

JUNIOR LYCEUM ANNUAL EXAMINATIONS 2008

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. Through the **Euro changeover** in Malta, the **value of a person's money in the bank:**

- (a) remained the same, only changed to euro at the established rate
- (b) surely increased in value as the euro is stronger and more of it is needed
- (c) decreased in value as the euro is a weaker currency worldwide

2. The **Creditors** of a business are:

- (a) other businesses that offer discounts
- (b) customers who owe money to the business
- (c) suppliers to whom the business owes money

3. Most **competitors** would try to **enter the market** with their commodities during:

- (a) the decline stage of a competitive product's life cycle
- (b) the growth stage of a competitive product's life cycle
- (c) the obsolescence stage of the competitive product

4. **Stock Control** is carried out by the:

- (a) Production Department
- (b) Purchasing Department
- (c) Finance Department

5. The **academic qualifications, experiences and particulars of an applicant** form the:

- (a) Job Specification
- (b) Job Description
- (c) Curriculum Vitae (CV)

6. The **MFSA** is an authority providing **aid to businesses** when it comes to:

- (a) financial matters
- (b) building permits
- (c) seeking export partners

7. One of the following is **not** a **social cost**:

- (a) increased employment
- (b) traffic congestions
- (c) pollution

8. The **amalgamation of a firm making teabags** with the **owner of the tea plantation** is:

- (a) called backward vertical integration
- (b) known as conglomerate
- (c) referred to as horizontal integration

9. Indicate which of the following statements **is true**:

- (a) the Balance of Trade is concerned with the trading in exported services
- (b) the Balance of Payments deals with goods/services imported or exported
- (c) the Invisible Balance shows goods/services exported or imported

10. Choose the **breakeven quantity to be sold**, if $FC = \text{Lm}100$, $VC = 80c$ and Total Revenue is $\text{Lm}500$:

- (a) five
- (b) fifty
- (c) five hundred

SECTION B: Below are the Trading and Profit & Loss Accounts of a sole trader for two consecutive years – 2006 and 2007. Examine these Accounts and then on the foolscaps provided answer the questions laid down thereafter.

This Section carries a total of 20 marks.

Trading and Profit & Loss Accounts of Mr. Vella for two consecutive years

	2006		2007	
	Euro	Euro	Euro	Euro
Sales	123,000		100,000	
Cost of Sales	85,700		70,000	
	_____		_____	
Gross Profit		37,300		30,000
<u>Less Expenses:</u>				
Wages	12,000		8,000	
Rent & Elect.	1,600		1,700	
Depreciation	500		600	
	_____		_____	
Total Expenses		14,100		10,300
		_____		_____
Net Profit		23,200		19,700
		_____		_____

- a. Why is it important for a business to compile a Profit & Loss Account at the end of its trading year? (2 marks)
- b. Though the total expenses of the business decreased in the last year, the Net Profit decreased too. Give a reason why this happened. (2 marks)
- c. Calculate the **Gross Profit Margin** and the **Net Profit Margin** for the **two years**. Therefore see that you have **four** answers. **Note: all workings must be shown!** (8 marks)

- d. Comment on the results obtained by **choosing between the two answers in each bracket** in the paragraph given hereunder. **When you choose your answer, write down the right answer on the foolscaps provided.**

The Gross Profit Margin in the year 2006 was slightly (larger/smaller) than that of 2007. When it comes to the Net Profit Margin, the year (2006/2007) had the better result. However, when considering the profits on their own and not as a ratio, the (Gross Profit / Net Profit) gives the true picture of the profit of the firm. Therefore, (2006 / 2007) is in this case the better year.
(4 marks)

- e. One of the expenses incurred by the business concerned is “**depreciation**”. Define this term.
(2 marks)
- f. In 2007 the expenses spent on wages were lower than in the previous year. Suppose the wage earned by each worker was not lowered, what could be the possible reason for a decrease in the total amount of wages paid for that year?
(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, giving a total of 40 marks for the whole Section.

Question 1

Poland is the largest of the ten mainly Central and Eastern European countries that joined the EU in May 2004. After distinguishing itself during communist times as a key centre of steelmaking and shipbuilding, Poland has branched out into a more diversified export base with the EU as its most important export market. Despite its commitment to eventually join the euro, Poland has not yet set a target entry date as it struggles to control public finances.

Unlike most of its neighbours, Poland’s transition from a centrally planned economy to a market economy began with a bang.While some experts note that modern Poland would be much poorer without these reforms, the plan was highly controversial and socially costly.

Under communism, Poland was an important centre for steel, coal and shipbuilding amid an abundance of raw materials and of skilled and unskilled labour.

(European Economy News, Issue No 6, April 2007)

- (a) From what you have read, what type of economic system did Poland have before joining the European Union?
(2 marks)
- (b) The transition from this type of economy to the new type of economy referred to in the passage brings about a number of advantages. Briefly describe one (1) possible advantage. (2 marks)
- (c) Mention one (1) other country (from the ten countries referred to in the first line of the extract), that joined the EU in May 2004. (1 mark)
- (d) Describe two (2) possible advantages that countries might have in joining the EU. (4 marks)
- (e) Explain, with examples where necessary, the three (3) underlined terms/phrases in the passage.
(6 marks)
- (f) Explain why there might be a drop in labour-intensive industries and an increase in capital-intensive industries in countries whose economies are greatly developing. (3 marks)
- (g) In the extract, it is stated that Poland has a commitment to “eventually join the euro”. Indicate one (1) benefit of a country in adopting the euro as its currency. (2 marks)

Question 2

Jody has been working for a local business for a number of years. Her work consists in buying certain health & safety equipment and protective clothing for the business. Jody realised that the prices charged for this equipment was very high and after some **desk research** on the internet, she found that buying online would be cheaper.

An idea struck her mind and she decided to set up her own business as a sole trader and start importing health & safety equipment together with protective clothing.

Of course, she realised that at first, she would have some problems, especially since the country she was going to buy from did not have the same currency and she would also have exchange rate problems.

- (a) In which department did Jody probably work whilst she was employed with the business referred to above? (1 mark)
- (b) Give two (2) possible reasons why businesses bother to provide health & safety equipment, as well as protective clothing to their employees. (4 marks)
- (c) Mention one (1) type of health & safety equipment **and** one (1) kind of protective clothing. (2 marks)
- (d) Explain the meaning of desk research **and** mention another different type of research. (3 marks)
- (e) Shopping online has its pros and cons. Mention one (1) advantage **and** one (1) disadvantage. (4 marks)
- (f) List two (2) possible advantages **and** two (2) possible disadvantages that Jody would have as a sole trader. (4 marks)
- (g) State two (2) sources of finance that Jody might have to start her own business. (2 marks)

Question 3

One great problem with which owners of a business or others in administrative positions are faced is CHANGE! Nowadays, more than ever, change is a constant which cannot be left out of the formula for a successful business. There are always new commodities, new techniques and processes, new markets, new values and developments in technology as well as administrative procedures. Change provides a challenge for management because most people resist change!



- (a) Indicate and describe with examples if necessary, three (3) factors why people resist change. (6 marks)
- (b) If you were part of management, describe three (3) ways how you would make the change easier for your employees. (6 marks)
- (c) Consumer tastes and fashions are also subject to change. Describe how an owner of a boutique could try to ensure the minimum loss in profits due to changes in tastes and fashions. (4 marks)
- (d) If new technology is introduced in a business, what would be a **possible advantage and a possible disadvantage** of such a change? (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 – 18 marks as indicated hereunder and 2 marks for logical sequence, originality and presentation.

- (a) **“If I were to choose in which section of a firm I would like to work, I would prefer to be in the department.”**
- (i) From what you have studied, choose a basic business function which you prefer and pretend you are going to work in the section of the firm that caters for this function. Describe in detail the **duties you would perform** as an employee over there. Tackle at least **four**. (16 marks)
 - (ii) State **why your choice fell on this particular function** of a business. (2 marks)
- (b) **Imagine that you lived during the times of the barter system and that lately a form of money has been introduced as a medium with which to buy the surplus of others.**
- (i) Describe the **difficulties you met when no money existed** and you just used the barter system. Use examples to illustrate your answer. (12 marks)
 - (ii) State **what kind of money has been introduced**. (Use your imagination – these were the early stages of a form of money.) (2 marks)
 - (iii) How did this thing that served the purpose of **money make your life easier?** (4 marks)
- (c) **As one of the senior officers of a business, you were asked to conduct an induction course for the new recruits of the firm. You are going to lecture about good communication techniques. Indicate what you are going to say.**
- (i) The **meaning of communication** and its **uses**. (4 marks)
 - (ii) The **process of communication** (essential ingredients), including the importance of **feedback**. (4 marks)
 - (iii) Different **types of communication**, and **patterns** used in the business. (6 marks)
 - (iv) **Problems encountered** in communication and **techniques to overcome them**. (4 marks)