



SUBJECT: **Commerce**
 PAPER NUMBER: I
 DATE: 14th June 2021
 TIME: 9:00 a.m. to 11:05 a.m.

This paper consists of **SIX** questions of 20 marks each.

Answer **any FIVE** questions.

Write the question number and letter in the margin provided.

1. An organisation is an entity with a particular purpose. It may be an NGO, an entity in the public sector or one in the private sector such as a sole trader, a partnership or a company.
 - (a) What does the abbreviation NGO stand for? (1)
 - (b) List **THREE** characteristics of an NGO. (3)
 - (c) Name the **TWO** main documents required for the formation of a limited liability company. (2)
 - (d) State whether this statement is true or false and give a reason for your answer: The two documents named in (c), above, must be registered with the Malta Stock Exchange. (2)
 - (e) Classify the following persons as to whether they own or control a business unit or both own and control. Copy the following table and tick the appropriate cell. (4)

	Person/s	Own	Control	Own & control
(i)	Sole trader			
(ii)	Limited partner			
(iii)	General partner			
(iv)	Directors			

- (f) List **FOUR** characteristics of a private company that make it different from a public company. (4)
- (g) Briefly describe **TWO** advantages and **TWO** disadvantages of setting up a partnership rather than a sole trader. (4)

(Total: 20 marks)

Please turn the page.

2. In commercial subjects, the term 'commodities' refers, collectively, to goods and services. Commodities are produced in three main stages. One of these stages regards industry while another stage regards services, some of which are commercial services such as trade and the aids-to-trade. Since commodities are produced in three main stages, value is being added at each stage.
- (a) Name the **THREE** stages of production. (3)
 - (b) Give **TWO** examples of goods and **TWO** examples of services. (2)
 - (c) Briefly describe the trends, in relative importance, of the different stages of production as a country develops economically. (6)
 - (d) Give **TWO** examples of a trading activity and **TWO** examples of an activity that aids trade. (2)
 - (e) List **THREE** differences between commerce and industry. (3)
 - (f) Frans is a tomatoes-grower. During 2020, Frans grew 60,000 kilos of tomatoes, which he sold for €350,000 to Mountains Co. Ltd., a company which processes tomatoes to turn them into tomato paste. The company sold the tomato paste for €420,000 to Mavipa Supermarkets plc, a chain of supermarkets in Malta and Gozo. During the same year, consumers bought this tomato paste from Mavipa for €504,000.
What is the value, in Euro, of the value added at each stage? (3)
 - (g) In the example given in (f), above, what is the value in Euro, of the gross value added in the chain of production of tomato paste? (1)

(Total: 20 marks)

3. From March till June 2020, most retailers in Malta had to resort to E-commerce because people were advised to remain at home, as much as possible, because of the COVID-19 pandemic. Most shops were closed and a good number of consumers started using credit facilities.
- (a) Define E-commerce. (2)
 - (b) List **THREE** functions of retailers. (3)
 - (c) Briefly describe **ONE** method of retailing other than shops and E-commerce. (2)
 - (d) Which type of credit facility would a consumer be using when:
 - (i) each month, the consumer is required to pay €500 until the loan is paid off in full; (1)
 - (ii) the consumer is able to borrow up to €1,500 per month, but is only required to make a minimum payment (paying off the loan in full is not required). (1)
 - (iii) the consumer is able to borrow up to €2,000 per month but must pay for all the funds borrowed each month. (1)
 - (e) For each of the above types of credit facility, suggest a product that the consumer could be buying. (3)
 - (f) List **THREE** differences between supermarkets and hypermarkets. (3)
 - (g) Give **FOUR** reasons why the role of the middleman is important. (4)

(Total: 20 marks)

4. International trade is a very important branch of commerce. The EU introduced a common currency to boost trade between EU member states. This common currency aids both importers and exporters. It is also important for manufacturers who want to expand their markets abroad to have knowledge about various aids that they can get such as merchants, agents, bonded warehouses and transshipment.
- (a) Define international trade. In your answer, you are expected to define both words in this commercial term. (4)
- (b) What is the function of an export house when it acts as:
- (i) a merchant; (2)
- (ii) an agent. (2)
- (c) Where does one have to go, in Malta, in order to:
- (i) obtain a licence as a commercial agent; (1)
- (ii) process a Certificate of Origin? (1)
- (d) If the exchange rate is \$1.20 for every €1, how much would it cost a Maltese business person to buy an item worth \$1,200 from another business person in the USA? Give your answer in Euro and show your working. (2)
- (e) Show whether the item bought by the Maltese business person in (d), above, would cost more or less, if the exchange rate changes to \$1.25 for every €1. Give your answer in Euro and show your working. (2)
- (f) What are bonded warehouses? (2)
- (g) Explain **TWO** reasons why international trade is important for a small island state like Malta. (4)

(Total: 20 marks)

5. Trading without money is rather difficult. Nowadays, it looks like we are trading without money due to the various electronic methods by which people pay each other. These electronic methods of payment are provided by banks and other institutions and have become the norm rather than the exception.
- (a) Name **THREE** qualities of money (3)
- (b) List **THREE** electronic methods by which a consumer may pay a retailer. (3)
- (c) Give **ONE** example for *each* of the following to illustrate:
- (i) Branch clearing; (1)
- (ii) Head office clearing. (1)
- (d) Mention **TWO** instances for dishonouring a cheque. (2)
- (e) Mention **TWO** functions of the Malta Financial Services Authority (MFSA), by which this institution ensures that financial intermediaries are trading fairly. (2)
- (f) Give **TWO** functions of central banks that are similar to those of commercial banks and **TWO** functions of central banks that commercial banks do not have. (4)
- (g) Name the system of exchange that does not use money and give **THREE** disadvantages of this system. (4)

(Total: 20 marks)

Please turn the page.

6. One way in which governments help business people in their business affairs is to have the country joining a free trade area or a customs union. Another way is through financial assistance such as tax concessions, subsidies, or a contribution towards the cost of training workers. A third way could be through the provision of information about trade. However, business people must also be diligent and, for example, engage in market research before they launch a product and also engage in sales promotion once the product is launched. They must also be aware of modern technology such as containerisation and ways in which their customers are protected.
- (a) List **THREE** activities involved in market research with regard to information about a market, a product and customers in a target market. (3)
 - (b) Give **THREE** other examples of sales promotion, apart from distributing free goods. (3)
 - (c) Briefly describe **ONE** legal way in which consumers are protected. (3)
 - (d) Name **TWO** facilities that are provided by the state with regard to information about trade, both locally and overseas? (2)
 - (e) Identify the type of financial assistance from the ones mentioned in the paragraph above, which the government may provide to commerce and/or industry in the following instances:
 - (i) firms investing in new machinery and factories;
 - (ii) enabling essential firms to stay in business. (2)
 - (f) Compare and contrast a free trade area, such as EFTA, and a customs union, such as the EU. (3)
 - (g) Give **TWO** advantages and **TWO** disadvantages of the system of containerisation (4)

(Total: 20 marks)



SUBJECT:	Commerce
PAPER NUMBER:	IIA
DATE:	15 th June 2021
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. "Online advertising continues to grow rapidly, with over \$229 billion invested globally in online advertising in 2017. According to Statista, this is projected to rise to \$335 billion by 2020."
(Article taken from The Times of Malta www.timesofmalta)

- (a) Explain **THREE** purposes of advertising. Your answer should include **ONE** example for each one of the purposes mentioned. (6)
- (b) Compare and contrast internet adverts with radio adverts. (10)
- (c) Mention and explain **THREE** ways in which modern technology has helped commerce during the Covid-19 pandemic. (9)

(Total: 25 marks)

2. "The financing of your business is the most fundamental aspect of its management. Get the financing right and you will have a healthy business, positive cash flows and ultimately a profitable enterprise. The financing can happen at any stage of a business's development. On commencement of your enterprise you will need finance to start up and, later on, finance to expand."
(Article taken from www.hwca.com)

- (a) Discuss **FIVE** differences between short-term finance and long-term finance. (10)
- (b) Describe, in detail, any **SIX** sources of finance. (15)

(Total: 25 marks)

3. In a typical local business transaction there are seven documents involved.

- (a) Name, in chronological order, the **SEVEN** documents referred to above, and explain the purpose of each document. (21)
- (b) List **FOUR** non-insurable risks. (4)

(Total: 25 marks)

Please turn the page.

4. More than ever before, the year 2020 proved that a healthy business does not only depend on its profitability but also on its liquidity position.

(a) Differentiate between the liquidity and profitability of a business. In your discussion include **TWO** ratios for each and explain their significance. (16)

(b) Mention **FIVE** factors that need to be considered before a supplier chooses a method of transport and explain the importance of **FOUR** of them, in each case, giving an appropriate example. (9)

(Total: 25 marks)

5. "People have become more interested in the detail of their insurance policies, and the cover provided, and they are more carefully assessing how to address gaps, choosing products that truly meet their needs, and selecting products from trusted partners."

(Article taken from The Times of Malta www.timesofmalta)

(a) Explain the **FOUR** principles of insurance. (14)

(b) Compare and contrast sea transport and air transport. (11)

(Total: 25 marks)

6. The European Union (EU) is an economic and political union of 27 countries. It operates an internal (or single) market which allows free movement of goods, capital, services and people between member states. Some of these 27 countries form part of the Eurozone.

(Article adapted from www.gov.uk/eu-eea)

(a) What is the Eurozone? (3)

(b) List **FIVE** advantages and **FIVE** disadvantages of being in the Eurozone. (10)

(c) Distinguish between the Memorandum of Association and the Articles of Association of a company. (12)

(Total: 25 marks)

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

(a) **FIVE** functions of the wholesaler; (5)

(b) limited liability; (5)

(c) balance of payments; (5)

(d) the Malta Freeport; (5)

(e) the Financial Statements of a company; (5)

(f) the Malta Stock Exchange; (5)

(g) **FIVE** functions of the Malta Enterprise. (5)

(Total: 25 marks)



SUBJECT: **Commerce**
 PAPER NUMBER: IIB
 DATE: 15th June 2021
 TIME: 9:00 a.m. to 11:05 a.m.

This paper consists of six questions divided into **TWO** Sections, A and B.
 Answer **ALL** questions in 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.

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

proximate cause	personal relationship	indemnity	dividend
comprehensive	balance of payments	liability	parking
sole trade	fire and theft	utmost good faith	sales promotion
transshipment	partnership	invested	handling
shareholders	storage	insurable interest	market research

The statement that shows the difference in total value of all payments made to other countries and the total payments received from other countries is known as the a . The Malta Freeport is a Maltese b centre offering container c and industrial d .

There are four main principles of insurance. The principle of e means that the parties to an insurance contract must be truthful. The principle which means that the insurance policy should return the insured to the financial position he/she was before the event took place is known as f . Another principle states that one cannot insure against a risk unless one has g . If damage is incurred to an item that is close by the item specifically insured, owing to the principle of h , the insurer still pays you for it. The three main types of motor insurance are Third Part Only, Third Party i , and j .

 k is done in order to determine the demand of the product. Once the product is launched, the supplier performs l by offering free goods in order to increase the demand for the new product.

In a m business there is more than one owner while in a n business there is only one owner. Both of these businesses do not have limited o and for this reason both businesses have more risks than a company. The owners of a company, known as p , can only lose the money that they q in the business. In return for their investment in the business, they receive a r .

One very important advantage of large supermarkets is that nowadays they have large s facilities, while a disadvantage of this type of retailer is that it is difficult for clients to develop a t with the workers of the supermarket.

(Total: 40 marks)
Please turn the page.

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

- (a) This is a document used in foreign trade, which represents the title to ownership of the goods whilst they are in transit and is also a contract between the shipper and the ship-owner that is transporting the goods. (2)
- (b) A document sent by the seller to the buyer to inform him/her that the goods are on the way. (2)
- (c) This is a document used in foreign trade which represents the bill or charge for shipping the goods, which is sent to the exporter by the shipping company. (2)
- (d) A document sent by the buyer to the seller to inform the supplier which goods are required. (2)
- (e) A document sent by the seller to the buyer with the goods sent, so that the buyer may check that the goods are the proper ones. (2)
- (f) The market place for second-hand securities. (2)
- (g) A document sent by the buyer to the seller to ask whether the goods are available and to inquire about the prices and delivery period. (2)
- (h) The agency, in Malta, responsible for foreign investment. (2)
- (i) A document sent by the seller to the buyer to inform him/her that the order has been received. (2)
- (j) This document informs the insurance company about the risk that the insured plans to insure against. (2)

(Total: 20 marks)

3. Alberta Vella is the owner of a retail business, selling mobile phones and mobile accessories. The following information relates to her business for the year ended 31st December 2020:

	€
Sales	300,000
Current Liabilities at 31.12.2020	20,000
Inventory at 31.12.2020	10,000
Current Assets at 31.12.2020	50,000
Cost of Sales	180,000
Other Expenses	60,000
Owner's Capital	400,000

- (a) From the information above, calculate:
- (i) the Gross Profit; (2)
 - (ii) the Net Profit; (2)
 - (iii) the Gross Profit as a percentage of Sales; (2)
 - (iv) the Net Profit as a percentage of Sales; (2)
 - (v) the Net Profit as a percentage of Owners' Capital; (2)
 - (vi) the Current Ratio; (2)
 - (vii) the Acid-Test Ratio. (2)
 - (viii) the Rate of Stock (inventory) Turnover, given that the inventory at 1.1.2020 was €20,000. (2)
- (b) What is the purpose of the following statements?
- (i) the Statement of Profit or Loss; (2)
 - (ii) the Statement of Financial Position. (2)

(Total: 20 marks)

SECTION B: Answer ONE question from this Section.

4. (a) Explain **FOUR** purposes of advertising. (4)
- (b) State **ONE** advantage and **ONE** disadvantage of **FOUR** different types of advertising media. (10)
- (c) Describe **THREE** ways in which modern technology helped commerce during the Covid-19 pandemic. (6)

(Total: 20 marks)

5. (a) List **FOUR** differences between short-term finance and long-term finance. (8)
- (b) Name **TWO** types of short-term sources of finance and write a brief note on each one. (6)
- (c) Name **TWO** types of long-term sources of finance and write a brief note on each one. (6)

(Total: 20 marks)

6. (a) What is the Eurozone? (3)
- (b) List **FOUR** advantages and **FOUR** disadvantages of being in the Eurozone. (8)
- (c) Explain **FOUR** functions of the wholesaler. (4)
- (d) List **FIVE** items that need to be included in the Memorandum and Articles of Association. (5)

(Total: 20 marks)