SECTION A: ANSWER ALL QUESTIONS

Put the letter corresponding to the right answer, in the box provided at the end of each question.

Each question carries 2 marks, giving a total of 20 marks for the whole Section.

1. For a business to be successful, the entrepreneur should:
   (a) seek profit even if he/she has to be unethical in his/her dealings
   (b) take risks and be creative as well as innovative
   (c) coordinate other factors of production without delegation of authority

2. The privatisation of a public corporation resulted in:
   (a) more efficient production and raised more money for Government
   (b) less choice and less investment in the private sector of the economy
   (c) an increase in fringe benefits for government employees

3. In an Organisation Chart, it is shown that the Cost Accountant is responsible to the:
   (a) Marketing Manager
   (b) Financial Manager
   (c) Production Manager

4. The functions of Commercial Banks include:
   (a) investments and keeping the accounts for state departments
   (b) fixing share prices and listing companies
   (c) safekeeping, lending and transfer of money

5. The Curriculum Vitae is used when:
   (a) an employee’s health & safety is at risk
   (b) the contract of employment is given to the employee
   (c) applying for a vacant post
6. **Dismissal** may be resorted to when an employee:
   (a) is no longer medically fit for work
   (b) continues to disobey the rules at the workplace
   (c) is no longer needed for work

7. If there is an **industrial dispute**, trade unions may use:
   (a) work to rule, go-slow and strikes
   (b) sit-in strikes, wild-cat strikes and overtime ban
   (c) overtime, industrial relations and conciliation

8. If **supply** exceeds **demand** there would be a:
   (a) a surplus
   (b) a shortage
   (c) an equilibrium price

9. The **location** of a business requiring the **importation of heavy raw material** is best:
   (a) near the market or “market pull”
   (b) in the vicinity of a port
   (c) where there is plenty of water

10. The **break-even point** refers to the point where the:
    (a) profit is at its highest point
    (b) an organisation has the least costs and maximum production
    (c) firm’s revenue equals its costs and net profit is zero

(20 marks)
SECTION B: Examine carefully the two Trading and Profit & Loss accounts below, which belong to two different sole traders, namely, J. Bianco and T. Axiaq. Answer the questions laid down thereafter on the foolscaps provided.

This Section carries a total of 20 marks.

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Sales</td>
<td>€89,500</td>
<td>€150,000</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>€45,200</td>
<td>€100,000</td>
</tr>
<tr>
<td></td>
<td><strong>Gross Profit</strong></td>
<td><strong>Gross Profit</strong></td>
</tr>
<tr>
<td></td>
<td><strong>€44,300</strong></td>
<td><strong>€50,000</strong></td>
</tr>
<tr>
<td>Less Expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages</td>
<td>€4,000</td>
<td>€4,500</td>
</tr>
<tr>
<td>Water &amp; Elect.</td>
<td>€3,600</td>
<td>€1,500</td>
</tr>
<tr>
<td>Telephone</td>
<td>€500</td>
<td>€500</td>
</tr>
<tr>
<td>Insurance</td>
<td>€250</td>
<td>€300</td>
</tr>
<tr>
<td>Advertising</td>
<td>€800</td>
<td>€700</td>
</tr>
<tr>
<td>Repairs</td>
<td>€10,000</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td><strong>Total Expenses</strong></td>
<td><strong>Total Expenses</strong></td>
</tr>
<tr>
<td></td>
<td><strong>€19,150</strong></td>
<td><strong>€7,500</strong></td>
</tr>
<tr>
<td>Net Profit</td>
<td><strong>€25,150</strong></td>
<td><strong>€42,500</strong></td>
</tr>
</tbody>
</table>

a. The above two businesses are of the Sole Ownership type. List two (2) benefits and two (2) disadvantages of such a type of business. (4 marks)

b. Work out the following:
   (i) Gross Profit Margin for both businesses; and
   (ii) Net Profit Margin for both businesses. (6 marks)

c. Comment on the results obtained in the previous questions, indicating clearly which of the two businesses is doing better and why. (4 marks)

d. Apart from the aspect of Profitability, the Final Accounts can be used to analyse other aspects of the business. Mention two (2) other important aspects. (2 marks)

e. The Cost of Sales is arrived at by taking stock into consideration. What do we mean by:
   (i) “Overstocking”; and
   (ii) “Under stocking”. (4 marks)
SECTION C: Answer any two (2) Questions (with all their respective sub-divisions), on the foolscaps provided. However, the filling in exercise of Question 1 can be answered on the exam paper itself.

Each question carries a total of 20 marks, giving a total of 40 marks for the whole Section.

Question 1
a. Fill in the spaces with the words provided in the box below.

industrial, communication, world, subsistence, crafts, labour, factory, direct, textile, international

If one were to study Business Development throughout the ages, one has to go back in time and start at the era when man used to provide for his basic needs without the aid of others. This type of ________________ production meant low levels of production; just enough to meet the bare necessities of life. Such a characteristic is typical of ________________ economies which are basically agrarian economies. Then throughout time, the ________________ industry developed. People started developing specialised skills and formed guilds of craftsmen in a particular trade, like that of carpenters, carvers, ________________ workers and masons.

A major change in the economic world occurred in the late 18th and early 19th century, when manual labour started being replaced by machines. This was the beginning of the ________________ revolution. It brought about great changes such as urbanisation, increase in trade and living standards, work for wages and of course the setting up of the ________________ system. This was not the end but the beginning of a period of several economic changes.

Nowadays, we often speak of globalisation and the global economy. Globalisation is the term used to describe the development of ________________ markets. This meant an increase in ________________ trade, investment and capital flows. Though several benefits are associated with globalisation including, increased economic growth, improvements in health and environmental aspects, as well as spread of information and more efficient ________________, problems still arise. In the case of uncompetitive industries a loss of ________________ may result.                           (10 marks)
b. What do you understand by: job production, batch production and mass production? (6 marks)
c. Give two (2) advantages of division of labour. (4 marks)

Question 2

Read the extract below and answer all the questions that follow.

The National Statistics Office, Malta issues statistics and comments on trends relating to the Maltese population. One of its publications is the Demographic Review. In its publication of the 2008, it was stated that: “Over a century, the total population of Malta practically doubled. The total population at the end of 2008 amounted to 413,609 persons.”

Meanwhile, it is also a known fact that life expectancy has increased rapidly throughout the last decades. At the same time the death rate, birth rate and infant mortality rate have declined.

a. Give one (1) reason why a businessman would be interested to learn about changes in the population. (2 marks)
b. Define: (i) death rate; (ii) birth rate; and (iii) infant mortality rate. (6 marks)
c. Mention another factor that affects population size. (2 marks)
d. Besides the National Statistics Office there are several other organisations that can aid business activity. Choose one (1) of these organisations and say all you know about it especially how it could be of help to a business. (6 marks)
e. Changes occur in the size and structure of the population. At the same time, businesses too have to make several changes to remain competitive. List two (2) factors contributing to resisting the effects of change. (4 marks)
Question 3

After taking a look at the Memo below, answer the related questions on the foolscaps provided.

Memorandum

To: All Section Managers
From: Managing Director

Re: Indulging in International Trade

Following several meetings and discussions, the final decision has been that our company will in fact enter the foreign trade business and market its products abroad. You are now required to see that ………………………………………………………………..

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a. The efficient running of a firm depends on good communication. Define communication and explain why this is important for a business. (3 marks)

b. The Memo is one form of communication that business organisations use. Mention other types of communication (at least 4). (4 marks)

c. Give three (3) rules for good communication. (3 marks)

d. If the company is going to start exporting to other countries, what possible difficulties can it meet? Explain three (3) of these difficulties in some detail. (6 marks)

e. Companies involved in international trade will either affect the Visible or the Invisible trade figure and finally they will affect the country’s Balance of Payments figure. Explain what is meant by:
   (i) Visible and Invisible Trade; and
   (ii) Balance of Payments. (4 marks)
SECTION D: Answer this Section in the spaces provided. This Section carries a total of 20 marks.

Distinguish between each set of words given hereunder.

1. The Private Sector and the Public Sector;

2. Centrally-planned Economy and Free Market Economy;

3. Private Benefits and External Benefits;

4. Opportunity Cost and Fixed Costs;

5. Desk Research and Field Research.

(20 marks)