



# KULLEGG SAN BENEDITTU Secondary School, Kirkop

Marking  
Scheme

## HALF YEARLY EXAMINATION – 2015/2016

One Graded Paper

<b>FORM 4</b>	<b>BUSINESS STUDIES</b>	<b>TIME: 1h 30min</b>
---------------	-------------------------	-----------------------

Section	A	B	C	D1	D2	E	<b>TOTAL</b>
Marks	10	20	10	20	20	20	<b>100</b>

### Section A (10 marks)

Fill in the blanks with the appropriate words or terms from the list below.

Each word can only be used once.

1. The goods you possess, whether for immediate consumption such as food, or to give you satisfaction over a longer period such as a play-station, will have been produced by a **BUSINESS**
2. Business Activity also includes services provided by the Government such as the **NATIONAL HEALTH** services.
3. Much of the activity that most businesses are engaged in is aimed at satisfying **BASIC NEEDS**
4. Human wants are almost without limit but the resources to satisfy these wants are scarce. Because of the problem of scarcity, **CHOICES** have to be made.
5. As we cannot have all we want, we have to make a choice from our **SCALE OF PREFERENCE**. If we choose to have one thing, we cannot have another.
6. **PRODUCTION** refers to the creation of goods and services.
7. The resources required to produce goods and services can be classified into four. Collectively they are called the **FACTORS OF PRODUCTION**.
8. For production to take place, it needs to pass through **STAGES OF PRODUCTION**.
9. The **CHAIN OF PRODUCTION** shows that businesses and their customers are highly interdependent.
10. Any organization, large or small, which provides goods or services, is a business of some sort. The reasons for business activity vary. Most businesses exist to make a **PROFIT** but some aim to provide goods or services for Religious, Political or Social reasons.

## Section B (20 marks)

In the empty column provided write down the most appropriate term related to the statement in the first column. An example is given

A form of business organization where a business is owned by its workers (staff) OR by its clients (customers). Thus, the people who work in the business OR those who buy their goods/services are the owners (shareholders) of the business.	<b>CO-OPERATIVE</b>
A problem each one of us faces is not being able to have everything we want since we have limited income. This forces us to make choices. When a choice is made there is a sacrifice.	<b>OPPORTUNITY COST</b>
Early man led a simple way of life. He would provide all of his needs himself without the aid of others. Man was just providing only his basic needs to live that is, providing just sufficient to survive without improving his way of life.	<b>SUBSISTANCE ECONOMY</b>
As time passed, man began to farm in very basic way, keeping animals and planting seeds. This enabled him to settle in one place, build a permanent home and starting improving his way of life. One of the improvements was that he found he was producing more goods than he needed and began to exchange his surplus goods with the surplus of others.	<b>BARTERING</b>
The difficulties of the barter system led early man to the use of generally accepted items which everyone was willing to take in exchange for their goods. Gradually, money was developed. The use of money solves all the four drawbacks of bartering. The use of money allowed early man to sell his surplus of goods in exchange for money and then use the money earned to buy his needs from the surplus of others.	<b>MEDIUM OF EXCHANGE</b>
In modern societies people co-operate with many others to indirectly produce the needs of everyone. Work is divided among several people, allowing them each to concentrate and focus on doing what they do best.	<b>SPECIALISATION</b>
There is no government interference in the workings of the economy. The price mechanism is its main feature. Prices of goods and services being determined by the demand made by the consumers and by the willingness of producers to supply these goods and services.	<b>FREE-MARKET ECONOMY</b>
An economic system which relies exclusively on the state. The government will decide what is made, how it is made, where it is made, how much is made and how distribution takes place.	<b>PLANNED/COMMAND/ CONTROLLED ECONOMY</b>
An economic system which allows a level of private economic freedom in the use of capital, but also allows for governments to interfere in economic activities in order to achieve social aims	<b>MIXED ECONOMY</b>
While each organizational department performs completely separate roles, it is extremely important that they communicate with each other. Though departments may not depend on each other in their day-to-day transactions, each does contribute individual pieces to the same overall puzzle!	<b>THE SIX (6) BASIC BUSINESS FUNCTIONS</b>
Firms will often use diagrams to show how they are organised, to demonstrate how each part of the firm is connected to the other parts and how an organisation is split up into various parts. Different businesses have different types of organizational structure which vary according to their size. For example, a large manufacturing firm may well have a very different structure from that of a chain of supermarkets.	<b>ORGANISATION CHARTS</b>

## Section C (10 marks)

Underline the correct answer:

1. B
2. B
3. A
4. B
5. A
6. A
7. C
8. C
9. B
10. C

## SECTION D

ANSWER BOTH QUESTIONS IN THIS SECTION. Each question carries 20 marks

### CASE STUDY 1 (20 marks)

1. Production is about transforming raw materials into a finished product or service. There are three approaches the firm can take to production. Explain these three types of production by giving suitable examples to clarify your answer. (6)
  - (i) Unit (or Job) Production
  - (ii) Mass (or Flow) Production
  - (iii) Batch Production
  - (I) *Unit or Job production when a product is done from start till finish by the same SKILLED worker (made to measure)*
  - (II) *Mass or Flow when a huge amount of the same product is produced through various tasks by various workers who can be semi-skilled or even unskilled. (factory workers/operators)*
  - (III) *Batch when with the same factors of production a variety of different but related products are produced (E.g. biscuits/office furniture)*
2. Explain the following terms: (4)
  - (i) Quality Control
  - (ii) Quality Assurance

*With **quality control**, goods may be tested at various stages of the production process. Some firms employ “progress chasers” who have to see that products are being produced in accordance with the agreed plans. This is done by monitoring the product at each stage of the production process.*

***Quality Assurance** is provided when the business guarantees the quality of a product to its customers. A manufacturing business can guarantee quality by producing its products according to Quality Standards that are recognized as being reliable and serious. Example: The British Standards Institution (BSI):*

3. Give a brief definition of the terms below: (2)
- (i) Footloose Industries
  - (ii) Industrial Inertia

*Footloose:* Able to setup anywhere  
*Industrial Inertia:* Reluctant to reallocate (move)

4. Explain and describe any two factors that need to be considered by any business regarding the location of the business (ie; location of industry). (4)

- ❑ *Availability of Land:*
- ❑ *Access to Raw materials:*
- ❑ *Access to power and water:*
- ❑ *Nearness to market ("market pull"):*
- ❑ *Labour:*
- ❑ *Transport facilities:*
- ❑ *Regional Specialization ("economies of concentration"):*
- ❑ *Environment:*
- ❑ *The Government:*

5. Write down two methods of assistance that can be provided by the Government to Industries. (2)

- ❑ *Capital Grants:*
- ❑ *Training Grants:*
- ❑ *New Factories:*
- ❑ *Preferential treatment:*

6. One of the departments which need to work hand in hand with the Production Department is the Purchasing Department. Briefly explain why this is so. (2)

*Both manufacturing and non-manufacturing firms will have to make all sorts of purchases. Those involved in manufacturing will need to buy their raw materials or components for assembly, before production can take place. In order to produce its goods or services a business will need to buy the raw materials and equipment it needs. Many firms will need to order components or equipment to their own specifications which will be used to produce a finished product.*

## **SECTION D**

### **CASE STUDY 2 (20 marks)**

1. List two main objectives of any type of business. (2)

- ❑ *Profit*
- ❑ *Survival*
- ❑ *Growth*

2. There are other objectives of the business, can you list another two? (2)

- ▣ GOODWILL
- ▣ CUSTOMER SATISFACTION

3. Growth is extremely important if the business desires to secure its long-term survival and constant profit maximization!  
Write down three reasons WHY firms grow. (6)

- ▣ To obtain a larger share of the market:
- ▣ To achieve greater security:
- ▣ To reduce average cost:

4. Firms can grow either INTERNALLY or EXTERNALLY. Describe two methods how a business can grow **internally**. (4)

*Firms can acquire internal expansion in two ways:*

- *By extending the market for their existing product*
- *By increasing the range of their products*

5. List two ways how the size of a firm can increase **externally**. (2)

▣ **MERGER (amalgamation):**

*A Merger (amalgamation) is when two businesses **agree** to join together and become a single business. Thus, a merger (amalgamation) takes place between two companies through their agreement. The two companies are then completely reorganized (restructured and modernized) following their merger (amalgamation) to form a new single company. Even the name of the company could be changed.*

▣ **TAKEOVER:**

*A Takeover occurs when one company buys enough of another company's voting shares to allow it to take control. The directors of the company being taken over could try to oppose the takeover, but may be powerless to stop it. Unlike mergers (amalgamations), where two companies voluntarily (willingly and on their own free will) accept to join together to form a new company, takeovers are rather hostile (unfriendly/argumentative) and without the company's agreement!*

NOTE THAT: It was just a LIST which was required: the above info. is for revision purposes only.

6. By giving suitable examples, explain the following types of integration. (4)

- (i) Horizontal Integration
- (ii) Vertical Integration Forward
- (iii) Vertical Integration Backwards
- (iv) Lateral Integration (Conglomerate)

- (i) Horizontal Integration  
**SAME STAGE OF PRODUCTION**
- (ii) Vertical Integration Forward  
**DIFFERENT STAGES OF PRODUCTION - MARKET**
- (iii) Vertical Integration Backwards  
**DIFFERENT STAGES OF PRODUCTION – RAW MATERIAL**
- (iv) Lateral Integration (Conglomerate)  
**UNRELATED AREAS OF PRODUCTION**

**SECTION E (Total: 20 marks)**

Choose **TWO** of the following topics and answer the questions related to it. Each question carries 10 marks.

**1. Franchising and Multinational Firms**

- (i) Explain what does the term “Franchising” implies? Give two local examples of Franchising available in Malta. (2)
- (ii) What is the difference between the “franchisee” and the “franchisor”? (2)
- (iii) List an advantage and a disadvantage of Franchising to the Franchisee. (2)
- (iv) List an advantage and a disadvantage of Franchising to the Franchisor. (2)
- (v) Explain the main characteristics of multinational companies and the importance of multinational firms for the Maltese economy. (2)

**2. Economies of Scale and the survival of Small Firms**

- (i) What do you understand by Economies of Scale? (2)
- (ii) Describe two internal Economies of Scale (2)
- (iii) What do you understand by Diseconomies of Scale? (2)
- (iv) Mention two reasons that can cause internal Diseconomies of Scale (2)
- (v) In spite of the benefits of large-scale operations, small firms continue to exist. How far do you agree with this statement? (2)

**3. Business Ownership, Stakeholders & Business Ethics**

- (i) Explain the following terms in relation to ‘Limited Liability Companies’: (2)
  - Articles of Association
  - Memorandum of Association
- (ii) What is the main difference between a Private and a Public Limited company? (2)
- (iii) Distinguish between a Monopoly and an Oligopoly. (2)
- (iv) The groups of people involved in business activity are called stakeholders because they have an interest or ‘stake’ in business as they are the main groups of people involved in business. List 4 different stakeholders of a business. (2)
- (v) What do you understand by ‘Business Ethics’? List one as an example. (2)