

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

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2015 SESSION

SUBJECT:	Commerce
PAPER NUMBER:	I
DATE:	4 th May 2015
TIME:	9:00 a.m. to 11:00 a.m.

Answer ALL questions.

1. *The following information was extracted from the books of two different businesses, that of Ms Borg and that of Ms Gauci:*

	<i>Ms Borg</i>	<i>Ms Gauci</i>
<i>Turnover</i>	<i>€1,000,000</i>	<i>€1,500,000</i>
<i>Cost of Sales</i>	<i>€400,000</i>	<i>€600,000</i>
<i>Expenses</i>	<i>€200,000</i>	<i>€400,000</i>
<i>Current Assets (including inventory)</i>	<i>€90,000</i>	<i>€120,000</i>
<i>Current Ratio</i>	<i>1.5</i>	<i>1.2</i>
<i>Acid-Test Ratio</i>	<i>1</i>	<i>0.6</i>

- (a) From the above information, calculate (to 1 decimal place where appropriate) the following for **each** business:
- (i) The Gross Profit; *(2 marks)*
 - (ii) The Net Profit; *(2 marks)*
 - (iii) The Gross Profit as a percentage of Sales; *(4 marks)*
 - (iv) The Net Profit as a percentage of Sales. *(4 marks)*
- (b) Which of the two businesses is the more profitable? Explain. *(1+2 marks)*
- (c) How are the *Current Ratio* and *Acid Test Ratio* calculated? *(2+2 marks)*
- (d) What do you understand by the term *liquidity*? *(2 marks)*
- (e) Which of the two businesses is more liquid? *(1 mark)*
- (f) What does Ms Gauci's Acid-Test ratio of 0.6 mean? *(3 marks)*

(Total 25 marks)

2. The following is an extract from the list of companies quoted on 7th January 2015:

<i>M S E</i>	
<i>Extract from the Official List- 7th January 2015</i>	
<i>Security</i>	<i>Closing Price (€)</i>
<i>Bank of Valletta p.l.c. Ord €1.00</i>	<i>2.24</i>
<i>MaltaPost Ord €0.25</i>	<i>1.20</i>

“**Bank of Valletta** lost some of its recent gains as its shares fell by 1.8% to close at the €2.24 level on total activity of 31,571 shares. The MSE Share Index suffered a 0.3% decline despite gains in **GO** and **MIA**. A single trade of less than 1,000 shares in **MaltaPost** also left the postal operator’s share price unchanged at the €1.20 level. It will be holding its AGM on January 16.”

(Adapted from *The Times of Malta*, 8th January 2015)

- (a) What does *MSE* stand for? (1 mark)
- (b) According to the official list shown above, what do the *Bank of Valletta* values of €1.00 and €2.24 refer to? (2 marks)
- (c) Last year, Philip bought 500 Bank of Valletta plc Ordinary Shares for €1,000. How much would he receive in dividends if a dividend of 5c per share is paid? (2 marks)
- (d) What does the term *plc* stand for? (1 mark)
- (e) Is MaltaPost a *private company*, *public company* or *public corporation*? (1 mark)
- (f) Explain the term *limited liability*. (2 marks)
- (g) Mention **two** differences between a *public company* and a *public corporation*. (4 marks)
- (h) Classify each one of the following jobs into the following categories: *Primary Production*, *Secondary Production* and *Tertiary Production*.
- Bank manager
 - Teacher
 - Fisherman
 - Computer programmer
 - Insurance broker
 - Carpenter
 - House builders
 - Wholesaler
- (4 marks)
- (i) Mention **three** advantages and **three** disadvantages of *specialisation*. (3 marks)

(Total 20 marks)

3. “Cheryl Cole has been accused of misleading fans by failing to mention that she uses hair extensions in her L’Oréal TV advert. Supporters of Cole, 26, are accusing her of misleading them in a national advertising campaign for Elvive Full Restore 5, a shampoo and conditioner range.”



(Mail online, 23 November 2009)

- (a) The above is a persuasive type of advert. Mention the other **four** types. (2 marks)
- (b) What is the name of the Maltese Law/Act that is there to advise the Minister on measures for the promotion and protection of consumer interests? (2 marks)
- (c) What is the name of the Maltese Law/Act that is there to prohibit false information or misleading indications as to the price of goods? (2 marks)
- (d) What is the purpose of the Consumer Claims Tribunal? (2 marks)
- (e) Mention **two** other government organisations that offer consumer protection. (2 marks)
- (f) What type of media is the most appropriate to advertise each of the following products? In each case give a reason to support your answer (each type of media can only be used once).
 - (i) A new perfume.
 - (ii) A new issue of Government Stocks.
 - (iii) Selling your second-hand car.
 - (iv) A large number of products that your firm sells.
 - (v) A new washing liquid for clothes. (5 marks)
- (g) Why is it important for a firm to carry out *market research* before producing a product? (2 marks)
- (h) Nowadays, why is it important for a firm to have its own website? (3 marks)

(Total 20 marks)

4. “Eurozone consumer prices fell more than expected in December because of much cheaper energy, a first estimate by the European statistic office showed, in data that is likely to trigger the European Central Bank’s government bond buying programme.”

(The Times of Malta, 8th January 2015)

- (a) What do you understand by the term *Eurozone*? (2 marks)
- (b) Mention **four** countries (besides Malta) that are in the Eurozone. (2 marks)
- (c) Explain **two** advantages of being in the Eurozone. (2 marks)
- (d) Explain **two** benefits to Malta (besides the ones mentioned in (c) above) of being a member of the EU. (2 marks)
- (e) Why is *direct selling* over the internet beneficial both to the seller and the buyer? (4 marks)
- (f) Mention **two** sources of *long term finance* and **two** sources of *short term finance* for a public company. (2 marks)
- (g) Explain the purpose of the following trading documents:
- (i) Invoice
 - (ii) Quotation
 - (iii) Order
- (6 marks)

(Total 20 marks)

5. “The Malta Financial Services Authority is to carry out a number of reforms in 2015, Chairman Joseph Bannister has told The Business Observer.”

(The Times of Malta, 18th December 2014)

- (a) Explain briefly the main functions of the following organisations:
- (i) MFSA
 - (ii) Malta Freeport
 - (iii) ECB
 - (iv) NGOs
- (8 marks)
- (b) What is the difference between the *Balance of Payments* and the *Balance of Trade*? (2 marks)
- (c) Describe **two** measures which the government can take in order to help its local traders. (2 marks)
- (d) “The dollar rose for a fourth day versus the euro.” (Bloomberg Business 7th January 2015)
Briefly explain how this would affect Maltese traders buying from and selling to the U.S.A.. (3 marks)

(Total 15 marks)

END OF PAPER

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SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2015 SESSION

SUBJECT:	Commerce
PAPER NUMBER:	IIA
DATE:	4 th May 2015
TIME:	4:00 p.m. to 6:00 p.m.

Answer any FOUR questions. All questions carry equal marks.

1. *“The Bortex Group will be launching a flagship store for its Gagliardi – Sartoria dal 1964 brand. The Gagliardi concept is a menswear offer Bortex operates via retail, wholesale and e-commerce channels internationally.*

(Times of Malta 30th November 2014)

- a) Compare and contrast the functions of the retailer with those of the wholesaler. *(10 marks)*
- b) Discuss **two** advantages and **two** disadvantages of each of the following: *vending machines, small independent shops and large supermarkets.* *(15 marks)*

(Total 25 marks)

2. *“The Central Bank of Malta has published the third issue of its Quarterly Review for 2014, which reports on economic and financial developments in Malta and abroad during the second quarter of 2014 while commenting also on developments in subsequent months.”*

(Malta Independent 8th January 2015)

- a) Explain **five** functions of the Central Bank of Malta. *(10 marks)*
- b) How have such developments in the banking sector as internet banking and the ATM, facilitated trade? *(6 marks)*
- c) What happens to a BOV cheque when it is presented at a branch of HSBC bank (Malta)? *(9 marks)*

(Total 25 marks)

3. *“Transport and logistics can boost trade performance, which, under appropriate circumstances, leads to higher incomes, employment gains, and lower poverty rates.”*

(‘Aid for Trade and Value Chains in Transport and Logistics’ - World Trade Organisation 2013)

- a) Outline the main advantages and disadvantages of air and sea transport. *(10 marks)*
- b) Mention and explain **five** considerations that need to be taken into account when choosing a method of transport for goods sold. *(10 marks)*
- c) How has containerisation facilitated trade? *(5 marks)*

(Total 25 marks)

4. *“In 2013, Malta’s imports were \$7.4 billion while its exports were \$5.1 billion.”*

(<http://www.tradingeconomics.com>)

- a) Why is international trade important? *(6 marks)*
- b) Mention and explain **five** problems that exporters might face. *(15 marks)*
- c) Describe **two** trade barriers that a country outside the EU might use. *(4 marks)*

(Total 25 marks)

5. *“Insurance activities have long been part of Malta’s tradition because of the link with Malta’s maritime trade with other Mediterranean countries. This long tradition can be traced as far back to the 14th century, when Maltese merchants partnered with Catalan seafarers in maritime trade and insurance.”*

(Times of Malta, 21st September 2014)

- a) Name and discuss the **four** principles of insurance. *(16 marks)*
- b) Describe the **three** types of Motor Insurance, namely Third Party, Third Party Fire and Theft, and Comprehensive. *(6 marks)*
- c) Name **three** risks that are uninsurable. *(3 marks)*

(Total 25 marks)

6. *Commerce is divided into trade and services to trade.*

- a) Outline **five** services to trade. *(10 marks)*
- b) What are direct services? By means of examples explain how these services contribute indirectly to commerce. *(5 marks)*
- c) Describe the steps involved in the formation of a company in Malta. *(10 marks)*

(Total 25 marks)

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

- a) Co-operative Societies.
- b) The Baltic Exchange.
- c) The Malta Maritime Authority.
- d) The Malta Chamber of Commerce and Enterprise.
- e) The qualities (characteristics) and functions of money.
- f) The importance of trade names, branding and packaging.

(5 x 5 marks)

(Total 25 marks)

END OF PAPER

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SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2015 SESSION

SUBJECT:	Commerce
PAPER NUMBER:	IIB
DATE:	4 th May 2015
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 or phrase from the following to complete the sentences. Each word or phrase is to be used only once. Write the complete sentences on the booklet provided.

mail order catalogue	services	bulk	trade
medium of exchange	consumer	goods	internet
channel of distribution	retail	storage space	sea transport
raw materials	needs	store of value	wholesaler
containerisation	air transport	barter	measure of value

Customer _____ are the wants and desires of buyers. _____ is the exchange of one thing for another without the use of money.

_____ are physical products such as books and clothes. _____ are non-physical items such as medical care. The use of money facilitates trade. Money has three basic functions. It is a _____, a _____ and a _____.

Commerce can be divided into two clear areas: _____ and services. All businesses have to decide how to get the product to the _____. Products can be sold by _____ or via the _____. This method may not be suitable for products which cannot easily be sent by post. It may be very expensive to send the products by post and therefore it will not be cost effective. The second _____ is where the producer sells directly to the _____ outlets and then they sell the product to the consumer. Another form of distribution involves using a _____, who performs the function of breaking _____. Many small shops do not want to buy large quantities of different products because they cannot sell them very quickly and they do not have suitable _____.

Transport plays an important part in the marketing of goods because without it _____ would not reach the producer, and the finished goods would not be distributed.

_____ is particularly important to Malta, as an island, because it provides the main link to overseas markets. _____ is the fastest form of transport between countries but it is unsuitable for short distances. _____ lowered transport costs since there was a drastic decrease in the number of workers engaged to break bulk cargo.

(20 x 2 marks each)

(Total 40 marks)

QUESTION 2

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

- (a) Commercial activities that assist the buying and selling of goods and services.
- (b) Services that are not related to trade but which people use because they are essential to the well-being of the community.
- (c) The unique name of a product that distinguishes it from other competitive products.
- (d) The bank that manages the government's banking accounts.
- (e) Provides an outlet for the producer's goods and holds stock for consumers to purchase locally.
- (f) Machines which are positioned in busy places offering goods for sale automatically.
- (g) The provision of daily prices for freight, and tracks shipping costs through several indexes. Traders use these indexes to settle forward freight agreements (FFAs), which are freight future contracts.
- (h) Special offers of goods at below the normal price to persuade shoppers to enter the shop, hoping they will buy other goods too.
- (i) A place one can go to, where one can withdraw and deposit money, twenty-four hours a day, seven days a week.
- (j) Normally referred to as the middleman.

(2 marks each)

(Total 20 marks)

QUESTION 3

- (a) What is the purpose of an insurance policy? *(4 marks)*
- (b) List **four** main types of insurance policies. *(4 marks)*
- (c) Explain the following terms:
- (i) Indemnity; *(3 marks)*
 - (ii) Insurance premium; *(3 marks)*
 - (iii) Insurance Brokers; *(3 marks)*
 - (iv) Insurance Underwriters. *(3 marks)*

(Total 20 marks)

SECTION B

Answer only ONE question from this section

QUESTION 4

- (a) Name **two** commercial banks operating in Malta. *(2 marks)*
- (b) Distinguish between a bank deposit account and a bank current account. *(4 marks)*
- (c) Identify and explain the purpose of **two** methods of borrowing from a bank. *(4 marks)*
- (d) Explain the following banking services:
- (i) Standing order;
 - (ii) Direct debit;
 - (iii) Bank giro (credit transfer);
 - (iv) Credit card and Debit card;
 - (v) Bank draft.

(2 marks each x 5)

(Total 20 marks)

QUESTION 5

Ingrid and Greta are equal business partners running a travel agency.

- (a) Identify **two** advantages and **two** disadvantages of a partnership and a sole trader. (8 marks)
- (b) What do you understand by the term *sleeping partner*? (2 marks)
- (c) List **three** advantages of forming a company instead of a partnership. (6 marks)
- (d) What is a *production co-operative*? List **two** benefits of this type of business organization. (4 marks)

(Total 20 marks)

QUESTION 6

- (a) Mention **three** benefits of international trade to businesses and countries. (6 marks)
- (b) Explain the difference between *invisible trade* and *visible trade* and give **two** examples of each. (6 marks)
- (c) Mention **four** problems faced by exporters. (4 marks)
- (d) List and describe **two** barriers to trade. (4 marks)

(Total 20 marks)

END OF PAPER