

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

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2014 SESSION

SUBJECT:	Commerce
PAPER NUMBER:	I
DATE:	9 th May 2014
TIME:	9:00 a.m. to 11:00 a.m.

Answer ALL questions.

1. *The following information was extracted from the books of Mr. Banks who is the only owner of the firm:*

	€
<i>Turnover</i>	<i>800,000</i>
<i>Cost of Sales</i>	<i>400,000</i>
<i>Expenses</i>	<i>200,000</i>
<i>Current Assets (including stock/inventory)</i>	<i>80,000</i>
<i>Stock/Inventory</i>	<i>20,000</i>
<i>Current Liabilities</i>	<i>40,000</i>
<i>Owner's Capital</i>	<i>1,000,000</i>

- (a) From the above information, calculate the following:
- (i) The Gross Profit; *(1 mark)*
 - (ii) The Net Profit; *(1 mark)*
 - (iii) The Gross Profit as a percentage of Sales; *(2 marks)*
 - (iv) The Net Profit as a percentage of Sales; *(2 marks)*
 - (v) The Net Profit as a percentage of owner's capital; *(2 marks)*
 - (vi) The Current Ratio; *(2 marks)*
 - (vii) The Acid-Test ratio. *(2 marks)*
- (b) How is the *rate of stock turnover* calculated? *(2 marks)*
- (c) What is the name given to Mr. Bank's type of business? *(1 mark)*
- (d) Mention **three** advantages of Mr. Bank's type of business. *(3 marks)*
- (e) State **two** disadvantages of Mr. Bank's business when compared to a partnership. *(2 marks)*

(Total 20 marks)

2. The following is an extract from the list of companies quoted on the Malta Stock Exchange as at 9th January 2014:

MALTA STOCK EXCHANGE	
<i>Extract from the Official List- 9th January 2014</i>	
Security	Closing Price (€)
<i>Bank of Valletta Ord €1.00</i>	<i>2.65</i>
<i>HSBC Bank Ord €0.30</i>	<i>2.60</i>
<i>Maltapost plc Ord €0.25</i>	<i>1.15</i>

- (a) What is the main function of the *stock exchange*? (2 marks)
- (b) According to the official list shown above, what is the:
- (i) *market value* of the BOV plc shares? (1 mark)
- (ii) *nominal value* of the HSBC shares? (1 mark)
- (c) How much would a holder of 2,000 Maltapost plc Ordinary Shares receive in dividends if a dividend of 10c per share is paid? (1 mark)
- (d) Mention **three** differences between *Ordinary Shares* and *Preference Shares*. (3 marks)
- (e) Describe **two** characteristics of *Debentures*. (2 marks)
- (f) What does the term *plc* stand for and why is this characteristic so important for the shareholders of a company? (1+3 marks)
- (g) Mention **two** differences between a *private* and a *public company*. (4 marks)
- (h) When a company is formed it must draw up its *Memorandum* and *Articles of Association*. What is the basic difference between these two documents? (2 marks)

(Total 20 marks)

3. *The following information refers to the imports and exports of a particular country:*

	€
<i>Invisible imports</i>	5,000,000
<i>Invisible exports</i>	2,900,000
<i>Visible imports</i>	8,000,000
<i>Visible exports</i>	9,600,000

- (a) Calculate the *Balance of Trade*. (2 marks)
- (b) Calculate the *Balance of Payments*. (3 marks)
- (c) Give **two** examples of each of the following in relation to Malta:
- (i) Invisible imports
 - (ii) Invisible exports
 - (iii) Visible imports
 - (iv) Visible exports
- (4 marks)
- (d) Mention and explain **two** problems faced by exporters. (4 marks)
- (e) What are *tariffs* and *quotas*? (4 marks)
- (f) Nowadays, Malta cannot impose tariffs and quotas on its imports. Why is this so? (3 marks)

(Total 20 marks)

4. “Sources close to the financial services industry said that while the Central Bank of Malta clearly has no power to force banks to reduce their interest rate margin, neither does the MFSA.”
(Times of Malta 19th December 2013)

- (a) What does MFSA stand for and what is the main function of this organisation? (3 marks)
- (b) Explain **three** functions of the *Central Bank of Malta*. (3 marks)
- (c) Mention **two** differences between *loans* and *overdrafts*. (4 marks)
- (d) A business can deposit its money either in a *current account* or in a *deposit account*. Describe **two** differences between these two different types of accounts. (2 marks)
- (e) Sometimes the bank cashier informs the client that the cheque deposited cannot be cleared for payment. What is this type of cheque called? Mention **three** situations when this might occur. (1+3 marks)
- (f) What is a *Bank Statement*? (2 marks)
- (g) Explain briefly the term *internet banking* and how this method is beneficial to firms. (2 marks)

(Total 20 marks)

5. *“People are getting busier, and so are our roads. Traffic has increased and accidents are more likely to happen. Heavy rainfalls and hail are becoming more frequent. Comprehensive motor insurance gives you the serenity that if your car is damaged, it can be repaired or replaced as fast as possible, even if you are responsible for the accident.”*
(Sunday Times of Malta 1st December 2013)



- (a) Mention the **four** principles of insurance and briefly explain **two** of them. *(6 marks)*
- (b) Which business risks are uninsurable? *(3 marks)*
- (c) Besides Comprehensive Motor Insurance which other **two** main car insurances do Insurance Companies offer? *(2 marks)*
- (d) Why is sea transport very important to Malta? *(1 mark)*
- (e) State **two** advantages of sea transport over air transport. *(2 marks)*
- (f) Mention **two** advantages of air transport over sea transport. *(2 marks)*
- (g) Explain **four** factors that affect the supplier’s choice of transport of goods. *(4 marks)*

(Total 20 marks)

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SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2014 SESSION

SUBJECT:	Commerce
PAPER NUMBER:	IIA
DATE:	9 th May 2014
TIME:	4:00 p.m. to 6:00 p.m.

Answer any FOUR questions. All questions carry equal marks.

1. *“The eurozone got an early Christmas present from S&P rating agency as it downgraded the EU rating from triple-A to AA+ with a stable outlook, with the downgrade already weighing on the euro.”*

(Times of Malta 21st December 2013)

- a) Discuss, in detail and with special reference to the Maltese Islands, the advantages and disadvantages of being part of the *European Union*. *(15 marks)*
- b) What do you understand by the term *Eurozone*? Explain how Malta has benefited from its entry into the Eurozone and mention the disadvantages, if any, of being part of this area. *(10 marks)*

(Total 25 marks)

2. *“Specialisation can be by product or by process.”*

- a) Explain the difference between these two types of *specialisation*. In your explanation include some examples of each type of specialisation. *(8 marks)*
- b) Discuss the advantages and disadvantages of *specialisation by process*. *(12 marks)*
- c) Name and describe the three different *types of production*, giving at least **two** local examples of each. *(5 marks)*

(Total 25 marks)

3. “More than in the past, nowadays trade is extremely affected by advertising and electronic communication.”

- a) Discuss how nowadays, the business world has benefited from the new technological developments in *electronic communication*. (10 marks)
- b) Describe **five** different popular *advertising media* available to a business. For each case, mention an advantage and a disadvantage. (10 marks)
- c) Mention **three** hidden persuaders which businesses use in their adverts in order to convince their customers to buy their goods and explain, by means of examples, **two** of the ones mentioned. (5 marks)

(Total 25 marks)

4. Whenever there is trade between two parties, it is important that certain documents are drawn up in order to avoid confusion and to serve as proof of the transaction occurring.

- a) Name, in order, the **seven** documents involved in the purchase of goods from the local market, from the Letter of Enquiry to the Invoice and explain the purpose of each one of these documents. (14 marks)
- b) Name and explain the purpose of any **three** documents used in *foreign trade*. (6 marks)
- c) Briefly explain how the Maltese Government helps local traders. (5 marks)

(Total 25 marks)

5. “The Point Shopping Mall opened its doors in 2010 and it is the newest, most modern and largest development of its kind, and is now one of the largest shopping malls in Malta. The Point has over 50 shops ranging from the latest fashion wear to juice bars, a supermarket and a car park with space for over 1000 cars.”

(www.malta.com 2011)

- a) Discuss the advantages and disadvantages of *shopping malls* like “The Point”. (10 marks)
- b) Although Lidl, Pavi and Scotts are large supermarkets, the *small independent stores* in Malta still survived. Discuss. (10 marks)
- c) Describe the functions of the *retailer*. (5 marks)

(Total 25 marks)

6. *Wholesalers are an important link in the chain of distribution.*

- a) Explain the functions and services of the *wholesaler*. (14 marks)
- b) In spite of the many benefits provided by the wholesaler, in certain situations, the *wholesaler is omitted* from the chain of distribution. Discuss. (6 marks)
- c) How has technology made wholesaling more efficient? (5 marks)

(Total 25 marks)

7. Write brief notes on any **five** of the following:

- a) Market Research and Sales Promotion.
- b) The Malta Enterprise.
- c) The Malta Freeport.
- d) Public Corporations.
- e) The Consumer Claims Tribunal.
- f) The Trade Description Act (5 x 5 marks)

(Total 25 marks)

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SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2014 SESSION

SUBJECT: **Commerce**
 PAPER NUMBER: **IIB**
 DATE: **9th May 2014**
 TIME: **4:00 p.m. to 6:00 p.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)

globalisation	common currency	buy	secondary
enterprise	primary	division	trade
labour	imports	sell	production
tertiary	services	exports	work
capital	land	specialisation	goods

Factors of production are those resources needed to produce _____ and _____.

The four factors of production which are _____, _____, _____ and _____ are combined to create business activity.

Most people have to _____ to provide the things they need in life. There are three main industries: _____, _____ and _____ industries. _____ improves the efficiency of resource use. The _____ process is split up into different tasks and each worker performs one of these tasks. This is known as _____ of labour.

All countries have to _____ from and _____ to each other. The exchange of goods and services is called _____. A country _____ from abroad many of its supplies and it _____ its output to overseas countries. The Euro in the European Union is a _____ that facilitates trade. _____ is the term used to describe the increased worldwide competition between businesses.

(Total 40 marks)

QUESTION 2

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

- (a) The stages involved in changing raw materials into goods which are used by consumers.
- (b) The transport of goods produced to wherever the customers require them.
- (c) A statement (account) calculating the net profit of a business.
- (d) The cash and other current assets available to a business to pay the short-term obligations.
- (e) A business entity that is owned and run by one individual.
- (f) A system of exchange of goods and services for other goods or services without using money as a medium of exchange.
- (g) The exchange of capital, goods, and services across countries.
- (h) An accounting record of all monetary transactions between a country and the rest of the world.
- (i) The owners of a Limited Liability Company.
- (j) The amounts payable of a business.

(2 marks each)

(Total 20 marks)

QUESTION 3

- (a) Distinguish between a *partnership* and a *private limited company*. *(4 marks)*
- (b) Identify **three** advantages and **three** disadvantages of *private companies*. *(12 marks)*
- (c) *Kurt and Claire had formed a private limited company and following the success of the business they decided to convert the company into a public one. They are looking at different sources of finance.*

List and explain **two** sources of *long-term finance* available to a public company. *(4 marks)*

(Total 20 marks)

SECTION B
Answer ONE question from this section

QUESTION 4

- (a) The European Union is an important trading block. Name **two** other *international trading organisations*. (2 marks)
- (b) Explain the concept of a *single market* within the European Union. (6 marks)
- (c) List **three** advantages of a single market. (6 marks)
- (d) *Malta joined the Eurozone in 2008.*
List **three** advantages and **three** disadvantages of adopting a *common currency*. (6 marks)

(Total 20 marks)

QUESTION 5

More than in the past, nowadays trade is extremely affected by advertising and electronic communication”.

- (a) Describe **three** different and popular *advertising media* available to a business, stating an advantage and a disadvantage of each. (6 marks)
- (b) Mention **three** *hidden persuaders* used in adverts, giving an example in each case. (6 marks)
- (c) Mention **four** advantages of the internet to businesses. (4 marks)
- (d) What is the difference between *market research* and *sales promotion*? (4 marks)

(Total 20 marks)

Please turn the page.

QUESTION 6

Write short notes on any **four** of the following:

- a) Start-up capital.
- b) Wholesalers.
- c) Retailers.
- d) Co-operatives.
- e) The Central Bank.
- f) Commercial Banks.

(4 x 5 marks)

(Total 20 marks)