FORM 5 BUSINESS STUDIES TIME: 1h 45min

Name: ___________________________ Class: ______________

MARKS

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<th>Section A</th>
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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 the sake of efficiency, employers should introduce change:
(a) rapidly and without any consultation  
(b) after involving and training the employees concerned  
(c) by forcing it on staff little by little

2. A budget may be defined as:
(a) a financial expression of intentions and expectations  
(b) the actual financial performance of a business  
(c) a tool that management uses to record financial facts

3. Firms use break-even analysis in order to:
(a) assess whether a business operation has costs or benefits  
(b) assess how changes in price affect profits at different levels of output  
(c) determine the best level of hierarchical structure in the organisation

4. The Industrial Revolution brought about:
(a) a rise in the crafts industry  
(b) excellent working conditions for all the employees  
(c) an increase in trade

5. In the private sector of an economy, a motivating factor is:
(a) a laissez-faire attitude  
(b) government intervention  
(c) profit

6. Social security benefits are given greater importance in a:
(a) subsistence economy  
(b) free-market economy  
(c) mixed economy
7. **Delegation of authority** occurs when:
   (a) superiors hand over some of their duties to subordinates
   (b) the manager controls everything by himself
   (c) chains of command are not followed

8. The **contract of employment** contains:
   (a) a record of an employee’s work
   (b) conditions of work of the newly employed
   (c) various health & safety regulations

9. In an **industrial dispute**:
   (a) the relationships between employees and employers are not well
   (b) collective bargaining is successful
   (c) work-to-rule is used to increase production in the business concerned

10. Some firms spend a good amount of capital on **advertising** since:
    (a) the hidden persuaders used are beneficial to customers
    (b) this would hopefully increase the firm’s sales
    (c) the Consumers’ Affairs Act requires business to do so

(20 marks)
SECTION B: Answer all questions in this Section.

This Section carries a total of 20 marks.

Examine the figures below taken from the Income Statement and Statement of Financial position of “Super Business” for the year 2013 and then answer the questions that follow.

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<tr>
<td>Sales</td>
<td>50,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>26,000</td>
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<tr>
<td><strong>GROSS PROFIT</strong></td>
<td></td>
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<tr>
<td>Total Expenses</td>
<td>14,000</td>
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<tr>
<td><strong>NET PROFIT</strong></td>
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Current Assets: €12,000

Stock/Inventory: €7,000

Current Liabilities: €10,000

a. In the table above, fill in the Gross Profit and Net Profit figures. (2 marks)

b. From the figures provided, calculate the Gross Profit Margin (GPM) and the Net Profit Margin (NPM). (All workings must be shown). (4 marks)

c. Can you name and give the formula of a Profitability Ratio which gives a better picture than the GPM and NPM? (2 marks)

d. Work out the Current Assets Ratio and explain its purpose. (Show all workings) (4 marks)

e. Now calculate the Acid Test Ratio and comment on the result. (Show all workings) (4 marks)

f. Define with examples: current assets and current liabilities. (4 marks)
SECTION C: Answer any two (2) Questions (with all their respective sub-divisions) on the foolscaps provided.

Always read the extracts carefully before answering the questions.
Each question carries a total of 20 marks, giving a total of 40 marks for the whole Section.

Question 1

As a result of Globalisation, one may say that nowadays there is one large world market rather than a number of separate national markets. Improvements in transport and communication have greatly contributed to this. Furthermore, free trade agreements and economic unions between countries resulted in the removal of trade barriers. With fewer or no import controls, consumers can purchase goods and services from other countries with greater ease. Moreover, multinationals are also increasing due to greater mobility of capital and labour.

a. Explain the meaning of the underlined terms. (8 marks)

b. List four (4) types of import controls. (4 marks)

c. Give two (2) advantages and two (2) disadvantages of Globalisation. (4 marks)

d. In what ways would a country like Malta benefit if a multinational were to be set up within its borders? (2 marks)

e. If you wanted to export goods to other countries, what factors would you take into consideration before deciding on the type of transport to use? (Mention any two factors). (2 marks)
Question 2

A well-known entrepreneur has decided to diversify by seeking new business opportunities. A choice was available - either investing in the insurance business or start producing an innovative technological apparatus. The choice fell on the last option because it promised to be more prosperous bearing in mind that it was something new on the market. The entrepreneur could use a price skimming pricing strategy. It would also mean indulging in more product promotion. The entrepreneur sought the help of commercial banks, Malta Enterprise and E.T.C. to set up the new business.

a. State what you understand by the underlined terms. (8 marks)

b. What is the opportunity cost of the choice made by the entrepreneur? (2 marks)

c. The production of a new technological apparatus could result in private and social costs plus benefits. List one (1) example of each of the following: private cost, private benefit, external cost, external benefit. (4 marks)

d. Describe what sort of help the entrepreneur could have obtained from each of the entities mentioned in the text, that is: commercial banks, Malta Enterprise and E.T.C. (6 marks)
Question 3

The shareholders of a public limited company which manufactures electronic components by mass production were notified that the next AGM would be taking place in three weeks’ time. Apart from the usual business of electing the company directors and voting on other issues such as the distribution of dividend, the shareholders were informed that there will also be a presentation on Quality Control and Quality Assurance Systems in order to raise customer satisfaction.

a. Give the meaning of the four (4) underlined terms. (8 marks)

b. By referring to two (2) aspects, indicate how a public limited company differs from a private limited company. (2 marks)

c. Explain why an individual shareholder benefits from the existence of “limited liability”. (2 marks)

d. In a public limited company, ownership and control belong to different stakeholders. Explain. (2 marks)

e. Mass production refers to one method of production. Name and describe a different method of production. (2 marks)

f. Customer Satisfaction is just one of the objectives of a business. List two (2) other business objectives. (2 marks)

g. Mention the two (2) most essential means of written communication used in connection with meetings. (2 marks)
SECTION D: Write a short essay on ONE (1) of the suggested titles below. Be sure to answer all questions related to the essay you have chosen!

Each title carries a total of 20 marks.

(a) Business is any activity which uses the factors of production to provide the goods and services in order to satisfy people’s needs and wants.

(i) Give a detailed account of the factors of production and the stages of production involved to have goods and services ready for people’s consumption. (14 marks)

(ii) There are consumer goods and capital goods, as well as consumer services and commercial services. Explain. (4 marks)

(iii) Distinguish between basic needs and wants. (2 marks)

(b) The sole owner carries out all the necessary business functions by himself, possibly aided by some other employed persons or family members.

(i) Describe the essential features of a sole owner business, including the main advantages and disadvantages of such a set up. (12 marks)

(ii) Which are the six (6) basic business functions? (6 marks)

(iii) Suppose the sole trader were to expand in business and needed more capital and expertise to do so, to which kind of business structure in the private sector would you advise him to convert his business to? (2 marks)

(c) Unemployment is not beneficial to a country’s economy.

(i) Describe four (4) types of unemployment from which an economy may suffer. (12 marks)

(ii) What can be done to decrease unemployment? (6 marks)

(iii) In your opinion, why is it not beneficial to have unemployed persons in any economy? (2 marks)