

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

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2013 SESSION

SUBJECT:	Commerce
PAPER NUMBER:	I
DATE:	24 th May 2013
TIME:	9:00 a.m. to 11:00 a.m.

This paper consists of SIX (6) questions.

Answer ALL questions.

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

1. *“The Central Bank of Malta is an independent institution which seeks to carry out its statutory responsibilities in the public interest. As a member of the Eurosystem, the Bank's primary objective is to maintain price stability, thereby contributing to sustainable economic development.”*

(Central Bank of Malta Website)

- (a) Besides that of maintaining price stability, mention and explain **four** other *functions* of the Central Bank of Malta. (8 marks)
- (b) Which are the **two** main *commercial banks* in Malta? (2 marks)
- (c) Mention **three** differences between a *bank overdraft* and a *bank loan*? (6 marks)
- (d) For which **four** reasons might a cheque be *dishonoured*? (2 marks)
- (e) What is a *bank statement*? (2 marks)

(Total 20 marks)

2. *“Malta is exposed to the present fluctuations in world trade that result from the general economic climate firstly because of its role as a hub between major trading routes, and secondly as all its businesses are exposed to international markets in some way.*

(Sunday Times 6th February 2012)

- (a) Why is *international trade* so important for the Maltese Islands? (2 marks)
- (b) Describe the purpose of the following international trading documents: *Freight Note* and the *Manifest*. (4 marks)
- (c) Compare briefly the advantages and disadvantages of *sea* and *air transport* as a means of importing goods to Malta. (4 marks)
- (d) Malta is seriously considering pipelines to transport what? (1 mark)
- (e) The *Malta Freeport* focuses on the ‘hub’ concept. Which are the **two** main services offered by this important enterprise? (4 marks)
- (f) How many member states are there in the *EU*? (1 mark)
- (g) How many of the member states in the EU use the *Euro*? (1 mark)
- (h) Mention **three** advantages of having the Euro as a *single currency*. (3 marks)

(Total 20 marks)

3. “There was a time when the January sales were the talk of the town in the post-Christmas period. Anxious customers queued for hours waiting for shops in Valletta and Sliema to open for the winter sales. This seems to be changing as online shopping is proving to be the favoured option of an increasing number of consumers, much to the disappointment of shop owners in our main commercial centres.”

(The Times 10th January 2013)

- (a) What is *E-Commerce*? (2 marks)
- (b) Why do you think that *online shopping* is proving to be more popular than traditional shopping? (3 marks)
- (c) Mention **three** advantages of shopping from a *commercial centre* rather than online. (3 marks)
- (d) Describe briefly **two** functions of the *retailer*. (4 marks)
- (e) Describe **two** situations where the wholesaler is removed from the *chain of supply*? (2 marks)
- (f) Mention **two** advantages and **two** disadvantages of a *sole trader*. (4 marks)

(Total 18 marks)

4. “Specialisation is when we concentrate on a product or task.”

- (a) Mention **two** advantages and **two** disadvantages of *specialisation*. (4 marks)
- (b) What is the difference between *specialisation by product* and *specialisation by process*? In each case give an example. (4 marks)
- (c) How can the *government* help local traders? (6 marks)
- (d) In what ways have *mobile phones* and the *internet* contributed positively to communication in trade? (4 marks)

(Total 18 marks)

5. Explain briefly the following terms, in each case giving **two** examples from the local scene:

- (a) Public Corporations
- (b) Co-operatives
- (c) Franchise

(4 marks each)

(Total 12 marks)

6. State briefly the main functions of each of the following:

- (a) MFSA
- (b) NGOs
- (c) Consumer Claims Tribunal

(4 marks each)

(Total 12 marks)

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SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2013 SESSION

SUBJECT:	Commerce
PAPER NUMBER:	IIA
DATE:	27 th May 2013
TIME:	9:00 a.m. to 11:00 a.m.

This paper consists of SEVEN (7) questions.

Answer any FOUR questions. All questions carry equal marks.

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

Answer any FOUR questions. All questions carry equal marks.

1. *"Travelling overseas and visiting new countries are perceived as a positive experience and one would not wish to ruin this perception by thinking of all the bad things that could happen. It is crucial that you buy an insurance policy on the same day you pay the deposit for the trip."*
(Times of Malta -5 August 2012)

- (a) What is the purpose of having an insurance policy? (4 marks)
- (b) Name and explain **three** principles of insurance. (6 marks)

Buying a travel insurance policy is only one type of insurance available on the market. A businessman starting his own business would certainly need to take out several different types of insurance policies.

- (c) Mention some insurance policies a business might take up to cover any risks. (6 marks)
- (d) Describe the difference between employer's liability and public liability. (4 marks)
- (e) Why are some risks non-insurable? (5 marks)

(Total 25 marks)

2. *Ben and Dean are two brothers who decided to form a Limited Liability Company. Their trading activity would be the manufacture of soft toys both for the local market and for the export of their product to other countries. They forecast a great demand for their product and it is very likely that they would need to employ a number of workers to work at their factory.*

- (a) Explain **three** advantages of forming a company rather than forming a partnership. (6 marks)
- (b) The two businessmen did some research before deciding to set up this business. What is the difference between desk and field market research? (4 marks)
- (c) Selling goods both locally and overseas would require some form of transport. List **three** factors businesses consider when choosing the form of transport. (6 marks)
- (d) The goods they export will be transported from the port to the retailers using containers. Why is containerisation used in transport? (3 marks)
- (e) Give **three** examples of commercial documents that are used in home trade. (6 marks)

(Total 25 marks)

3. The value of a country's international trade is the following:

	€ (millions)
Visible exports	56 500
Invisible exports	27 800
Visible imports	58 000
Invisible imports	29 400

- (a) Explain the terms **imports** and **exports**. (4 marks)
- (b) Explain the terms **visible trade** and **invisible trade**. (4 marks)
- (c) Calculate: (i) the balance of trade and (ii) the balance of payments. (4 marks)
- (d) Governments may protect their markets by imposing tariffs and quotas on imports. Identify **two** effects on imports when imposing: (i) tariffs and (ii) quotas? (4 marks)
- (e) In past years the Government of Malta has privatised some of the Public Corporations. List **three** reasons why governments privatise business organisations. (9 marks)

(Total 25 marks)

4. *John Smith has €20,000 in a bank deposit account but he is considering buying ordinary shares or debentures in a company. He looked on the internet for further information about the Stock Exchange, and the buying of shares and debentures.*

- (a) What is a bank deposit account? (4 marks)
- (b) Mention **four** other services offered by commercial banks. (4 marks)
- (c) List **three** differences between an investment in ordinary shares and debentures. (6 marks)
- (d) Explain the importance of a stock exchange to an investor like John Smith. (4 marks)
- (e) Explain the term dividend. (2 marks)
- (f) Name **five** companies listed on the Malta Stock Exchange. (5 marks)

(Total 25 marks)

5. Chin Chin plc is introducing a new soft drink on the market. It is seeking to create a brand image for the new soft drink.

- (a) Explain why creating a brand image is important for the successful launch of the new soft drink. (9 marks)
- (b) Advertising can be informative, and/or persuasive. Explain these two types of advertising. (6 marks)
- (c) Mention **two** reasons why governments pass laws to control the advertising of consumer products. (6 marks)
- (d) Define the terms ‘producer goods’ and ‘consumer goods’. (4 marks)

(Total 25 marks)

6. Bongu Ltd is a private company that manufactures toys. The Income Statements for the years 2011 and 2012 show the following:

	<u>2011</u>	<u>2012</u>
	€	€
Sales	300,000	360,000
Gross Profit	180,000	180,000
Operating expenses	120,000	90,000
Cost of Sales	120,000	180,000
Opening Stock	10,000	15,000
Closing Stock	15,000	12,000

- (a) Explain how the cost of sales is calculated. (3 marks)
- (b) Calculate the rate of stock turnover for 2011 and 2012. (4 marks)
- (c) Give **six** examples of operating expenses. (6 marks)
- (d) Calculate the Gross Profit Margin for 2011 and 2012. (6 marks)
- (e) Define the Acid Test Ratio and state its significance. (6 marks)

(Total 25 marks)

7. In European Union law, the **Four Freedoms** is a common term used to refer to free movement of goods, capital, services and persons.

- (a) Explain the concept of a single market within the European Union. (2 marks)
- (b) List and explain **four** advantages of a single market. (8 marks)
- (c) What is fair trade? (3 marks)
- (d) What is meant by a barter system? What are the major problems of this system if it is used for trading? (5 marks)
- (e) What are the characteristics and functions of money? (7 marks)

(Total 25 marks)

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SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2013 SESSION

SUBJECT: **Commerce**
 PAPER NUMBER: **IIB**
 DATE: **27th May 2013**
 TIME: **9:00 a.m. to 11:00 a.m.**

This paper consists of SIX (6) questions.

Answer ALL questions from Section A and ONE question from Section B.

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

SECTION A

Answer All questions in this section

QUESTION 1

Choose the correct word / phrase from the following to complete the sentences. Each word / phrase is to be used only once. Write the complete sentences on the booklet provided.

(20 x 2 marks each)

enterprise	public limited companies	labour	primary
private limited companies	secondary	partnerships	dividend
tertiary	co-operatives	capital	retailer
shareholders	wholesaler	directors	production
sole-traders	e-commerce	specialisation	land

The purpose of _____ is to provide people with the goods they want to consume.

There are four factors of production that are needed to produce goods or services. These factors are _____, _____, _____ and _____.

Business activity provides goods and services by combining the factors of production.

There are three main stages of production and these are the _____ stage, the _____ stage and the _____ stage.

There are five main forms of business organisations in the private sector.

These are: _____; _____; _____; _____; and _____.

_____ are the owners of a limited company. They appoint _____ to run the business. They receive a return on the amount invested which is known as a _____.

Division of labour is when the production process is split up into different tasks and each worker performs one of these tasks. It is also known as _____.

The chain of distribution links the producer with the consumer through two main intermediaries – the _____ and the _____.

Consumers can use the internet and electronic communications to carry out business transactions. This business activity is called _____.

(Total 40 marks)

QUESTION 2

Which term or phrase is best described by each of the following statements?

- (a) A company prepares this document upon its formation.
- (b) Goods sold to other countries.
- (c) Services bought from other countries.
- (d) The bank that manages the government's banking accounts.
- (e) The market where one can buy and sell listed second-hand shares.
- (f) The transfer of a message from the sender to the receiver.
- (g) Where buyers and sellers come together to exchange goods and services for money.
- (h) Research carried out to find out consumer wants before a product is developed and produced.
- (i) The unique name of a product that distinguishes it from the products of its competitors.
- (j) The organisation that regulates and supervises the conduct of the financial services industry in Malta.

(2 marks each)
(Total 20 marks)

QUESTION 3

- (a) Name **two** financial statements that are prepared by businesses. (4 marks)
- (b) Distinguish between non-current assets (fixed assets) and current assets. (4 marks)
- (c) Give **two** examples of each of the following:
 - (i) Expenses;
 - (ii) Liabilities;
 - (iii) Non-current assets;
 - (iv) Current assets.(8 marks)
- (d) Distinguish between the liquidity and the profitability of a business. (4 marks)

(4 marks)
(Total 20 marks)

SECTION B
Answer only ONE question in this section

QUESTION 4

- (a) What is meant by a barter system? List **three** major problems of this system if it is used for trading. (2, 3 marks)
- (b) List **four** characteristics and **three** functions of money. (7 marks)
- (c) What is the purpose of an insurance policy? (4 marks)
- (d) List **four** main types of insurance policies. (4 marks)
- (Total 20 marks)**

QUESTION 5

Paula and Marija are equal business partners who sell books and educational material from their retail outlets in Valletta and Gozo.

- (a) Explain **one** advantage and **one** disadvantage of being in a business partnership rather than operating as a sole trader. (4 marks)
- (b) In which sector of the economy is the partnership operating? (2 marks)
- (c) What does the phrase 'equal business partners' imply? (2 marks)
- (d) List **three** advantages of forming a company and discontinue the partnership. (6 marks)
- (e) List **three** services offered by the local commercial banks. (6 marks)
- (Total 20 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) What is the *Balance of Payments account*? (4 marks)
- (d) What role does the European Union (EU) play in international trade? (4 marks)
- (e) Define tariffs and quotas. (2 marks)
- (Total 20 marks)**