

JUNIOR LYCEUM ANNUAL EXAMINATIONS 2006

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, adding up to a total of 20 marks for the whole Section.

1. A **Partnership Deed** is necessary in order to:

- (a) satisfy the requirements laid down by the Registrar of Companies
- (b) avoid future disputes between the partners forming the partnership
- (c) make it possible that the business acquires goodwill

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2. The **Competition Act** is a form of control and aid to business as it encourages:

- (a) fair trading
- (b) monopolistic firms
- (c) price fixing

☐

3. The **Chain of Production** is complete when the product:

- (a) reaches the customer for consumption
- (b) is finalised during the secondary stage of production
- (c) the factors of production are utilised efficiently

☐

4. As an owner of a firm you would probably **insure** your business in order to:

- (a) contribute to the economy's pooling of risks
- (b) satisfy the requirements of the law vis-à-vis premiums
- (c) cover the firm from the numerous risks of business

☐

5. **Deindustrialisation** is associated with industrial restructuring and it involves:

- (a) the privatisation of a number of public corporations
- (b) the progressive loss of jobs from the secondary stage of production
- (c) changes from the capital intensive industries to more labour intensive firms

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6. A **budget** helps a company:

- (a) to avoid problems with the Inland Revenue Department
- (b) to seek ways how to benefit from EU membership
- (c) to try to avoid problems of lack of financial resources

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7. One of the **advantages** that a country has when hosting a **multinational company** is:

- (a) the diversification of the economy of the country
- (b) the exploitation of cheap labour in poor countries
- (c) the country's dependence on the foreign country

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8. One of the **advantages** of **international trade** is that:

- (a) the country may experience a negative balance of payments
- (b) the local firms may face tougher competition from foreign firms
- (c) the people of the country can consume what their economy cannot produce

☐

9. In an **industrial dispute** the following actions may be taken:

- (a) conciliation, arbitration, damaging machinery
- (b) overtime ban, sit-in strike, work-to-rule
- (c) picketing, go slow, increasing production

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10. **Market segmentation** involves:

- (a) different firms producing different products
- (b) consumers buying different products at different times
- (c) splitting the market into different target groups

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SECTION B: Below are the Balance Sheets of a business for two consecutive years. Examine these Balance Sheets and then on the foolscaps provided answer the questions laid down thereafter.

This Section carries a total of 20 marks.

Balance Sheets of “Gamma Business Plc” for two consecutive years

	2004			2005	
	Lm	Lm		Lm	Lm
<u>Fixed Assets</u>					
Premises		80,000			95,000
Fixtures & Fittings		10,000			12,000
Machinery		<u>30,000</u>			<u>35,000</u>
		120,000			142,000
<u>Current Assets:</u>					
Stock	15,000			8,000	
Debtors	2,000			5,000	
Cash at Bank	<u>1,000</u>			<u>3,000</u>	
	18,000			16,000	
<u>Current Liabilities:</u>					
Creditors	<u>10,000</u>			<u>13,000</u>	
		<u>8,000</u>			<u>3,000</u>
		128,000			145,000
<u>Financed by:</u>					
<u>Shareholders' Funds</u>					
Share Capital	62,000			62,000	
Reserves	20,000			15,000	
Retained Profit	<u>8,000</u>			<u>8,000</u>	
		90,000			85,000
<u>Long-term Liabilities</u>					
Long-term loans		<u>38,000</u>			<u>60,000</u>
		128,000			145,000

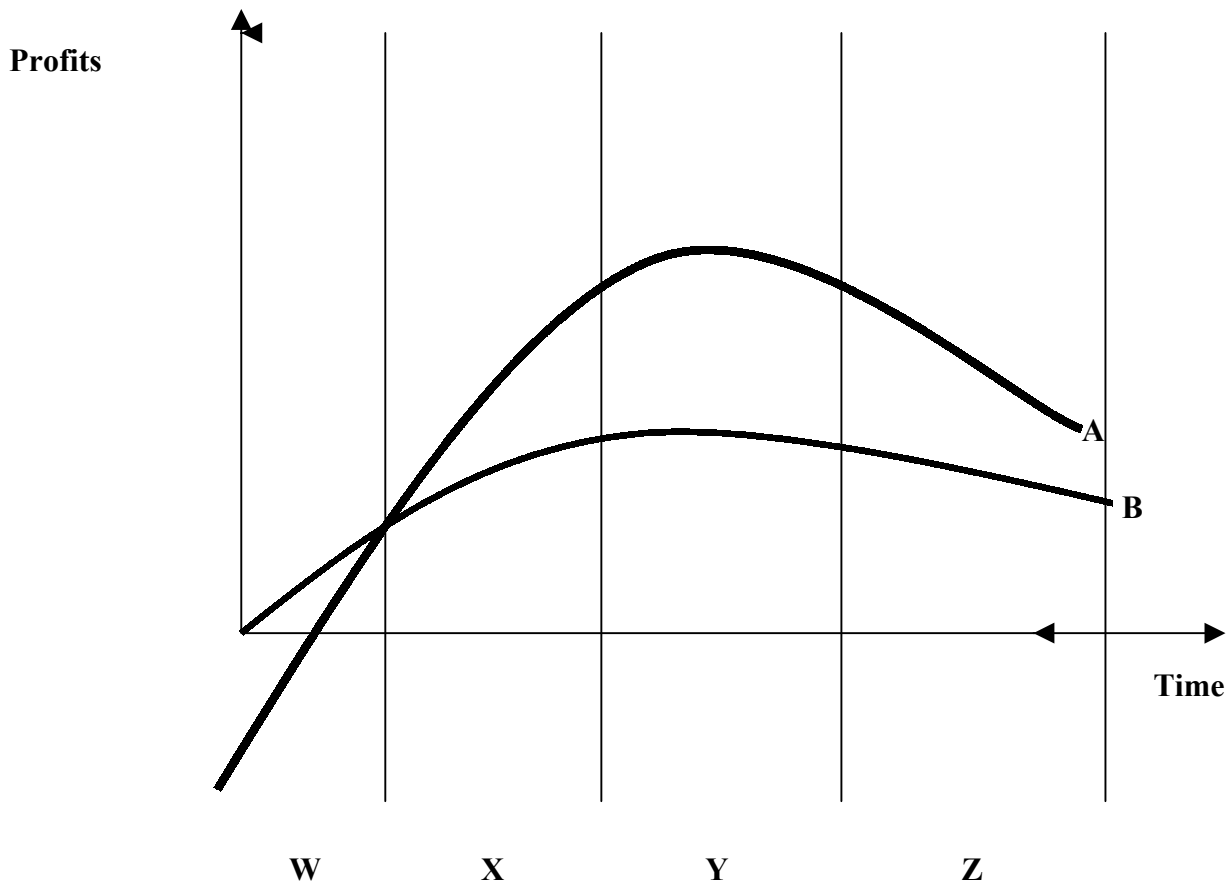
- Indicate for **what type of business unit** in the private sector the Balance Sheets refer to. Furthermore give **two reasons** for your choice. (3 marks)
- List another item that could be found under **Current Liabilities**. (1 mark)
- What do you understand by the term “**Reserves**”? (2 marks)
- For the **two consecutive years** of the business, **work out the Acid Test Ratio** and **comment** on the results, stating what this ratio tells us about the business concerned.
Note: all workings must be shown! (6 marks)
- Assuming that the business made a net profit of Lm 24,000 in 2004 and Lm 30,000 in 2005, **calculate the ROCE for the two consecutive years. Comment on the results.** (6 marks)
- Mention two entities that would be **interested** in examining a Balance Sheet of a business. (2 marks)

SECTION C: Answer any two (2) Questions (with all their respective sub-divisions), on the foolscaps provided.

Each question carries a total of 20 marks, adding up to a total of 40 marks for the whole Section.

Question 1

Look at the product lifecycles A and B presented hereunder, pertaining to two different commodities. Then answer the questions that follow on the foolscaps.



- W, X, Y and Z** represent the four main stages of the product lifecycle. Write down the name of the stage that each letter represents. (4 marks)
- As said before, the two curves **A** and **B** are the lifecycles of two commodities. Describe what is happening at each of the stages **W, X, Y** and **Z** and the difference in pattern of **A** and **B**. (8 marks)
- Once the sales of a product start to decrease, the firm can try to remedy the situation by, for example, making alterations to the commodity and putting it back on the market with a new image. What is this action called? (2 marks)
- In each of the cases below, describe what changes you would make to the product if the sales are declining:
 - washing detergent;
 - a packet of cereals; and
 - shampoo.

(6 marks)

Question 2

An industrialist has the possibility of investing a sum of money amounting to Lm500,000 in acquiring property or other means of investment. There are two appealing opportunities which he could indulge in. In fact, he is considering either buying a number of apartments @ Lm100,000 each or a number of camping zones @ Lm50,000 each.



- (a) In the table below **consider all the combinations** of apartments and camping zones that the industrialist may obtain with his sum of Lm500,000. The first one has been done for you as an example.

APARTMENTS	CAMPING ZONES
0	10
1	
2	
3	
4	
5	

(5 marks)

- (b) Now **plot the above combinations** on the graph paper provided. (5 marks)
- (c) What is the **opportunity cost** in terms of camping zones **when an additional apartment is bought?** (2 marks)
- (d) The development of a camping zone, in an area where presently the land is being used for farming and country walks, might cause some disadvantages. On the other hand, the economy of the country where the camping zone will be developed depends much on tourism.
List a private cost and a private benefit for the farmer whose land will be taken for development. **List also a social cost and a social benefit for the inhabitants** of the country concerned. (8 marks)

Question 3

The Maltese economy is passing through some problems with regards to employment and economic activity. The ETC has embarked on a programme to provide courses to retrain unemployed workers. On the other hand, the ME has embarked on a programme to find new markets for local firms. This may help to create work for local firms which, at the same time, would save employment.

- (a) What do the abbreviations **ETC** and **ME** stand for? (2 marks)
- (b) Mention **three (3) other roles** of the **ETC** besides those mentioned in the passage. (3 marks)
- (c) Mention **three (3) other roles** of the **ME** besides those mentioned in the passage. (3 marks)
- (d) List **four (4) other organisations** which can help the economy (employers, workers or producers). In each case briefly state the main aims of each organisation that you mention. (12 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.

- (a) **“The interview is an essential part of the Selection Process for the recruitment of new personnel.”**
 - (i) **Explain** the importance of interviewing people for a job apart from analysing their application form and C.V. **Illustrate** your answer with an example. (4 marks)
 - (ii) How should the **interviewer** and **interviewee** prepare themselves **before the interview/behave during the interview?** Give at least **three points for each party** concerned. (6 marks)
 - (iii) Besides an interview, mention **two other means** that can be used in some cases so as **to assess the candidate** after his application form and C.V. have been investigated. (2 marks)
 - (iv) Although the interview is essential for selecting the right employee, the C.V. is also a vital tool to determine the qualifications and experiences of a candidate. **Construct a C.V.** of a candidate applying for a job as a **public relations officer**. (8 marks)
- (b) **“Two terms that have been used lately in the economic environment are restructuring and diversification.”**
 - (i) What is the meaning of **restructuring** and **diversification** and how do they differ? (4 marks)
 - (ii) Explain why firms tend to **oppose and resist changes** such as restructuring and diversification. (8 marks)
 - (iii) How can firms **be helped** to restructure and diversify themselves? (8 marks)
- (c) **“Marketing is one of the basic business functions.”**
 - (i) What do you understand by the term **marketing**? (2 marks)
 - (ii) What are the **main functions** of the marketing department? (8 marks)
 - (iii) Describe **the main methods of promotion** of a particular product. (8 marks)
 - (iv) Mention **two (2) other departments** in a firm with which the marketing department has to have a **close relationship**. (2 marks)