



**Annual Examinations for Secondary Schools 2014**

**FORM 5**

**BUSINESS STUDIES**

**MARKING SCHEME**

The aim of this Marking Scheme is to ensure a greater degree of objectivity in marking the exam papers. However, when different answers are given from those listed below, it is at the discretion of the teacher as to whether the marks should be allotted or not.

**SECTION A**

**20 marks in total – 2 marks for each correct answer**

1 (b); 2 (a); 3 (b); 4 (c); 5 (c); 6 (c); 7 (a); 8 (b); 9 (a); 10 (b).

**SECTION B**

**20 marks in total**

a. GP = € 24,000;  
NP = € 10,000 (2 x 1 mark)

b. Gross Profit Margin =  $\frac{\text{Gross Profit} \times 100}{\text{Turnover}} = 48\%$  (2 marks)

Net Profit Margin =  $\frac{\text{Net Profit} \times 100}{\text{Turnover}} = 20\%$  (2 marks)

c. "ROCE" – Return on Capital Employed

ROCE =  $\frac{\text{Net Profit}}{\text{Capital Employed}} \times 100 = \%$  (2 x 1 mark)

d. Current Assets Ratio = Current Assets : Current Liabilities

12,000:10,000 = 1.2:1 (2 marks)

For a firm to be safely liquid there has to be a ratio of 2:1.

This firm is therefore not safely liquid. (2 marks)

e. Acid Test Ratio = (Current Assets – Stock) : Current Liabilities

(12,000 – 7,000) : 10,000 = 0.5: 1 (2 marks)

*Any one from:*

The business is unable to pay its short-term debts without selling any stock/inventory.

This happens because the ratio is **not** 1:1.

The current assets excluding stock/inventory are less than current liabilities. (2 marks)

- f. **Current Assets:** These are assets which are continually changing and can be easily changed into cash. Examples: cash, money at bank, debtors/trade receivable and stock/inventory. (2 marks)
- Current Liabilities:** those amounts that have to be paid within a year. Examples: trade payables, bank overdrafts, expenses owing, dividend. (2 marks)

## SECTION C

40 marks in total - 20 marks for each of the two questions chosen

### Question 1

- a. **Market:** an arrangement between buyers and sellers to trade goods.  
**Multinationals:** a company which has its head office in one country and other branches in different countries *or* the integration of companies from different lands.  
**Capital:** a factor of production which consists of money and other assets like machinery and equipment to carry on business.  
**Labour:** also a factor of production which refers to all work/human resources available for use in economic activity. (4 x 2 marks)
- b. *Any four from:* quotas, tariffs, import licences, embargo, and exchange control regulations. (4 x 1 mark)
- c. *Any one advantage from:* larger markets, increased economic growth, more developed economies, improved standards, increase in trade, global spread of information and communication, improved environmental awareness. (2 marks)  
*Any one disadvantage from:* uncompetitive industries are penalised, increased interdependence, trade liberalisation can harm the national economies, developing countries may be at a disadvantage, increased migration, natural identities can be lost, greater exploitation of resources. (2 marks)
- d. *Any one from:* greater investment and creation of jobs. (2 marks)
- e. Sea transport. (2 marks)

### Question 2

- a. **Entrepreneur:** The coordinator of the other factors of production.  
**Diversify:** The business expands by moving into new markets.  
**Market Research:** the collection of information by a firm about an existing or potential market.  
**Product Promotion:** A marketing strategy to increase sales using advertising and sales promotion techniques. (4 x 2 marks)
- b. Opportunity Cost: Not investing in insurance (2 marks)
- c. *Any one from each of the following or other reasonable answer:*  
**Private Cost:** the financial implications for the owner; getting the product known; possible teething problems of production.  
**Private Benefit:** no competition for this product; chances of making good profit; growth and survival of the business.  
**External Cost:** possible pollution involved; high price of new product; monopolistic power on the part of the entrepreneur.  
**External Benefit:** more jobs; more beneficial products on the market; greater economic activity. (4 x 1 mark)

- d. *Students are expected to highlight the main functions of the three entities in so far as aiding the entrepreneur is concerned.*  
Commercial banks: lending, safe-keeping, transferring of money and business consultation.  
Malta Enterprise: support and advisory services for innovative business and growth; fiscal incentives; trade promotion; loans and patent rights; establishing markets abroad.  
E.T.C.: filling up of vacant posts and training of employees. (3 x 2 marks)

### Question 3

- a. **Shareholders:** part owners of a company.  
**Mass Production:** a large amount of products are produced on the production line.  
**AGM:** Annual General Meeting is the yearly official meeting for the shareholders of a company.  
**Dividend:** the share of the profits made by company which is paid to shareholders. (4 x 2 marks)
- b. *Any two from:*  
Public Limited Company: Shares are sold to the general public; shares can be traded on the stock exchange; it needs a trading certificate to start trading; requires more time, money and documents to set up than a private limited company; there is “plc” in the title instead of co. ltd. (2 x 2 marks)
- c. Limited Liability: if the business fails only the money invested is lost and not any of one’s personal belongings. (2 marks)
- d. *Any two from:* profit, survival, growth and goodwill. (2 x 2 marks)
- e. Agenda and Minutes. (2 x 1 mark)

### SECTION D

**20 marks in total – 4 marks for each pair**

- Wants:** all the things that people desire.  
**Basic Needs:** the things that a human being requires for survival, that, is food, clothing, shelter and possibly human companionship.
- Downward Communication:** the message/information moves from top grades to lower grades.  
**Horizontal Communication:** occurs when workers of a similar grade communicate with each other.
- Curriculum Vitae (CV):** a summary of an individual’s personal details, education, qualifications and experiences.  
**Call for Applications:** advert made in order that candidates apply to fill in a vacant post.
- Consumer Goods:** are those things produced for use by the consumer.  
**Capital Goods:** these are goods used in the production of other goods.
- Frictional Unemployment:** type of temporary unemployment that happens because people are changing jobs.  
**Cyclical Unemployment:** occurs because of cycles of booms and recessions in the economy.