

JUNIOR LYCEUM ANNUAL EXAMINATIONS 2010

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. For a business to be successful, the **entrepreneur** should:

- (a) seek profit even if he/she has to be unethical in his/her dealings
- (b) take risks and be creative as well as innovative
- (c) coordinate other factors of production without delegation of authority

2. The **privatisation of a public corporation** resulted in:

- (a) more efficient production and raised more money for Government
- (b) less choice and less investment in the private sector of the economy
- (c) an increase in fringe benefits for government employees

3. In an **Organisation Chart**, it is shown that the Cost Accountant is responsible to the :

- (a) Marketing Manager
- (b) Financial Manager
- (c) Production Manager

4. The functions of **Commercial Banks** include:

- (a) investments and keeping the accounts for state departments
- (b) fixing share prices and listing companies
- (c) safekeeping, lending and transfer of money

5. The **Curriculum Vitae** is used when:

- (a) an employee's health & safety is at risk
- (b) the contract of employment is given to the employee
- (c) applying for a vacant post

6. **Dismissal** may be resorted to when an employee:

- (a) is no longer medically fit for work
- (b) continues to disobey the rules at the workplace
- (c) is no longer needed for work

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7. If there is an **industrial dispute**, trade unions may use:

- (a) work to rule, go-slow and strikes
- (b) sit-in strikes, wild-cat strikes and overtime ban
- (c) overtime, industrial relations and conciliation

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8. If **supply** exceeds **demand** there would be a:

- (a) a surplus
- (b) a shortage
- (c) an equilibrium price

☐

9. The **location** of a business requiring the **importation of heavy raw material** is best:

- (a) near the market or “market pull”
- (b) in the vicinity of a port
- (c) where there is plenty of water

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10. The **break-even point** refers to the point where the:

- (a) profit is at its highest point
- (b) an organisation has the least costs and maximum production
- (c) firm’s revenue equals its costs and net profit is zero

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SECTION B: Examine carefully the two Trading and Profit & Loss accounts which belong to two different sole traders, namely, J. Bianco and T. Axiaq. Answer the questions laid down thereafter on the foolscaps provided.

This Section carries a total of 20 marks.

	Trading and Profit & Loss Account of J. Bianco for the year ended 31 December 2008		Trading and Profit & Loss Account of T. Axiaq for the year ended 31 December 2008	
	€	€	€	€
Sales	89,500		150,000	
Cost of Sales	45,200		100,000	
	_____		_____	
Gross Profit		44,300		50,000
<u>Less Expenses:</u>				
Salaries & Wages	4,000		4,500	
Water & Elect.	3,600		1,500	
Telephone	500		500	
Insurance	250		300	
Advertising	800		700	
Repairs	10,000		/	
	_____		_____	
Total Expenses		19,150		7,500
		_____		_____
Net Profit		25,150		42,500
		_____		_____

- The above two businesses are of the Sole Ownership type. List **two (2) benefits and two (2) disadvantages** of such a type of business. (4 marks)
- Work out the following:
 - Gross Profit Margin for both businesses; and**
 - Net Profit Margin for both businesses.** (6 marks)
- Comment on the results obtained** in the previous questions, **indicating clearly which of the two businesses is doing better and why.** (4 marks)
- Apart from the aspect of Profitability**, the Final Accounts can be used to **analyse** other aspects of the business. Mention **two (2) other important aspects.** (2 marks)
- The Cost of Sales is arrived at by adding Purchases to the Opening Stock and subtracting the Closing Stock. **Explain** why:
 - this has to be done in order to arrive at the Cost of Sales figure; and
 - “Overstocking” and “Under stocking” should be avoided. (4 marks)

SECTION C: Answer any two (2) Questions (with all their respective sub-divisions), the foolscaps provided. However, the filling in exercise of Question 1 can be answered on the exam paper itself.

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

Question 1

- a. **The words in the box below are to be appropriately inserted in the right blank of the text that follows.**

industrial, communication, world, subsistence, crafts, labour, factory, direct, textile, international

If one were to study Business Development throughout the ages, one has to go back in time and start at the era when man used to provide for his basic needs without the aid of others. This type of _____ production meant low levels of production; just enough to meet the bare necessities of life. Such a characteristic is typical of _____ economies which are basically agrarian economies. Then throughout time, the _____ industry developed. People started developing specialised skills and formed guilds of craftsmen in a particular trade, like that of carpenters, carvers, _____ workers and masons.

A major change in the economic world occurred in the late 18th and early 19th century, when manual labour started being replaced by machines. This was the beginning of the _____ revolution. It brought about great changes such as urbanisation, increase in trade and living standards, work for wages and of course the setting up of the _____ system. This was not the end but the beginning of a period of several economic changes.

Nowadays, we often speak of globalisation and the global economy. Globalisation is the term used to describe the development of _____ markets. This meant an increase in _____ trade, investment and capital flows. Though several benefits are associated with globalisation including, increased economic growth, improvements in health and environmental aspects, as well as spread of information and more efficient _____, problems still arise. Uncompetitive industries are penalised and this may result in loss of _____, amongst other disadvantages. (10 marks)

- b. The introduction of machinery in the production process made it possible for mass production to occur. Explain the difference between: **job production, batch production and mass production.** (3 marks)
- c. Apart from an increase in the number of goods produced, mass production, using division of labour processes, has other advantages. **Describe two (2) these advantages.** (4 marks)
- d. A factory worker exclaims that her work in mass production is monotonous. **Why** is this so and **how can this bad aspect of division of labour be minimized?** (3 marks)

Question 2

Read the extract below and answer all the questions that follow.



The National Statistics Office, Malta issues statistics and comments on trends relating to the Maltese population. One of its publications is the Demographic Review. In its publication of the 2008, it was stated that: *“Over a century, the total population of Malta practically doubled. The total population at the end of 2008 amounted to 413,609 persons.”*

Meanwhile, it is also a known fact that life expectancy has increased rapidly throughout the last decades. At the same time the crude death rate, birth rate and infant mortality rate have declined.

- a. Give two (2) reasons why a **businessman** would be interested to learn about such **demographic trends.** (2 marks)
- b. **What is meant by life expectancy and how would this affect the production of businessmen?** (3 marks)
- c. **Define the three (3) underlined terms** in the text provided and **state how these affect the increase or decrease in total population.** (5 marks)
- d. Besides the National Statistics Office there are several other **entities/organisations that can aid business activity.** Choose **one (1)** of these organisations and say all you know about it especially how it could be of help to a business. (5 marks)
- e. **Changes** occur in the size and structure of the population. At the same time, individual **businesses too** have to make **several changes to remain competitive.** In some detail, **describe the problems** a businessman can meet when proposing **changes and how he can make his employees accept such changes.** (5 marks)

Question 3

After taking a look at the Memo below, answer the related questions on the foolscaps provided.



Memorandum

To: All Section Managers

From: Managing Director

Re: Indulging in International Trade

Following several meetings and discussions, the final decision has been that our company will in fact enter the foreign trade business and market its products abroad. You are now required to see that

- The efficient running of a firm depends on good communication. **Define communication** and **explain why this is essential for a business.** (3 marks)
- The Memo is one form of communication that business organisations use. **Mention other types of communication (at least 4)**, classifying them in **internal** and **external** communication and **state how and why you would prefer a Memo to some other form of internal communication.** (4 marks)
- Give **three (3) rules for good communication.** (3 marks)
- If the company is going to start exporting to other countries, what possible difficulties can it meet? Explain **three (3) of these difficulties** in some detail. (6 marks)
- Companies involved in international trade will either affect the **Visible** or the **Invisible trade** figure and finally they will affect the country's **Balance of Payments figure.** Explain what is meant by this statement showing that you know the meaning of each of the highlighted terms. (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) **Think of an advertising campaign you would be doing for a product of your choice. Decide what good/service you are going to market and then answer the questions that follow hereunder.**

I would be choosing to market a _____.

- (i) Explain the meaning and role of marketing a product. (3 marks)
- (ii) Why and how is market research necessary also to decide on the type of advertising campaign you are going to follow? (2 marks)
- (iii) With examples define desk research and field research. (4 marks)
- (iv) Discuss in detail what you are going to do to advertise the product you have chosen, such as the media you are choosing to promote your product and the tools you are going to use, stating why; the extent of your campaign; the ethical aspects you are going to consider and any other worthwhile information. (6 marks)
- (v) What is your view on the right of a competitor or a consumer to complain about a particular advertisement? (3 marks)

- (b) **In a mixed economy you find various types of business units in both the private and public sectors.**

- (i) Explain the role and importance of the private and public sectors of an economy. (4 marks)
- (ii) What makes a mixed economy different from a centrally-planned economy or a free-market economy? (2 marks)
- (iii) Describe the various types of business units found under the private sector and those under the public sector. (10 marks)
- (iv) For the private and public sectors to operate well, taxes must be paid. Why? (2 marks)

- (c) **Resources are scarce and because of this we are constantly forced to make choices. But every choice has its private costs/benefits, external costs/benefits.**

- (i) Explain in some detail what is meant by scarce resources and how people are forced to make choices. (4 marks)
- (ii) Define opportunity cost and give an example to illustrate your answer. (4 marks)
- (iii) Using an example illustrate the meaning of private costs, private benefits, external costs, external benefits. (8 marks)
- (iv) Why do businesses and government indulge in cost-benefit analysis before making a decision? (2 marks)