If business organisations are to survive, they must consent to change!**
- (i) **Discuss in which aspects business has to embrace change.** (6 marks)
 - (ii) **Explain two effects of change.** (4 marks)
 - (iii) **Why do some people resist change? List 4 reasons.** (4 marks)
 - (iv) **As a manager of a firm, discuss ways and means how you would manage change to make employees co-operate and accept any necessary changes.** (4 marks)
- (c) **Advertising is the most common form of marketing that comes to mind.**
- (i) **Explain the main differences between informative and persuasive advertising.** (4 marks)
 - (ii) **Give two examples of persuaders in advertising.** (2 marks)
 - (iii) **Mention two advertising media and give one advantage of each.** (4 marks)
 - (iv) **State and explain two arguments in favour of and two arguments against advertising.** (8 marks)
- (d) **Firms need finance to support their activities.**
- (i) **What do you understand by the terms internal and external sources of finance?** (4 marks)
 - (ii) **Explain the difference between a loan and a bank overdraft.** (4 marks)
 - (iii) **Debentures and shares are two other forms of financing a business. Explain the difference between them.** (4 marks)
 - (iv) **Describe, in as much detail as possible, the difference between the rights of a preference shareholder and those of an ordinary shareholder.** (6 marks)