

Annual Examinations for Secondary Schools 2020

YEAR 11

BUSINESS STUDIES

TIME: 1h 45 min

Name: _____

Class: _____

FOR OFFICIAL USE ONLY							
MARKS							
SECTION	A	B	C1	C2	C3	D	TOTAL
MARKS	10	10	20	20	20	20	100
STUDENT'S MARK							

INSTRUCTIONS TO STUDENTS

Non programmable calculators may be used.

The clear presentation of your work is important.

SECTION A**[10 marks]**

Fill in the blanks below with the appropriate words or terms from the list. Each word or term can be used once only. There are two extra words or terms which are not to be used.

trained	research and development	job specification
recruited	globalisation	human resource
efficiency	workforce	motivated
induction training	business	shortlisting

The _____ department is important in all businesses, because it is directly involved with the employees working in those businesses. If all workers are highly _____ and happy, the firm's output and _____ should both be high.

On the other hand a discontented _____ can lead to disruptions in production and possibly even closure of the _____.

One way that the personnel department can help a firm to achieve a satisfied workforce is to ensure that suitable people are selected, _____ and _____. In order to do this, recruitment procedures must be used, which are suitable for the job in question. Appropriate selection procedures should be adopted by _____ applicants and so eliminating those who do not meet the _____.

The chosen candidates will then be invited for an interview.

Once the new employees are in post, they will want to settle down as quickly as possible. Efficient _____ will help this to take place.

SECTION B

[10 marks]

ANSWER ALL QUESTIONS IN THIS SECTION

Tick (✓) the correct answer in the space provided. Each question carries 1 mark.

1. When a manager asks an assistant manager to carry out a task on his behalf, this is referred to as:
(a) recruitment.
(b) interviewing.
(c) delegation.
(d) selection.

2. The rent that a business pays annually is classified as:
(a) fixed cost.
(b) variable cost.
(c) current asset.
(d) current liability.

3. People who apply for a job would have to complete:
(a) a job specification.
(b) an application form.
(c) a job description.
(d) a notice.

4. Which of the following transactions represents capital expenditure to a sole trader?
(a) Expenditure to finance day to day expenses.
(b) Business money taken by the owner.
(c) Paying water and electricity bill.
(d) Buying a new van for the business.

5. A firm needs to gather data on customers. Which term describes this?
(a) Market segmentation.
(b) Market research.
(c) Market orientation.
(d) Market share.

6. ABC Co. Ltd.'s cash budget shows:
(a) the forecasted profit it will make.
(b) the value of its shares.
(c) the total revenue earned the previous year.
(d) The projected inflows and outflows of the business.

7. Which of the following forms part of the channel of distribution?
- (a) Shareholder.
- (b) Accountant.
- (c) Retailer.
- (d) Manager.
8. In which sector of production would you classify a car showroom?
- (a) Financial sector.
- (b) Tertiary sector.
- (c) Secondary sector.
- (d) Primary sector.
9. The result of economies of scale may be:
- (a) stable unit cost when output increases
- (b) an increase of unit cost when output increases.
- (c) less efficient production.
- (d) a decrease of unit cost when output increases.
10. If the variable cost per unit is €10, selling price is €25 per unit and fixed costs are €60,000, then what is the break-even output?
- (a) 4,000 units
- (b) 5,000 units
- (c) 5,500 units
- (d) 6,000 units

SECTION C

[60 marks]

Answer all questions in this section on the foolscaps provided. Each question carries 20 marks.

Question 1

- a. Give one reason to explain why break even analysis is important for a business? (1 mark)
- b. What business studies terms do we use to explain the following business situations:
- i. Revenues and costs of a business are equal in value.
- ii. Revenues are greater than costs.
- iii. Revenues are less than costs. (3 marks)
- c. What is the difference between variable costs and fixed costs? (2 marks)
- d. Explain the term margin of safety. (1 mark)

- e. The following information is related to the costs and revenues of a firm which produces calculators:

Output	Fixed Cost	Variable Cost	Total Cost	Total Revenue
Number of calculators	€	€	€	€
0	300			
10	300	100	400	200
20	300		500	
30	300			600
40	300	400	700	
50	300	500	800	
60	300	600	900	1,200
70	300	700		1,400

The following information is also relevant:-

- Variable costs are €10 per calculator produced;
- Calculators are sold at €20 each.

- Study well the above information and complete the table above. (5 marks)
- Use information from the above table and on a graph paper provided, plot the Total Revenue and Total Cost curves (using the appropriate axes), to draw the break-even chart and label it. (4 marks)
- On the graph which you have drawn, indicate the following:
 - the break-even point.
 - the area of profit.
 - the area of loss. (3 marks)
- From the graph or otherwise, calculate the profit earned by the firm when it sells 60 calculators. (1 mark)

Question 2

Read the extract below and then answer the questions which follow:

It is common practice that a trade union which can prove it has the majority of membership among employees in an entity, is granted the right to represent all the workers of such entity in collective bargaining. An inter-union dispute occurs when there are two trade unions claiming to have a majority of members in the same entity.

The Employment and Industrial Relations Act (EIRA 2002), which governs and regulates employment relations, lacks a legal provision for trade union recognition at the place of work. Two examples of inter-union disputes were; A dispute between the General Workers' Union and the Malta Union of Bank Employees over recognition of the clerical and managerial staff at Bank of Valletta. The other one was between the GWU and the Union *Ħaddiema Magħqudin* – voice of the workers, over recognition of employees at Arrow Pharm.

The Malta Employers' Association has expressed its concern about these disputes as it claims that disputes among trade unions is damaging industries in the sense that it is "leading to expensive settlements, which weaken competitiveness".

- a. Explain the underlined terms. (5 marks)
- b. What does the Employment and Industrial Relations Act regulate? (1 mark)
- c. Describe industrial relations. (1 mark)
- d. Mention three examples of Maltese trade unions that are mentioned in the above passage. (3 marks)
- e. What are the concerns of the Malta Employers' Association about inter-union disputes? (1 mark)
- f. Mention two aims of a trade union. (2 marks)
- g. Do you think that trade unions are also important for employers? Give one reason for your answer. (2 marks)
- h. What is an industrial dispute? (1 mark)
- i. Mention four types of industrial actions. (4 marks)

Question 3

Consider the following information and then answer the questions below:

Rita Ellul		
Statement of Profit or Loss (Income Statement)		
for the year ended 31 December 2019		
	€	€
Sales		80,000
Less Cost of Sales:		
Opening Inventory	5,630	
Purchases	59,370	
Closing Inventory	<u>(5,000)</u>	<u>(60,000)</u>
Gross Profit		A
Less Expenses:		
Wages	7,560	
Water and Electricity	2,300	
Rent	1,200	
Repairs and Maintenance	<u>940</u>	B
Net Profit		<u>8,000</u>

Rita Ellul		
Statement of Financial Position		
as at 31 December 2019		
	€	
Non-Current Assets	90,000	
Current Assets	<u>30,000</u>	
	C	
Capital	92,000	
Add Net profit	<u>8,000</u>	
Capital Employed	D	
Current Liabilities	<u>20,000</u>	
	<u>120,000</u>	

	€	
Non-Current Assets	90,000	
Current Assets	<u>30,000</u>	
	C	
Capital	92,000	
Add Net profit	<u>8,000</u>	
Capital Employed	D	
Current Liabilities	<u>20,000</u>	
	<u>120,000</u>	

- a. Calculate the missing figures represented by the letters A, B, C and D. (4 marks)
- b. Identify two non-current assets and two current assets. (4 marks)
- c. Mention one non-current liability and one current liability. (2 marks)
- d. Give the formula for each of the following and calculate for Rita Ellul's business the: (show all workings)
 - i. Gross Profit Margin (2 marks)
 - ii. Net Profit Margin. (2 marks)
 - iii. Current Ratio. (2 marks)
 - iv. Acid Test Ratio. (2 marks)
 - v. Return on Capital Employed. (2 marks)

SECTION D**[20 marks]****Choose ONE of the following and answer the questions about it on the foolscaps provided.****Question 1**

- a. Explain the production activity that takes place in the;
(i) primary sector of production (ii) secondary sector of production
(iii) tertiary sector of production. (3 marks)
- b. For each sector of production, give an example of a firm that operates in that sector. (3 marks)
- c. Mention two examples of; (i) Internal sources of finance (ii) External sources of finance, for a business. (4 marks)
- d. What is the difference between privatisation and nationalisation? (2 marks)
- e. Give two advantages of;
(i) Privatisation (ii) Nationalisation. (4 marks)
- f. What is a franchising agreement? (2 marks)
- g. Give two examples of franchisees that are found in Malta. (2 marks)

Question 2

- a. Explain; (i) Demand (ii) Supply. (2 marks)
- b. Mention four factors that affect demand. (4 marks)
- c. Mention four factors that affect supply. (4 marks)
- d. What is the difference between excess demand (shortage) and excess supply (glut)? (2 marks)
- e. Refer to the below table and answer the questions which follow:

Price of oranges (€ per kg.)	Demand for oranges (Kg. per week)	Supply of oranges (Kg. per week)
3	1,000	2,800
2.50	1,500	2,400
2	2,000	2,000
1.50	2,500	1,600
1	3,000	1,200
0.50	3,500	800

- i. What is the equilibrium price and equilibrium quantity in the orange market? (2 marks)
- ii. At what price will a surplus be experienced in the orange market? (1 mark)
- iii. At what price will a shortage be experienced in the orange market? (1 mark)
- f. State the effect of an increase in price of a product on the demand and supply of that product. (2 marks)
- g. How does an increase in the price of electricity affect the demand for solar panels? Give one reason for your answer. (2 marks)