



SUBJECT:	Commerce
PAPER NUMBER:	I
DATE:	8 th May 2019
TIME:	9:00 a.m. to 11:05 a.m.

This paper consists of **FIVE** questions of 20 marks each. Answer **ALL** questions.
Write the question number and letter in the margin provided.

1. "The Malta Chamber of Commerce, Enterprise and Industry (MCCEI) is the independent voice of the private sector in Malta. Its principal mission is to actively represent companies from all economic sectors and ensure that entrepreneurs enjoy the best competitive environment and regulatory conditions possible for the conduct of business."
- (www.maltachamber.org.mt)*
- (a) What is meant by the term 'commerce'? (2)
- (b) Mention **TWO** principal commercial functions. (2)
- (c) Explain the term 'enterprise' as a factor of production. In your answer, mention **ONE** other factor of production. (3)
- (d) MCCEI "represents companies from all economic sectors". Give:
- (i) **TWO** examples of productive activities in the primary sector; (2)
- (ii) **TWO** examples of productive activities in the secondary sector. (2)
- (e) Mention **TWO** similar characteristics of companies and partnerships. (2)
- (f) State **THREE** differences between companies and partnerships. (3)
- (g) ABC Ltd needs finance to purchase goods that it should sell within two months. XYZ Ltd needs finance to extend (increase the size of) its premises. Which source of finance would be more appropriate for ABC Ltd and which for XYZ Ltd? Explain your answers. (4)

(Total: 20 marks)

Please turn the page.

2. Nowadays, a large number of retailers have decided to participate in the lucrative (profitable) trade of e-commerce. Even trading documents are now being sent and sometimes stored as soft copies. Another recent trend in commerce is the omission of the wholesaler. These trends are occurring in both domestic as well as foreign trade.

- (a) What is e-commerce? (2)
- (b) State **THREE** functions of retailers. (3)
- (c) Name **TWO** trading blocks. (2)
- (d) Name the document used in commercial activities in each of the following cases:
 - (i) a supplier replies to an inquiry; (1)
 - (ii) a supplier sends the bill for the goods ordered to the customer. (1)
- (e) Goods may be imported on f.o.b. or c.i.f. basis. Which is the more expensive? Explain your answer. (3)
- (f) Distinguish between:
 - (i) merchants and agents; (2)
 - (ii) brokers and factors. (2)
- (g) Why are wholesalers declining in importance in the chain of distribution? Give **FOUR** reasons. (4)

(Total: 20 marks)

3. Trade does not occur in a vacuum. Other activities must be present so that trade can take place. Finance is one of them. Transport and insurance are other essential activities without which trade cannot take place even if this trade is done by barter. Communication is also important. It helps in advertising goods and services to final consumers. Advertising is the subject of much debate between those who see it as a waste of valuable resources and those who see it as essential to the survival of the economic system.

- (a) What is meant by 'barter trade'? (2)
- (b) State **TWO** functions of money. (2)
- (c) State **TWO** functions of the MFSA. (2)
- (d) What would result in the chain of distribution if transportation was not available? (2)
- (e) The owners of the oil tanker MV Gozoil want insurance cover for €30 million. Their broker at Lloyds of London finds an underwriter who quotes them for cover for €2 million at a premium of 1%. The broker accepts this quotation and finds other underwriters so that the whole €30 million is covered. Eventually MV Gozoil suffers €600,000 damage. What is the function of Lloyds of London? (3)

- (f) Give **THREE** functions of central banks that are similar to those of commercial banks and **TWO** functions of central banks that commercial banks do not have. (3, 2)
- (g) Briefly describe **TWO** arguments in favour of advertising and **TWO** arguments against. (2, 2)

(Total: 20 marks)

4. The Malta Stock Exchange was set up in 1992 and is situated in Valletta.

- (a) What is the Malta Stock Exchange? (2)
- (b) Malta is an EU member state. Mention **TWO** other EU member states. (2)
- (c) The EU is an important trading block. Mention **TWO** advantages of international trade. (2)
- (d) State whether each of the following statements is True or False: (1, 1)
- (i) All EU member states are members of the Eurozone.
 - (ii) Non-EU member states cannot have the Euro as their national currency.
- (e) Malta cannot impose barriers to trade, such as tariffs, on imports from Italy. Explain why this is so. (2)
- (f) Distinguish between a standing order, a credit transfer and a credit card. (2, 2, 2)
- (g) Give **TWO** advantages and **TWO** disadvantages of communicating by video conferencing over communicating by email. (2, 2)

(Total: 20 marks)

Please turn the page.

5. The Malta Competition and Consumer Affairs Authority, was established on 23rd May 2011. It is managed by a Board of Governors, made up of between seven to ten members.

(www.mccaa.org.mt)

- (a) State **TWO** functions of the Malta Competition and Consumer Affairs Authority (MCCAA). (2)
- (b) Contracts are, by definition, legally binding, therefore it is difficult to cancel without financial penalty. However, under certain circumstances, you are given the right to cancel over a specific period of time.
- (i) What is this specific period of time called? (1)
- (ii) Which Act (Law) refers to this time period? (1)
- (c) One of the entities within the MCCAA is the Standards and Metrology Institute. What is meant by 'standards'? (2)
- (d) George went to a domestic appliance retail outlet to purchase a washing machine. He was interested in a washing machine that was priced at €300, the cheapest one that the outlet had for sale. George was asked by the salesperson how many loads per week he or his household intended to do. George said about three per day, to which the salesperson promptly replied that the machine he was interested in was not suitable for his purposes and so showed him a more suitable one costing €500. Which generally accepted basic consumer right was the salesperson fulfilling? (2)
- (e) Mention **THREE** consumer rights other than the one mentioned in (d) above. (3)
- (f) Briefly compare and contrast fiscal and monetary policy. (1, 4)
- (g) Give **TWO** reasons for the existence of each of the following:
- (i) The Office for Competition (previously known as the Office of Fair Competition); (2)
- (ii) The Office for Consumer Affairs. (2)

(Total: 20 marks)



SUBJECT:	Commerce
PAPER NUMBER:	IIA
DATE:	9 th May 2019
TIME:	9:00 a.m. to 11:05 a.m.

This paper consists of seven questions of 25 marks each.

Answer any **FOUR** questions.

Write the question number and letter in the margin provided.

1. "An "atomic bomb for everybody." That's how Maltese Finance Minister Edward Scicluna describes a no-deal Brexit, saying out loud what many European leaders are probably thinking privately as they put on a brave public face for the sake of the negotiation.Prime Minister Theresa May shows no signs of heeding the growing chorus of warnings that her brinkmanship is getting dangerous. Hours after the Confederation of British Industry's Carolyn Fairbairn said the country was in the "emergency zone of Brexit," data showed growth in 2018 was the weakest for six years, and business investment fell 4 percent in the last quarter."

(www.bloomberg.com/news/articles 12-09-2019)

- (a) Discuss **THREE** advantages and **TWO** disadvantages of being a member of the EU. (15)
- (b) Name and explain the purpose of **FIVE** trading documents besides the quotation and invoice. (10)

(Total: 25 marks)

2. "Ongoing specialization has been a decisive factor for the current state of our society, explains Consultants 500, a platform designed to connect businesses with specialized services. "The effect of specialization is such a broad concept that it touches upon almost everything in our daily life. And our natural urge for specialization is also one of the main reasons why professional services exist. Society and businesses cannot know everything and therefore need specialists with practical experience to help and guide us.""

(www.smallbiztrends.com - 05-2017)

- (a) Differentiate between specialisation by product and specialisation by process. (8)
- (b) Explain **THREE** advantages and **THREE** disadvantages of each type of specialisation. (12)
- (c) Write brief notes on the functions of the Malta Freeport. (5)

(Total: 25 marks)

Please turn the page.

3. Many different groups of people use financial statements for different purposes. Owners and suppliers are interested in the firm's performance and liquidity position.

(a) Explain the difference between profitability and liquidity. (5)

(b) Mention **TWO** profitability and **TWO** liquidity ratios. Explain how each is calculated and explain what each one shows about the firm. (4, 4, 4)

(c) Compare and contrast a sole trade business and a partnership. (8)

(Total: 25 marks)

4. "Despite the strength of the internet where advertising is rife, television advertising has remained constant. The emergence of digital advertising has not diminished the television's enduring appeal to advertisers."

(www.timesofmalta.com 21-09-2016)

(a) Mention **FIVE** different advertising media (other than TV and the internet) that a business can use. In each case explain **ONE** advantage and **ONE** disadvantage. (15)

(b) Describe **FIVE** different adverts, each one having a different hidden persuader. The adverts can be invented by yourself or taken from adverts that are being (or have been) shown on the media. In each case you are to mention the hidden persuader being used. (10)

(Total: 25 marks)

5. "A food retail chain has set up shop in Malta, with plans to open 23 stores including two hypermarkets across the country by 2025. The chain's first store, a supermarket in Marsaxlokk, opened its doors to customers on Tuesday. A second outlet in Tigne is expected to open by the end of the month."

(www.timesofmalta.com 13-06-18)

(a) Compare and contrast the characteristics of a small retail village shop and a large supermarket. (10)

(b) Discuss **FIVE** considerations that a business should take into account when deciding on the method of transport of selling its goods. (15)

(Total: 25 marks)

6. "Haphazard videos such as these, uploaded on Facebook or You Tube, may well help the police prosecute dangerous drivers. But the head of the Malta Insurance Association, Adrian Galea, believes that having a specific website where to upload and view dash cam footage would go further to reduce recklessness on our roads."

(www.timesofmalta.com 02-12-18)

- (a) Explain **FOUR** principles of insurance. (12)
- (b) Describe the **THREE** basic forms of motor insurance. (9)
- (c) What is the purpose of the insurance proposal? (4)

(Total: 25 marks)

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

- (a) Functions of Bonded Warehouses.
- (b) Advantages and disadvantages of sea transport.
- (c) Market research and sales promotion.
- (d) The contents of the Bill of Lading and the Freight Note.
- (e) The functions of the Malta Enterprise.
- (f) The contents of the Balance of Payments.

(5, 5, 5, 5, 5)

(Total: 25 marks)