

KULLEĠĠ SAN BENEDITTU

Boys' Secondary, Kirkop

Mark

HALF-YEARLY EXAMINATION – 2011/12

Track 3 (JL)



FORM 4	BUSINESS STUDIES	TIME: 1h 30min
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Section	1	2	3	4	5	6	Global Mark
Max. Mark	10	20	20	20	20	10	
Mark							

DO NOT WRITE ABOVE THIS LINE

Name: _____

Class: _____

Section A (10 marks)

Underline the correct answer:

- An economy which is completely **controlled by the state** is called
 - a commercial economy
 - a free market economy
 - a planned economy
- Another name for the **Primary Stage** of production is:
 - manufacturing and construction
 - extractive
 - direct service
- The following are all examples of **basic needs**:
 - shelter, transport, clothing
 - food, clothing, shelter
 - clothing, entertainment, food
- Chose the group which forms part of the **public sector of the Maltese economy**:
 - Water Services Corporation, The Health Department and Local Councils
 - The Education Department, the Police Corp and Bank of Valletta
 - The Malta Freeport, The Enemalta Corporation and Suncrest Hotel
- Business Activity** involves:
 - offering services to citizens, tax for the state and profit for businessmen
 - the providing of goods and services to satisfy peoples' needs and wants
 - supplying goods, creates employment but generate pollution

6. The **six basic business functions**:
- (a) include personnel, production and purchasing
 - (b) are the only functions that could exist in an organization
 - (c) exist only in large businesses
7. Another name for **labour** as one of the four factors of production is:
- (a) Natural resources
 - (b) Man made resources
 - (c) Human resources
8. The term **scarcity** in economic terms means:
- (a) a shortage of a good in a shop
 - (b) the lack of enough resources to satisfy all needs and wants
 - (c) the increase in prices which leads to people renounce from their wants
9. The **exchange of one thing for another without the use of money** is called:
- (a) Swap over
 - (b) Trading
 - (c) Bartering
10. **Producers** are:
- (a) people who buy goods or services for their own use
 - (b) persons who use the factors of production to provide a good or a service
 - (c) people who sell goods in small quantities to the public

SECTION B (20 marks)

ALL QUESTIONS ARE TO BE ANSWERED ON THE FOOLSCAPS PROVIDED

Remember to write down your name and class on each foolscap.

You are also required to write down the section AND the number of each question besides your answer. Do NOT copy the questions given.

Answer all questions in this section. (SHORT ANSWERS ARE REQUIRED) (2 marks for each answer)

Explain briefly but clearly the difference between:

(You can give suitable examples to illustrate your answer)

- 1. Wants & Needs
- 2. Goods & Services
- 3. Unlimited Wants & Limited Income
- 4. Scale of Preferences & Opportunity Cost
- 5. Direct Production & Indirect Production
- 6. Money's Divisibility & Portability

7. Skilled workers & Semi-skilled workers
8. Demand & Supply
9. Factors of Production & Stages of Production
10. Natural Resources & Man-Made Resources

SECTION C

CASE STUDY 1 (20 marks)

Analyse the following and then answer the questions laid down thereafter:

Last year marked the end of Muammar Gaddafi as the official ruler of Libya. He seized power in a bloodless military revolution in 1969. Critics have long described him as Libya's dictator. In October 2011, the Libyan Arab Jamahiriya state he established was overthrown in a civil war which consisted of an uprising aided by a NATO intervention.

1. Describe the main features of a planned economy. (2 marks)
2. List two disadvantages associated with this type of economic system. (2 marks)

Another type of economy is the Free-Market Economy. A free market economy is an economy in which the allocation for resources is determined only by their supply and the demand for them. This is mainly a theoretical concept as every country, even capitalist ones, places some restrictions on the ownership and exchange of commodities.

3. Briefly explain this other extreme type of economic system. (2 marks)
4. List two advantages of free-market economy. (2 marks)

“Successive Maltese governments have given Malta a long period of economic stability and viability with steady economic growth and a full employment that gave the Maltese a reasonable standard of living and quality of life. This was achieved through a successful combination of liberal economic policies and protectionism where needed. The **mixed economy** in Malta worked successfully well in spite of the inefficiencies and difficulties borne”.

Source: Vince Farrugia Director General GRTU (July 2005)

5. Malta is said to adopt a mixed economy. State two benefits associated with this type of economic system. (2 marks)
6. Mention two main differences between the Private Sector and the Public Sector that prevail in a mixed economy. (2 marks)
7. What is the main difference between a Private Limited Company (Ltd) and a Public Limited Company (plc)? (2 marks)
8. Write short notes to explain the difference between Nationalisation and Privatisation. You can give some examples to illustrate your answer. (2 marks)



McDonald's is the world's largest chain of hamburger fast food restaurants, serving around 64 million customers daily in 119 countries. The business began in 1940, with a restaurant opened by brothers Richard and Maurice McDonald in San Bernardino, California.

9. What is this type of business called? (1 mark)
10. Write the name of one other example of such business which is available in Malta. (You need only to mention the name of the business) (1 mark)
11. Mention one advantage and one disadvantage associated with this modern type of enterprise. (2 marks)

SECTION D

CASE STUDY 2 (20 marks)

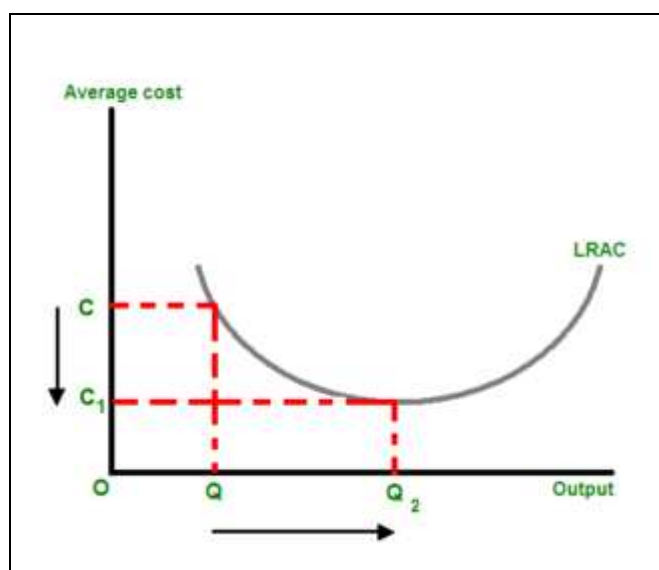
All successful small business startups eventually face the issue of handling business expansion or growth. Business expansion is a stage of a company's life that is filled with both opportunities and dangers. On the one hand, business growth often carries with it a corresponding increase in financial fortunes for owners and employees alike. In addition, expansion is usually seen as a validation of the entrepreneur's initial business startup idea, and of his or her subsequent efforts to bring that vision to realization. But as Andrew J. Sherman observed in *The Complete Guide to Running and Growing Your Business*, business expansion also presents the small business owner with countless issues that have to be addressed: "Growth causes a variety of changes, all of which present different managerial, legal, and financial challenges".

1. List *two* main reasons **WHY** firms grow. (2 marks)
2. Another alternative open to businesses is to integrate with another firm. Write short notes to describe each of the following types of **integration**. (4 marks)
(You can give an example to substantiate your answer).
 - (i) Horizontal Integration
 - (ii) Vertical Integration Forward
 - (iii) Vertical Integration Backward
 - (iv) Lateral Integration
3. Explain the term **diversification** in relation with business growth (2 marks)
4. What is the difference between **monopolies** and **oligopolies**? (2 marks)



Globalisation is the term used to describe the development of world markets. Businesses are now looking to sell their products all over the world, rather than in their own country and improved worldwide communications have made it easier to develop a 'global economy'. In turn, this has led to an increase in both the number and the size of multinational companies.

5. Explain what a **multinational company** is. You can give a local example to illustrate your answer. (2 marks)
6. In your own words, give your views on the **effects of a multinational firm on the Maltese economy**. (2 marks)



As quantity of production increases from Q to Q₂, the average cost of each unit decreases from C to C₁.

Economies of scale refer to the cost advantages that a business obtains due to expansion. There are factors that cause a producer's average cost per unit to fall as the scale of output is increased. "Economies of scale" refers to reductions in unit cost as the size of a facility and the usage levels of other inputs increase. Diseconomies of scale are the opposite.

7. What is the difference between **Internal Economies of Scale** and **External Economies of Scale**? (2 marks)

8. In spite of the benefits of large-scale businesses, **small firms** continue to exist. Give two reasons for the survival and success of small firms. (2 marks)
9. Explain the term “**niche markets**” in relation with small firms. The providing of an example will aid your answer! (1 mark)
10. Explain what is meant by “**stakeholders**”. You can give some examples to make your point. (1 mark)

SECTION E

CASE STUDY 3 (20 marks)

A major decision to be taken when an entrepreneur is setting up in business, or thinking about expanding, is where to locate their premises, or where to site a new branch of the business. A variety of factors will influence this decision, irrespective of the size of the business and the expected scale of its operations, but most choices are a compromise between several advantages and disadvantages. For different industries, different locations have advantages and disadvantages which will affect the firm's cost of production.

1. List 2 main factors that influence a firm's location of industry. (2 marks)

In order to encourage firms to reallocate to or expand governments in many countries offer several forms of assistance. Such assistance is available for both manufacturing and service industries.

2. Mention 2 ways how government can aid and provide assistance to entrepreneurs? (2 marks)
3. List 2 main objectives of any business. (2 marks)



Marketing can be defined as “the management process responsible for identifying, anticipating and satisfying consumers’ requirements profitably”. The design, price and quality of the goods have to be what the customer wants. As there is no point in making things that customers will not buy, the marketing department has to clarify the needs and wants of the customer. This implies that a **marketing strategy** should be well planned!

4. What is the difference between **advertising** and **promotion**? (2 marks)
5. There are various **sales promotion techniques**. List 2 of them. (2 marks)
6. One of the tactics a business may use in advertisement is **hidden persuaders**. Can you mention some common examples? (2 marks)
7. There is a wide variety of ways in which an advertisement may reach the public, each of which has a varying degree of effectiveness and cost. Mention two types of **advertising media** commonly used to promote products and services. (2 marks)
8. Write down 1 **argument in favor** and 1 **argument against** advertising. (2 marks)



Transport plays an important part in the marketing of goods because without transport raw materials would not reach the producer, and the finished articles would not be distributed. For marketing to be effectively carried out there is a need for a sophisticated transport system which enables goods to reach the right place, at the right time, and in the right condition.

9. Mention some **important factors** that must be taken into consideration by a firm **when choosing the method of transport**. (2 marks)
10. Compare **air transport** with **sea transport** in relation of carrying goods to their final destination. (2 marks)

SECTION F (10 marks)

Write 2 short paragraphs (of about 5 lines each) to explain **TWO** of the following:

- (i) Span of Control (can include advantages & disadvantages of both wide and narrow span of control)
 - (ii) The four functions of Money
 - (iii) Ways and means of Communication used in business
 - (iv) The Bartering system
 - (v) Specialisation & Division of Labour (can talk about advantages & disadvantages of specialisation)
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