

# JUNIOR LYCEUM ANNUAL EXAMINATIONS 2007

Educational Assessment Unit – Education Division

**FORM 5**

**BUSINESS STUDIES**

**TIME: 1h 45 min**

Name: \_\_\_\_\_

Class: \_\_\_\_\_

## ANSWER ALL SECTIONS

### SECTION A

(20 marks)

Answer all questions in this section by ticking the correct answer in the space provided. Each question carries 2 marks.

1. Among the services offered by a bank we find:
  - (a) Bank overdraft, transfer of funds, tax evasion.
  - (b) Night safe, internet banking, the use of coins.
  - (c) Bank deposits, loans, financial matters advice.
  
2. All of the following are documents used only by firms engaged in international trade:
  - (a) Bills of lading, certificates of origin, manifest.
  - (b) Quotations, invoices, bills of exchange.
  - (c) Purchase orders, order forms, delivery notes.
  
3. The General Manager always discusses decisions to be taken with the other managers. This is an example of:
  - (a) Democratic style of leadership.
  - (b) Autocratic style of leadership.
  - (c) Laissez-faire style of leadership.
  
4. The objectives of a business may include:
  - (a) Profit maximization, survival, bankruptcy.
  - (b) Growth, goodwill, customer satisfaction.
  - (c) Survival, sales maximization, fall in share value.
  
5. The primary stage of production can be associated with:
  - (a) Manufacturing, processing, oil drilling.
  - (b) Retailing, wholesaling, farming.
  - (c) Extraction, agriculture, fishing.

6. A characteristic of a mixed economy is:
- (a) The private sector has to produce according to the state's decisions.
  - (b) The existence of a private sector together with a public sector.
  - (c) Most of the decisions are taken by privately-owned firms.
7. For which factor of production is the rate of interest the reward?
- (a) Land
  - (b) Capital
  - (c) Entrepreneur
8. A sole trader's business is a firm
- (a) In which there are no workers employed.
  - (b) Which cannot be in the manufacturing sector.
  - (c) Which is owned by one individual only.
9. In a good and effective communication process there must be
- (a) A message, a receiver, a sender.
  - (b) A message, written text, a picture.
  - (c) A receiver, a reply, a sender.
10. All of the following are reasons for privatization **except**:
- (a) Freeing organizations from political influence.
  - (b) Increasing employment in the public sector.
  - (c) Increasing competition in the economy.

**SECTION B**  
(20 marks)

Answer this question, with all its sub-divisions (a) – (g), on the foolscaps provided.

The following is the Trading and Profit and Loss Account of Mary Abela for the year ended 31 December 2006.

**Mary Abela**  
**Trading and Profit and Loss Account for year ended 31 December 2006**

	Lm	Lm
Sales		215,365
Opening Stock	22,000	
Purchases	182,000	
	204,000	
less Closing Stock	25,500	
<b>X</b>		178,500
<b>Y</b>		36.865
<u>Less Expenses:</u>		
Electricity and water	3,000	
Promotion and advertising	5,000	
Shop assistants' wages	10,500	
Shop maintenance	2,000	
Warehouse rent	2,400	
Telephone expenses	1,000	
Workers' National Insurance Contributions	1,050	
Depreciation: Furniture	500	
<b>Z</b>	500	25,450
		11,415

- (a) What do the amounts indicated by **X**, **Y** and **Z** represent? (3 marks)
- (b) Calculate the **gross profit as a percentage of sales; net profit as a percentage of sales; expenses as a percentage of sales**. Give your answer correct to two places of decimal. (3 marks)
- (c) What does the **trading account** show? (1 mark)
- (d) (i) Define the term **depreciation**. (1 mark)  
(ii) Name three factors which can bring about depreciation. (3 marks)
- (e) Are the expenses shown in the profit and loss account examples of **revenue expenditure** or of **capital expenditure**? Explain your answer. (3 marks)
- (f) Give two examples of **capital expenditure** and two examples of **revenue expenditure**, in all cases **other than those shown in the trading and profit and loss account at the beginning of this question**. (4 marks)
- (g) With what type of business would you associate the above trading and profit and loss account? Give a reason for your answer. (2 marks)

**SECTION C**  
(40 marks)

Answer ANY TWO (2) questions, with all their respective sub-divisions, on the foolscaps provided. Each question carries a total of 20 marks.

**Question 1**

The directors of Standard Productions Ltd have decided to expand the operations of their business. For this reason they wish to change the status of their firm from a private limited company to a public limited company. This will help them to raise more funds in a quick and efficient way by issuing more ordinary shares.

- (a) What are the major differences between a **public limited company** and a **private limited company**? (2 marks)
- (b) What documents both types of companies need to prepare? (2 marks)
- (c) What special certificate has to be issued to a public limited company but which is not issued to a private limited company? Who issues this certificate? (2 marks)
- (d) The company wishes to issue more **ordinary shares**. What other type/s of shares are there? (1 mark)
- (e) What are the differences between the different types of shares? (4 marks)
- (f) Mention and explain briefly **four (4)** other forms of financing for firms. (8 marks)
- (g) Name **one (1) advantage** that a **public limited company** has when compared to a **private limited company**, besides that indicated in the passage above. (1 mark)

**Question 2**

A firm produces plastic chairs which it sells at Lm10 each. Fixed costs amount to Lm5,000. Variable costs are Lm6 per chair.

- (a) **On the foolscaps provided**, draw up and complete the following table. The first two lines have been completed for you:

Quantity	Total Revenue	Fixed Costs	Variable Costs	Total Cost	Profit/Loss
<i>Lm</i>	<i>Lm</i>	<i>Lm</i>	<i>Lm</i>	<i>Lm</i>	<i>Lm</i>
0	0	5,000	0	5,000	-5,000
500	5,000	5,000	3,000	8,000	-3,000
1,000		5,000			
1,250					
1,500					

(7 marks)

- (b) Define the term **fixed costs**. Give one (1) example. *(2 marks)*
- (c) Define the term **variable costs**. Give one (1) example. *(2 marks)*
- (d) What quantity has the firm to produce and sell in order to break even? *(1 mark)*
- (e) What profit will the firm make if it produces and sells 3,750 chairs? *(2 marks)*
- (f) Using the information in the table in (a), above, draw a break even chart on the graph provided. Label the graph appropriately showing the break even point, the break-even revenue and quantity. Shade and indicate clearly the profit area and the loss area. *(6 marks)*

### Question 3

The management of New Generation Product Ltd wishes to change the working conditions of the employees. The employees cannot agree with the management's proposals and referred the case to their official representatives. Negotiations have taken place but a deadlock has been reached. Both parties have agreed to go for arbitration. If the deadlock is not resolved the employees' representatives are determined to start industrial actions.

- (a) What is the formal organization that represents workers at the place of work called? *(1 mark)*
- (b) Mention three (3) roles, other than representing the workers, of this type of formal organization representing the workers at the place of work. *(3 marks)*
- (c) What do you understand by **negotiations** and **arbitration**? *(2 marks)*
- (d) What is the difference between **arbitration** and **industrial tribunal**? *(2 marks)*
- (e) Mention and explain five (5) forms of industrial actions. *(10 marks)*
- (f) Which Maltese law stipulates the conditions of work for employees in Malta and Gozo? *(2 marks)*

**SECTION D**  
*(20 marks)*

**Write an essay on ONE (1) of the suggested titles below. Be sure to answer all questions related to the essay you have chosen. Each question carries 20 marks**

1. One of the important institutions in Malta is the Malta Stock Exchange.  
Explain in detail the functions of the Malta Stock Exchange. In your answer you should highlight the way that it can help companies and in what ways it can reassure investors. *(20 marks)*

**OR**

2. Communication is an important process in business.
- (a) Explain the different forms of communication: oral, written and non-verbal. *(6 marks)*
  - (b) Mention two (2) technical tools of your choice and say how each can help to improve the communication process. *(4 marks)*
  - (c) Mention and explain in detail five (5) problems in the communication process. *(10 marks)*

**OR**

3. Business ethics should be among the objectives of any firm's management.
- (a) What do you understand by the term **business ethics**? *(2 marks)*
  - (b) Explain how each of the following should be tackled from the point of view of business ethics:
    - (i) Compliance with health and safety regulations.
    - (ii) Dealings with regulatory bodies.
    - (iii) Dealings with trade unions.
    - (iv) Safeguarding the environment.
    - (v) Corrupt practices. *(10 marks)*
  - (c) Explain how the management can increase business ethics in the sphere of industrial relations and harmony at the place of work. *(8 marks)*