SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION [20 marks]
Tick the correct answer in the space provided.

1. The Public Sector of the economy is mainly concerned with
   (a) making large profits.  
   (b) survival.  
   (c) giving a service.

2. One of the advantages of specialization is
   (a) more expensive production.  
   (b) greater level of production.  
   (c) more time is required to change places.

3. A main business objective is goodwill or the extent to which a business has
   (a) operated at profit maximisation.  
   (b) built a good reputation among its customers.  
   (c) protected the environment.

4. A feature of a free-market economy is
   (a) most land and capital are publicly owned.  
   (b) most education and health services are provided by the state.  
   (c) people have a variety of products to choose from.

5. One of the disadvantages of barter is
   (a) double coincidence of wants.  
   (b) it is easier to establish prices.  
   (c) it is easier to exchange services.

6. Backward vertical integration can be illustrated by the integration of
   (a) a fast food kiosk with a stationery.  
   (b) a firm refining oil with the oil drilling company.  
   (c) car dealer with another car dealer.
7. The **Certificate of Origin**
   (a) shows to which country the goods are to be transported.
   (b) shows the country which produced the goods.
   (c) is used for locally produced goods traded locally.

8. The result of **Economies of scale** may be
   (a) a fall in cost per unit as output increases.
   (b) a rise in cost per unit when output increases.
   (c) less efficient production as a result of increased output.

9. An advantage of paying employees by the **piece rate** method may be that
   (a) the rate of pay per week or month does not change.
   (b) work is much easier to organise.
   (c) workers are encouraged to produce work more quickly.

10. One of the aims of a **trade union** is
    (a) to defend workers if they don’t observe laws.
    (b) to defend the rights and welfare of the workers.
    (c) to safeguard the right of workers not to use safety equipment.

SECTION B: ANSWER BOTH QUESTIONS IN THIS SECTION. [20 marks]

1. Use the following words to fill in the spaces in the following passage:
   ordinary, Registrar, Memorandum, public limited companies, limited liability company, Articles, trading certificate, certificate of incorporation, preference, Stock Exchange.

   When a ______________________________ is formed two important documents have to be sent to the ______________________________ of companies. These two documents are the ______________________________ of Association which contain the internal regulations of the company, and the ______________________________ of Association which contains information of importance to people outside the company. A ______________________________ is issued to companies whose application is accepted. In the case of ______________________________ a ______________________________ has to be issued. This allows such companies to have their shares listed on the ______________________________. The capital of a company is made up of shares which can either be ______________________________ shares or ______________________________ shares.

   (10 marks)
2. Say whether each of the following statements is True by putting “T” or False by putting “F” in the space provided:

(a) One of the characteristics of money is that it should be universally accepted.  
____

(b) A business should indulge in corrupt practices in order to increase profits.  
____

(c) An advantage of a franchise for a franchisee is that the brand name is famous.  
____

(d) Invisible trade is the import and/or export of services.  
____

(e) Maltese Embassies abroad try to limit trade between Malta and foreign countries.  
____

(f) The EU is an example of a Free Trade Area.  
____

(g) Selling of assets is an internal source of finance for firms.  
____

(h) Worker-participation practice helps employees to take part in decision-making.  
____

(i) An example of capital expenditure is the purchase of new machinery.  
____

(j) Trade Unions negotiate collective agreements with employers.  
____

(10 marks)

SECTION C: ANSWER ALL QUESTIONS IN THIS SECTION [20 marks]

Answer the question in the space provided. You are not required to write full sentences.

1. Explain the difference between work-to-rule and a strike.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

2. What is a footloose firm?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

3. Define the term opportunity cost.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

4. What do you understand by the term privatisation?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
5. What does the **balance of payments** show?

6. What is a **bank overdraft**?

7. What is a **direct tax**?

8. Mention one of the roles of the **Employment and Training Corporation (ETC)**.

9. What is an **embargo**?

10. What is the **main aim** of any **economic activity** in a country?

SECTION D: ANSWER BOTH QUESTIONS IN THIS SECTION.  
[40 marks]  
Answer these questions on the foolscaps provided. Each question carries 20 marks.

Question 1 – Read the following passage and then answer the questions that follow:

Albert and John formed a partnership to manage their own restaurant which is close to the sea in a swimming resort. They employ a number of people to work as cooks, waiters, bar-tenders and cleaners. In their restaurant they create a lot of waste. They directed the drain of their kitchen directly into the sea. Thus, any waste oil and dirty water from cleaning and washing is thrown directly into the sea. This saved them a lot of money of connecting their drain to the drainage system provided by the State.
(a) What is the maximum number of partners that can form a partnership?  
(b) Explain why a partnership agreement is useful when such a business is formed.  
(c) What is the difference between an **active partner** and a **sleeping partner**?  
(d) What is the main aim for which Albert and John opened their restaurant?  
(e) In which stage of production are Albert and John engaged?  
(f) Explain in detail why the behaviour of Albert and John is considered as unethical.  
(g) The job of one of the workers is terminated because his services are no longer required. What term is used to refer to this type of ending of employment?  

**Question 2 – Read the following passage and then answer the questions that follow:**

Maria and Petra would like to start their own new business selling fashion clothes. They decided to open a boutique in Valletta and another one in Sliema. For this reason they require a bank loan. Maria suggested that they should go to a commercial bank while Petra said that it would be better for them if they tried to get the loan from the Central Bank. Maria and Petra intend to give publicity to their new business by means of advertising. They are still uncertain what type of advertising they should use.

(a) What is the difference between a **commercial bank** and a **Central Bank**?  
(b) Who is right about the source of their loan, Maria or Petra?  
(c) Besides loans, explain two other services that a bank can give to businesses.  
(d) Banks issue **plastic money** which can be used in **ATMs**. Mention one type of plastic money and explain what is an ATM.  
(e) In your opinion why did Maria and Petra decide to locate their business in Valletta and Sliema?  
(f) Suggest two forms of advertising that can be used to advertise the boutiques.