



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

$$(12,000 - 7,000) : 10,000 = 0.5: 1 \quad (2 \text{ marks})$$

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 receivables 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. **Free Trade Agreements:** Agreement between countries concerned to trade freely with each other with no trade barriers.

Economic Unions: Beside trading freely and having free movement of capital and labour, the member countries have common economic policies.

Trade Barriers: are measures taken by government to restrict free trade.

Mobility of capital and labour: the free movement of capital and workers from one country to another. (4 x 2 marks)

b. *Any four from:* quotas, tariffs, import licences, embargo, and exchange control regulations. (4 x 1 mark)

c. *Any two advantages from:* larger markets, increased economic growth, more developed economies, improved standards, increase in trade, global spread of information and communication, improved environmental awareness. (2 x 1 mark)

Any two disadvantages 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 x 1 mark)

d. **Multinationals:** greater investment and creation of jobs. (2 x 1 mark)

e. *Any two from:* type of good, distance involved, cost, security needed. (2 x 1 mark)

Question 2

- a. **Entrepreneur:** The coordinator of the other factors of production.
Diversify: The business expands by moving into new markets.
Price Skimming: New products are highly priced as they do not face competition.
Product Promotion: A marketing strategy to increase sales using advertising and sales promotion techniques. (4 x 2 marks)
- b. Opportunity Cost: the insurance investment which has been foregone. (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.
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.
Quality Control: method used by firms to make sure that their products are of the right quality. (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 1 mark)
- c. The “limited liability” aspect is of benefit to the shareholders because they know that if the business fails, it is only their investment which will be lost and no personal items will be taken from them to pay the debts. (2 marks)
- d. The shareholders are the part-owners of the firm, whereas the control is in the hands of the Board of Directors and management. (2 marks)
- e. *Students can name and describe any one of the following:*
Unit/Job production or Batch Production (2 marks)
- f. *Any two from:*
Profit, survival, growth and goodwill. (2 x 1 mark)
- g. Agenda and Minutes (2 marks)

SECTION D

20 marks in total for the essay

Essay (a)

- (i) *Students are expected to list and describe with examples where necessary the four factors of production, that is, land, labour, capital and entrepreneurship.* (4 x 2 marks)
They are also expected to list and describe the three stages of production (primary, secondary and tertiary) and not necessarily including the quaternary and quinary sectors. (3 x 2 marks)
- (ii) *Each type of good and service is to be described.* (4 x 1 mark)
- (iii) *Students have to distinguish between the basic needs (food, clothing, shelter and human companionship) and all general wants.* (2 marks)

Essay (b)

- (i) *Any two essential features from:* one owner takes all profit, has to burden all responsibilities, can employ others. (2 x 2 marks)
Any two advantages from: easy to set up; takes all the profit, no need to consult others, direct contact with his customers/suppliers. (2 x 2 marks)
Any two disadvantages from: unlimited liability, lack of continuity, has to shoulder all responsibilities, faces competition from larger firms. (2 x 2 marks)

Teachers please note that marks should not be allotted twice if there is the same thing listed in essential features and in advantages/disadvantages.

- (ii) Human Resources, Production, Purchasing, Finance, Marketing and Research & Development. (6 marks)
- (iii) Partnership. (2 marks)

Essay (c)

- (i) *Students have to describe any four from the following:* frictional, structural, cyclical, seasonal, technological, residual. (4 x 3 marks)
- (ii) *Any three from these measures to decrease unemployment:* creating more jobs, training and retraining, put money in the economy to encourage spending, control inflation, assist businesses, help in geographical mobility. (3 x 2 marks)
- (iii) It means that some resources are idle and there is not enough efficient use of resources so production and the economy suffer.

OR

Unemployment benefits have to be paid. (2 marks)