

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2012 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	I
DATE:	3 rd May 2012
TIME:	9:00 a.m. to 11:00 a.m.

This paper consists of EIGHT (8) questions of 10 marks each.

Candidates must answer ALL questions in this paper.

Candidates are to write the question number and letter in the margin provided.

QUESTION 1

- Name the main types of business organisations which make up the private sector. (2 marks)
- List **four** main objectives of any business in the private sector. (2 marks)
- Distinguish between *shareholders* and *stakeholders*. (3 marks)
- List **two** features which make a market economy different from a planned economy. (2 marks)
- What is the main difference between the private and the public sector of an economy? (1 mark)

QUESTION 2

- Define the term *opportunity cost* and give **one** example. (2 marks)
- Classify the following into *primary*, *secondary* and *tertiary* production:
Teaching Quarrying Public Transport
Construction Hairdressing Farming
(3 marks)
- List **two** problems which local exporters face when they try to do business overseas and explain any **one** of them. (2 marks)
- Define the term *Trade Gap*. Give **one** reason why a trade gap may arise. (2 marks)
- Mention **two** advantages which Malta gains when it allows multinational companies to operate in Malta. (1 mark)

QUESTION 3

- a. List **two** actions businesses may undertake when they behave ethically. (2 marks)
- b. Give **one** example of how a Bank abides by Health and Safety regulations. (2 marks)
- c. Explain **two** benefits trade unions try to achieve for their members. (2 marks)
- d. Give **two** examples of how firms can safeguard the global environment. (2 marks)
- e. What is Fair Trade? Give one example. (2 marks)

QUESTION 4

- a. The business environment is forever changing. Explain **two** ways in which businesses have had to change the way they practise marketing due to changes in the business environment. (2 marks)
- b. Communication leads to efficient management. Which are the **four** essential elements of the communication process? (2 marks)
- c. Give **four** examples of written communication other than letters. (2 marks)
- d. List **two** purposes of good communication in a business. (2 marks)
- e. List **two** users of financial information and explain why any **one** of these users would require this information. (2 marks)

QUESTION 5

- a. (i) What is the Break-Even Point of a firm? (1 mark)
(ii) Susan bakes cakes for her confectionary business. These cakes are sold for €20 and the variable cost is €10 per cake. Susan's total fixed costs are €400. Calculate Susan's break-even point. (1 mark)
- b. Firms need to grow in order to benefit from scale advantages. Give **one** example of an internal economy of scale and **one** of an internal diseconomy of scale. (2 marks)
- c. How is batch production different from mass production? (2 marks)
- d. Discuss briefly the importance of stock control in a firm. (2 marks)
- e. How is *Quality Control* important to firms today? (2 marks)

QUESTION 6

- a. All businesses are required to prepare a set of Final Accounts. Which documents make up the *Final Accounts* of a firm? (2 marks)
- b. Distinguish between *hire purchase* and *leasing* as a source of external finance for businesses (2 marks)
- c. How is the *working capital ratio* calculated? (2 marks)
- d. Why is the calculation of the working capital ratio important to a firm? (2 marks)
- e. What is the difference between *liquidity* and *profitability* of a firm? (2 marks)

QUESTION 7

- a. List **four** duties carried out by the Human Resources (Personnel) Department. (2 marks)
- b. Distinguish between the *job description* and the *job specification*. (2 marks)
- c. What does Herzberg mean when he refers to *hygiene factors* in his motivational theories? (2 marks)
- d. List **two** ways in which worker's motivation may be improved. (2 marks)
- e. What does *work-to-rule* mean? (2 marks)

QUESTION 8

- a. What are *externalities*? Give one example of a negative and of a positive externality. (2 marks)
- b. How can government ensure that society suffers fewer negative externalities as a result of firms' operations? (2 marks)
- c. Explain the role of **one** of the following organisations:
 - (i) The Malta Financial Services Authority;
 - (ii) The Chamber of Commerce;
 - (iii) National Audit Office. (2 marks)
- d. Give **two** ways in which Government regulates the relationship between firms and consumers. (2 marks)
- e. Explain briefly how Consumer Protection Laws help buyers. Give **one** example. (2 marks)

END OF PAPER

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2012 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	IIA
DATE:	7 th May 2012
TIME:	9:00 a.m. to 11:00 a.m.

This paper consists of SIX (6) questions.

Candidates are to write the question number and letter in the margin provided.

Answer Question 1 from Section A and ANY THREE questions from Section B.

The use of non-programmable electronic calculators is permitted.

In calculations, candidates are advised to show all their workings.

SECTION A : Answer ALL questions in this Section (30 marks)

QUESTION 1

Read the extract below and then answer the questions which follow:

Growth in the Fashion Retail Industry

Asos.com is a public limited company and is the UK's leading online fashion store for women and men. Launched in 2000, the online retailer targets fashion conscious 16-34 year olds. On asos.com there are 9000 products available at any one time, with 450 fashion items added every week. Asos attracts 3.3 million shoppers every month and has 1.8 million registered users.

Five years ago, asos.com had just 550 square meters of warehouse space. Today, to meet growing demand, asos.com now has 32,500 square meters of warehouse space, equivalent to nearly five football pitches. In April, 2005, asos.com employed 47 permanent staff. By February 2008, it had 250 employees. Sales increased by 90% year on year and growth in sales translates to profit.

Most companies seek to grow. Growth increases profit for shareholders. Some firms choose to grow internally, while others prefer external growth strategies. Asos has achieved rapid internal growth and has used the Internet as the primary growth tool. Rapid growth may, at first glance seem to be an advantage, however, it can cause problems and a firm that grows too quickly can run into difficulties.

Asos.com works in a rapidly changing market. It must keep up with developments in web technology. Customers can now track their orders online. Shoppers can refine the products they view on asos.com, by choosing colours, sizes and brands to suit.

The company uses a number of communication channels to drive growth: it has increased the asos.com monthly magazine to 116 pages; it emails a newsletter twice a week to 1.8 million people who have chosen to receive it; it strives on building a personal relationship with its customers and relies on word-of-mouth, where customers recommend other people.

Now answer **ALL** of the questions which follow:

- a. Why do firms try to achieve growth? Give **three** reasons. (3 marks)
 - b. Propose **three** methods of internal growth for firms. (3 marks)
 - c. How has Asos.com achieved growth? Explain. (3 marks)
 - d. Distinguish between a takeover and a merger. (2 marks)
 - e. Distinguish between: horizontal integration, vertical integration and conglomerate, giving examples in each case. (6 marks)
 - f. What type of business organisation is Asos.com? Briefly explain **one** advantage of this type of business organisation to its owners. (2 marks)
 - g. Which documents describe the organisation and business objectives such as Asos.com? (2 marks)
 - h. Asos.com is a fashion retailer. List and explain the function of **each** of the other members of the distribution channel. (3 marks)
 - i. Explain **three** difficulties firms may meet if they grow too rapidly. (3 marks)
 - j. Suggest **three** other forms of communication which a firm may use in today's modern business environment to communicate either with its employees or with its customers. (3 marks)
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SECTION B: This section consists of FIVE (5) questions, which carry 20 marks each. Answer ANY THREE (3) questions from this section.

QUESTION 2

- a. A number of conditions of employment are regulated in Malta by the Employment and Industrial Relations Act (EIRA). Name **four** of these work conditions other than pay level. (4 marks)
- b. Name **four** types of population distributions. In your answer, state what is meant by the dependency ratio and by which population distribution this ratio may be calculated. (5 marks)
- c. List **four** different ways in which the employee's wage can be calculated and explain any **two** in detail. (5 marks)
- d. What does *labour turnover* mean? Give **two** factors which may cause labour turnover. (3 marks)
- e. Briefly explain **three** ways by which labour turnover may be reduced. (3 marks)

QUESTION 3

- a. Market research is an ongoing business activity. List the **five** stages of market research. (5 marks)
- b. List **three** methods which may be used to segment a market and explain any **one** of them. (5 marks)
- c. What is a *random sample*? (2 marks)
- d. Distinguish between primary research and secondary research. Name **one** source from where **each** type of research can be obtained. (4 marks)
- e. State **four** marketing activities other than market research. (4 marks)

QUESTION 4

- a. Why must a business keep an eye on its cash flow? Give **three** reasons (3 marks)
- b. Suggest **three** ways a firm can raise finance to buy new equipment. (3 marks)
- c. How does a *debenture* differ from an *ordinary share*? (4 marks)
- d. As Finance Director of a firm you wish to make a new share issue. Who would you contact? Explain how you would expect them to act on your behalf. (5 marks)
- e. Distinguish between the functions of a commercial bank and the Central Bank of Malta. (5 marks)

QUESTION 5

- a. Name **four** historical stages of business development and briefly describe one of them. (4 marks)
- b. Name **four** improvements brought about by new technology in *manufacturing* and briefly explain any **one** of them. (5 marks)
- c. Why do people resist change? Give **three** reasons. (4 marks)
- d. How does business respond to resistance to change? (3 marks)
- e. In several countries a number of state-owned businesses have been privatised. Briefly discuss **three** benefits of *privatisation*. (4 marks)

QUESTION 6

- a. Distinguish between a memorandum and a business letter. (3 marks)
- b. State **one** regulatory body in Malta that may have an influence on the location decision of a business and state also its main role. (3 marks)
- c. Describe the role of the *Purchasing department*. (5 marks)
- d. What does *Economic Order Quantity* mean? (3 marks)
- e. Which **three** essential qualities must suppliers possess? Give **two** arguments in favour of using one supplier instead of many. (6 marks)

END OF PAPER

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SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2012 SESSION

SUBJECT:	Business Studies
PAPER NUMBER:	IIB
DATE:	7 th May 2012
TIME:	9:00 a.m. to 11:00 a.m.

This paper consists of SIX (6) questions.

Answer Question 1 from Section A and ANY THREE questions from Section B.

In calculations, candidates are advised to show all their workings. The use of non-programmable electronic calculators is permitted.

Candidates are to write the question number and letter in the margin provided.

SECTION A

Answer ALL questions in this section (30 marks).

QUESTION 1

Read the extract below and then answer **ALL** the questions which follow.

The Kellogg's Company

*The Kellogg Company is the world's leading producer of breakfast cereals. Kellogg's **brands** are household names around the world.*

Kellogg's Corn Flakes have been on breakfast tables for the past 100 years. Kellogg's Company aims to grow by targeting those customers who are very health conscious and those who need a healthy pre-packed snack.

*Each product in the Kellogg's product portfolio has its own **life cycle**. Some products, like Kellogg's Corn Flakes, have kept their market position for a long time. Others may have been overcome by competition.*

When a company recognises that a product is not performing as well as it should, it has to decide what to do. Kellogg's launched its Nutri-Grain in 1997 and it was immediately a success, but by mid-2004 its sales were falling steadily. Having studied the problems which led to Nutri-Grain's falling sales, Kellogg's decided to rebrand the product and keep it on the market.

*The re-launch of Nutri-Grain focused on all four parts of the **marketing mix** and the exercise was a big success.*

Now answer **ALL** the questions that follow:

- (a) Define the following terms:
(i) Brand;
(ii) Product life cycle;
(iii) Marketing mix. (6 marks)
- (b) Give **two** examples of brand names, **other** than the ones mentioned in the extract. (2 marks)
- (c) Which **three** features must a good brand name possess? (3 marks)
- (d) Sketch a well-labelled diagram to show the different stages of the product-life cycle model. (5 marks)
- (e) What did Kellogg's try to achieve by re-launching Nutri-Grain? (2 marks)
- (f) Give **two** examples to show how the re-launched cereal (Nutri-Grain) may be promoted to the public. (3 marks)
- (g) What is the difference between a skimming and a penetrating pricing strategy? (4 marks)
- (h) Given that there is a lot of competition in the market for cereals, which pricing strategy would you recommend Kellogg's should use when re-launching Nutri-Grain? Give reasons for your answer. (3 marks)
- (i) List **two** characteristics of the customers that Kellogg's tries to target in its marketing policy. (2 marks)
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SECTION B

This Section consists of FIVE (5) questions. Answer ANY THREE (3) questions from this section (20 marks each).

QUESTION 2

- (a) What is meant by the *management structure* of an organisation? (3 marks)
- (b) Distinguish between *chain of command* and *span of control*. (4 marks)
- (c) Describe **two** ways in which firms may be organised internally. (4 marks)
- (d) Distinguish between *centralised* and *decentralised* authority, giving examples of **each** one. (4 marks)
- (e) Explain the purpose of *delegation* in firms and give **one** example. (5 marks)

QUESTION 3

- (a) What is the difference between a *fixed* and a *variable* cost? (2 marks)
- (b) Give **two** examples of each of the following for a firm in the service industry:
(i) Fixed assets (Non-current assets);
(ii) Current assets;
(iii) Current liabilities;
(iv) Long Term liabilities (Non-current liabilities). (4 marks)

(c) You are given the following information:

<i>Dingli's Emporium</i>		
Statement of Financial Position (Balance Sheet)		
as at 31st December		
	2010	2011
	€	€
Non Current Assets	42,000	66,000
Inventory	15,000	26,000
Trade Receivables (debtors)	22,000	24,000
Bank	4,000	
Trade Payables (creditors)	10,000	12,000
Bank Overdraft		8,000
TOTAL NET ASSETS	73,000	96,000
Financed by:		
Capital	60,000	73,000
Net Profit	13,000	23,000
	73,000	96,000

The firm's sales were €260,000 in 2010 and €320,000 in 2011. The margin on sales was 20% for both years.

- (i) Calculate the following for 2010 and 2011, stating your formula clearly in each case (where appropriate, give answers to 1d.p.):
1. Gross profit; (3 marks)
 2. Net profit margin (%); (3 marks)
 3. ROCE; (3 marks)
 4. Acid Test Ratio (Quick Assets Ratio). (3 marks)
- (ii) Do you think that the firm's overall financial position has improved from 2010 to 2011? Give reasons for your answer. (2 marks)

QUESTION 4

- (a) Give **three** reasons why the directors of a company may seek to expand their operations. (6 marks)
- (b) State **three** methods of measuring the size of a firm. (3 marks)
- (c) How does a firm grow through:
- (i) internal expansion?
 - (ii) integration? (4 marks)
- (d) Give **two** advantages associated with *external growth*. (4 marks)
- (e) How does *specialisation* help some small firms to survive? (3 marks)

QUESTION 5

- (a) Which are the **four** factors of production? (4 marks)
- (b) What is *division of labour*? What do firms gain by this? (4 marks)
- (c) If a businessman wishes to set up business in Malta, explain **two** factors that will influence where the new firm is located. (2 marks)
- (d) What is the difference between *geographical mobility* and *occupational mobility* of labour? Give **one** example of **each**. (6 marks)
- (e) List and explain **two** types of training that may make workers more occupationally mobile. (4 marks)

QUESTION 6

- (a) Give **three** reasons why a country takes part in international trade. (6 marks)
- (b) Identify **two** major exports and **two** major imports of Malta. (4 marks)
- (c) Explain the term *multinational* and give **one** example. (3 marks)
- (d) What is the *Balance of Payments account*? (3 marks)
- (e) What role does the European Union (EU) play in international trade? (4 marks)

END OF PAPER