

**JUNIOR LYCEUM ANNUAL EXAMINATIONS 2011**Directorate for Quality and Standards in Education  
Educational Assessment Unit**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. The **tertiary sector of production** is basically concerned with:

- (a) the manufacturing of the product from raw materials
- (b) having the ready-made product reach the customer
- (c) all government activity to produce goods for the locals

2. The most likely reason why a business might choose to set up its own **website** and so have **online presence** is because:

- (a) it is the only means of finding out customers' needs
- (b) this will ensure that the business makes large profits
- (c) there is a greater chance to sell products to new customers

3. Some effects of the **Industrial Revolution** were:

- (a) closing down of factories and concentration on farming activities
- (b) less work and a decrease in living standards
- (c) an economy based on manufacturing and the rise of foreign trade

4. In a **free market economy**:

- (a) the state fixes the prices of all goods/services
- (b) there could be inequalities in ownership of wealth
- (c) public ownership of land and capital does not exist

5. The **Purchasing department** of a firm must see to the control of:

- (a) stock levels and suppliers
- (b) scale of production and location of business
- (c) industrial relations and Trade Union affairs

6. Businesses have to keep changing in order to remain competitive but **employees resist change** due to:
- (a) having the changeover process introduced slowly and carefully
  - (b) being involved and informed of the importance of such a change
  - (c) fear of not coping with the change
- 
7. **Maslow's theory of motivation** can be applied to:
- (a) encourage employees to work harder and be more content
  - (b) make sure that the items produced are all sold to the customers
  - (c) distinguish between the best and worst employees of the firm
- 
8. The Financial Manager of firm said that **budgets and budgeting** is essential for a business because:
- (a) businesses need to have future financial plans
  - (b) the firm must work out its past performance of profit-making
  - (c) there is always a need for a supply and demand curve
- 
9. The **Balance of Payments** involves a calculation of the:
- (a) visible trade of the country
  - (b) invisible trade of the country
  - (c) visible and invisible trade of the country
- 
10. **Unit or job production** has to be resorted to when:
- (a) making a piece of furniture to fit a particular space in a client's house
  - (b) producing a number of clothing using the same pattern and styles
  - (c) the baker prepares a large amount of loaves for baking
- 

(20 marks)

**SECTION B:** Look at the Profit & Loss Statements below for two consecutive years 2009 and 2010. Examine them and then on the foolscaps provided answer the questions (a) – (e).

Then examine carefully the diagram on the next page and answer question (f) on the paper itself and questions (g) – (h) on the foolscaps provided.

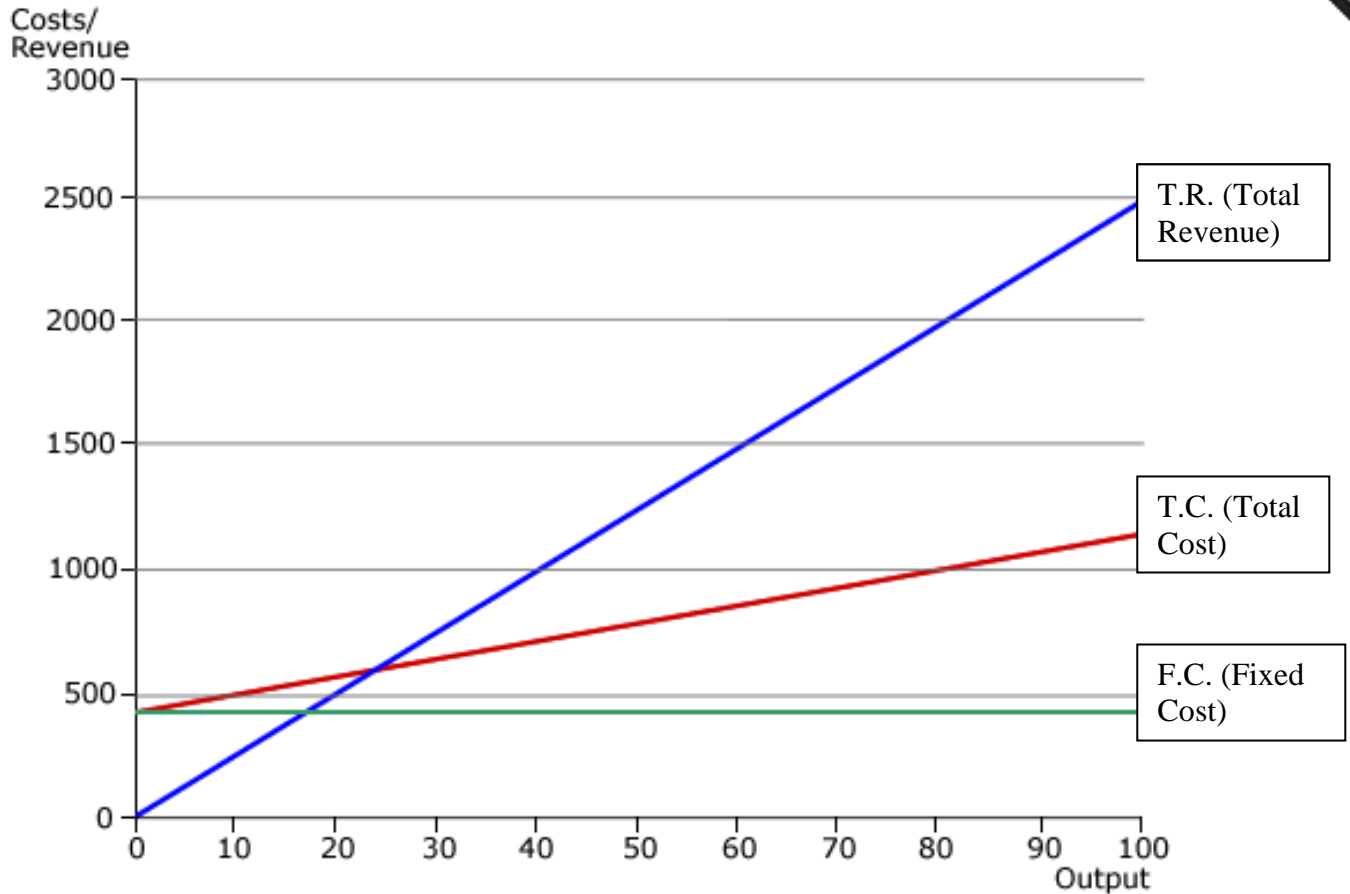
This Section carries a total of 20 marks.

**Profit & Loss Statements of a business for two consecutive years**

	2009		2010	
	€	€	€	€
Sales	5,000		8,000	
Cost of Goods Sold	3,500		4,100	
	<hr/>		<hr/>	
<b>Gross Profit</b>		1,500		3,900
<u>Less Expenses:</u>				
Rent	500		500	
Wages	1,000		1,400	
	<hr/>		<hr/>	
Total Expenses		1,500		1,900
		<hr/>		<hr/>
<b>Net Profit</b>		0		2,000
		<hr/>		<hr/>

- What can you **comment** on the **Net Profit** for the **two years** in question? (1 mark)
- What **term** do we use to describe the situation for 2009? (2 marks)
- Work out the **Gross Profit Margin** for both years. (2 marks)
- In the previous question you explored the **profitability aspect** of the business.
  - Mention **two (2) other important aspects** that can be analysed from the final accounts. (2 marks)
  - Which other important **statement** is necessary to work out these other ratios? (1 mark)
- Rent and wages are two expenses incurred by the business. Which one of them may be considered as a **Fixed Cost** and which one of them as a **Variable Cost**? (2 marks)

## Break-even Analysis Chart



f. On the above break-even analysis chart **mark** the:

- (i) Variable Cost;
- (ii) Area of Profit;
- (iii) Area of Loss;
- (iv) Break-even point;
- (v) Break-even output; and
- (vi) Break-even price.

(6 marks)

g. Why does the **Total Cost line start from above the Fixed Cost line** and not from the "0" axis? (2 marks)

h. What is the **purpose of break-even analysis** for a business? (2 marks)

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

**Always read the extracts carefully before answering the questions.**

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

**Question 1**

The directors of a well-known public limited company are planning to build an eco-town, (*a town which is environmentally friendly*), on the outskirts of a major city. This will provide for the development of a good number of houses and several facilities including shops, entertainment zones, medical clinics and schools. The government was glad that such a project was proposed as this would, to some extent, satisfy the increasing demand for housing in the area, but mostly it would take a lead in developing new technology that is environmentally friendly. Shareholders view this opportunity as an increase in profits and therefore, an increase in dividends. But the project is facing the opposition of the local people, who formed pressure groups and made campaigns against such a development.



- a. **Explain** what is meant by the **underlined terms**. (8 marks)
- b. Identify **four (4) stakeholders** in connection with this project. (4 marks)
- c. If the project were to be carried out, what possible:
  - (i) **private benefit** would arise for the **individual shareholder**;
  - (ii) **private cost** would arise for the **individual company**;
  - (iii) **social benefit** would arise for the **country as a whole**; and
  - (iv) **social cost** would arise for the **locals**? (4 marks)
- d. Instead of an eco-town, the directors could choose to develop the area into an industrial estate for the production of different materials and goods. If the development of an industrial estate to be were taken up, what would be the **opportunity cost of such a decision**? (2 marks)
- e. An eco-town would mean that the developers have to make sure that its development would be environmentally friendly. Would you consider this as an important **business ethic** and **why**? (2 marks)

## Question 2



Dr. Josef is a legal advisor working with the “Consumer & Competition” Division and he specialises in **Competition Law**. One morning he met his friend Karl who had also become a lawyer but his field of specialisation was **Employment Law**. Karl was an **active partner** with three other lawyers and was doing quite well in his business. On the day the two friends met, Karl was going to court to meet a client whose case was going to be heard. He was a bit tense because, by mistake, he had left an important document on his office desk. He phoned his personal assistant on his mobile phone telling her to scan the document and to e-mail it to him as an attachment. Having cleared the matter, Karl expressed to Josef how busy his working life was but continued to say that his work was giving him great **job satisfaction**. Josef agreed and told him that because of his work, he had the benefit of some **perks** such as a car for his own personal use. The two friends departed – each one of them for his respective business.

- a. Briefly describe what the following types of law involve:
  - (i) **Employment Law**; and
  - (ii) **Competition Law**. (4 marks)
- b. The “Consumer & Competition Division” deals also with Consumer Law. Describe the services offered by this Division in connection with **Consumer Law**. (4 marks)
- c. Apart from the “Consumer & Competition Division”, mention **three (3) other government departments/organisations that aid/control business**. (3 marks)
- d. Explain what is meant by:
  - (i) **active partner**;
  - (ii) **job satisfaction**; and
  - (iii) **perks**. (6 marks)
- e. From the passage, mention **three (3) means (or media) of communication** used. (3 marks)

**Question 3**

**GREEN FALLOUT**

The era when green marketing meant sunny logos and big environmental claims is over. Just ask BP.



When sweet, red crude began sticking to the marsh grass in coastal Louisiana in May, it was the end of an era for many people, including shrimpers, fishermen and a huge swath of the Gulf Coast tourism industry. But it was also, at least symbolically, the end of an era for the marketing world.

For more than a decade, BP had flooded the media with advertisements showing solar panels, windmills and waving fields of grass without a drop of oil in sight. It changed its name, KFC-style, from British Petroleum to BP to de-emphasize its claim to fame: hydrocarbons. The company adopted a stylized green sun as its logo and rolled out the slogan "Beyond Petroleum." .....

Research has shown that consumers don't respond simply because something is environmentally friendly. "Being green in and of itself isn't a differentiator except with a small group of consumers," says Joel Makower, executive editor of GreenBiz.com and author of Strategies for the Green Economy. "Green succeeds only to the extent that it means better--it's cheaper to buy, it operates better, it lasts longer, it's cooler for my image. People do want to do the right thing, but they don't want to go out of their way to do that. They love 'change' when it's a noun; they hate it when it's a verb."

By Jason Daley | Entrepreneur Magazine - August 2010  
[www.entrepreneur.com/magazine/entrepreneur/2010/august/207498](http://www.entrepreneur.com/magazine/entrepreneur/2010/august/207498)

- a. From the first paragraph of the passage, find **two (2) groups of people** who work in the **primary stage of production** and **one (1) type of tertiary industry** which is so important for the Maltese economy. (3 marks)
- b. The article is about **marketing** and **advertising**. Distinguish between the two terms, highlighting what they involve. (4 marks)
- c. The author is indicating that BP is marketing its products using some kind of persuader.
  - (i) What is the **persuader being implied**? (2 marks)
  - (ii) What **undesirable event** happened that made this type of marketing ineffective? (2 marks)
  - (iii) Mention a **different "hidden persuader"** used in advertising. (1 mark)
- d. List **two (2) advantages** and **two (2) disadvantages** of advertising. (4 marks)
- e. BP is a **Multinational company** and KFC is a **Franchise**. **Distinguish** between the two types of business. (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) **Production and commerce greatly increased when the “division of labour principle” was introduced.**
- (i) Explain why production increased once the division of labour principle was introduced, indicating how production used to occur before people realised that by specialising they would greatly benefit. (4 marks)
  - (ii) Why did commerce increase after the division of labour principle was introduced? (2 marks)
  - (iii) Apart from increased production, discuss three (3) advantages of division of labour. (6 marks)
  - (iv) Division of labour does not only imply benefits. Discuss three (3) possible disadvantages that it could involve. (6 marks)
- (b) **The selection, recruiting and training of workers is a lengthy process carried out by the Human Resources Department.**
- (i) Why is the Human Resources Department an important section of any business? (2 marks)
  - (ii) Explain in some detail how the selection and recruitment process is carried out. (8 marks)
  - (iii) When new personnel are recruited, they are given a contract of employment. What does this contain? (2 marks)
  - (iv) Having engaged new staff, the HR Department would be concerned with training the new workers. Discuss different types of training and the meaning of induction training. (6 marks)
- (c) **Profit & sales maximisation, survival, growth, customer satisfaction and goodwill are all business objectives.**
- (i) Define and indicate the importance of: profit/sales maximization, survival, growth, customer satisfaction and goodwill. (10 marks)
  - (ii) Growth can occur by the integration of two or more businesses together. With examples, explain how vertical, horizontal, lateral and conglomerate integration can occur. (8 marks)