

UNIVERSITY OF MALTA

THE MATRICULATION EXAMINATION

SEC LEVEL

BUSINESS STUDIES

MAY 2013

EXAMINERS' REPORT

MATRICULATION AND SECONDARY EDUCATION

CERTIFICATE EXAMINATIONS BOARD

SEC BUSINESS STUDIES
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Introduction

A total of 400 candidates sat for this examination during the 2013 session, 213 candidates attempted paper 2A and 187 candidates attempted paper 2B

Statistics

GRADE	1	2	3	4	5	6	7	U	ABS	TOTAL
PAPER A	26	36	51	47	31			22	0	213
PAPER B				36	34	37	19	51	10	187
TOTAL	26	36	51	83	65	37	19	73	10	400
% OF TOTAL	6.5	9.0	12.8	20.8	16.3	9.3	4.8	18.3	2.5	100.0

PAPER 1

Question 1

Candidates sitting for Paper IIA (P2A) had an average of 5 out of 10, with the highest mark being 9 while Paper IIB (P2B) candidates averaged 4, with the highest mark also being 9. On average, this was a question of moderate difficulty for both P2A and P2B candidates.

- (a) A question of moderate difficulty for both P2A and P2B candidates. Some answers were quite cryptic since they were given in one or two words only. Some candidates wrote advantages that are clearly for the MNC itself rather than to a host country. Other candidates brought up advantages to a country that could easily have been advantages of any local start-up rather than a MNC. Candidates here should be more focused in their answers. It was very surprising to find that a good number of P2B candidates as well as some P2A candidates state that MNCs have the effect of increasing incoming tourism. Most candidates also seem to assume that these multinationals are all of the services-sector type, the main examples brought up being McDonalds and Lidl.
- (b) A question of moderate difficulty for P2A candidates but one which P2B candidates found difficult. Again, cryptic one-word answers such as "training" did not attract marks here. Some seem to just remember a list off a textbook without having read the explanation/s of each item. Some give general answers such as "financial help" which any non-Business Studies student may also have given. Again, candidates need to be more focused and bring up actual programmes that are intended for SMEs by, say, Malta Enterprise, and not bring up popular answers such as giving discounts on water & electricity bills.
- (c) A question of moderate difficulty for both P2A and P2B candidates. Again, cryptic one-word answers such as "profit" were not accepted. Some candidates gave one advantage of imports and one advantage of exports rather than the general advantages of international trade.
- (d) A question of moderate difficulty for both P2A and P2B candidates. Many candidates gave the same answers as for 1c or gave more reasons for international trade in general thus continuing to answer 1c, above, rather than focusing in this question on exports rather than trade in general. Thus, for example, arguments regarding the importance of imports were not accepted here while they were accepted in c, above.
- (e) It was very surprising to find that both P2A and P2B candidates found this question difficult. 21% of P2B and 8% of P2A candidates did not even attempt this question. "Imports exceed exports" was not accepted for both the Trade Gap as well as for an adverse balance of payments unless the imports and exports were accompanied with terms such as 'visible', 'goods' and 'total'. Some candidates did define the bop and the Visible balance but seemed to ignore that the trade gap is a deficit and also ignored the term 'adverse' in the rubric. For the P2B candidates, those who got the answer to this rubric absolutely correct were in fact those who got the highest marks for the whole question. Some P2A candidates stated that an adverse balance of payments is "when the country has a deficit" or "when the balance is negative". These were very general phrases that did not attract marks.

Question 2

Candidates sitting for Paper IIA (P2A) had an average of 4½ out of 10, with the highest mark being 10 while Paper IIB (P2B) candidates averaged 2½, with the highest mark being 8. On average, this was a question of moderate difficulty for P2A candidates but one which P2B candidates found difficult.

- (a) A question of moderate difficulty for both P2A and P2B candidates. The rubric asked for a description of two criteria that are used to measure the size of a business and not just to state these criteria. Thus some description was expected. For instance that a firm with more employees than another firm is considered a bigger firm. Where the criteria were stated only, half the marks were given. It was also very surprising to have a number of P2A candidates bringing up the size of the premises as a criterion for measuring the size of the business.
- (b) A question of moderate difficulty for both P2A and P2B candidates. This was quite surprising since the rubric asked for simple definitions of scarcity and opportunity cost, which are basic concepts in Business Studies. The popular definition of scarcity was that of temporary scarcity. In the words of one of the candidates: "this is when there is a lack of a particular product". This is not the definition of scarcity since the concept takes a more general approach in that all commodities are scarce at any moment in time except for the very few exceptions of 'free goods'. Another mistake done by a large number of candidates is that they explain scarcity from one side only, i.e. either demand (people have a lot of wants and needs) or from supply (lack of resources). Regarding Opportunity Cost, some describe the problem of choice but then do not go on to develop the concept of Opportunity Cost in that they set up the scenario of having to make a choice because of scarcity but then they don't go on to show what the Opportunity Cost of that choice was. This occurred both with P2A & P2B candidates.
- (c) A question of moderate difficulty for P2A candidates but one which P2B candidates found difficult. 10% of P2B candidates did not even attempt an answer. This was also very surprising since the term 'stakeholder' is a very basic concept in business nowadays. One cannot, for example, bring in the idea of business ethics without acknowledging the existence of stakeholders. Answers that gave the idea that shareholders were being referred to were not accepted. It is of the utmost importance that candidates know a correct definition of the term 'stakeholder' and to use the proper words in defining a stakeholder and not just to have an idea of what stakeholder might mean. Thus a stakeholder is one who has an interest or a stake in the business but not "is involved in" or "has to do with," terms that are very general. A stakeholder is also not one who is "interested to have a share" or "takes part/has a part" or "has an influence" in the business.
- (d) Both P2A and P2B candidates found this question difficult. 13% of P2B candidates did not even attempt this question. In general, the majority of P2A and P2B candidates confused 'elements' with aims. The third main part of the Business Studies Syllabus is, in fact, called 'Elements of Business Activity' and the sub-headings are Purchasing, Production, Marketing, Finance and Assessing business performance.
- (e) A question of moderate difficulty for P2A candidates but one which P2B candidates found difficult. 20% of P2B candidates did not even attempt an answer. A good number mention the Balance Sheet or Statement of Financial Position, as was to be expected. However, the purpose of this financial statement is not explained correctly. Most give a very general explanation such as "to keep a record of every financial transaction". Some refer to the Memorandum and Articles of Association which are business documents but certainly not financial statements. Some candidates also brought up break even analysis.

Question 3

Candidates sitting for Paper IIA (P2A) had an average of 7 out of 10, with the highest mark being 10 while Paper IIB (P2B) candidates averaged 4, with the highest mark being 9. On average, this was a question of moderate difficulty for both P2A and P2B candidates.

- (a) A question that P2A candidates found easy while for P2B candidates, this was a question of moderate difficulty. Paper setters were expecting candidates to mention the Secondary sector of the economy. However a good number of candidates understood this rubric as referring to the private sector since the business was a partnership. In this light, markers accepted both answers. However terms such as "private economy" or "free market economy" were not accepted.

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- (b) The description of the sector identified in (a) was moderated to fit each relevant answer. Furthermore, where candidates gave, say, tertiary sector as an incorrect answer to 3a but gave a good description of the tertiary sector, they were given full marks. Given this generous marking, it was quite surprising that both P2A and P2B candidates found this rubric to be of moderate difficulty, rather than easy.
- (c) A question that P2A candidates found easy while for P2B candidates, this was a question of moderate difficulty. The disadvantage of "not agreeing" was given half the marks since the proper disadvantage is that decisions may take more time to make. Stating that equal business partners share profits was not accepted since partners always 'share' profits whether they're equal partners or not. Stating that losses are shared as an advantage and simultaneously that profits are shared as a disadvantage was taken as having 1 correct and 1 incorrect so 1 mark was given in this case.
- (d) A question of moderate difficulty for both P2A and P2B candidates. A large number of candidates choose to give answers that were quite general, such as "everyone is the same" or "everyone is equal" or "sharing everything equally." Such answers were not accepted. Some mention just one aspect of equal partners, i.e. equal capital only or equal share of profit only. A good number of P2A candidates describe equal partners as having equal responsibility, voting rights etc. It may be said that there are no voting rights in partnerships as each ordinary partner may take decisions on behalf of the partnership without necessarily consulting the other partner/s. It bears repeating that answers to focused questions must have focused answers that only candidates of Business Studies would be able to give and not just any person.
- (e) A question of moderate difficulty for P2A candidates but one which, surprisingly, P2B candidates found difficult. 17% of P2B candidates did not even attempt an answer. Some candidates wrote "specialisation by process/by product". The expected answer was 'Job production' or 'Unit production'. However, 'One-off production' and 'Custom production' were also accepted. When candidates gave a proper description of the production method required, i.e. job production, but did not state the name of the method, the description was accepted and half the marks were given. In light of this generous marking, it is truly surprising that P2A candidates did not find this rubric easy and that P2B candidates found it difficult.

Question 4

Candidates sitting for Paper IIA (P2A) had an average of 4 out of 10, with the highest mark being 10 while Paper IIB (P2B) candidates averaged 2, with the highest mark being 9. On average, this was a question of moderate difficulty for P2A candidates but one which P2B candidates found difficult. A special characteristic of this question was that for each of the five rubrics, there were more than 50% of P2B candidates that did not earn even half a mark. 5% of P2B candidates left this question out completely or did not attempt answers to at least three of the rubrics. Regarding (a) to (c), some candidates confuse 'stock' with 'securities'. It might be a good idea to start referring to 'stock' as 'inventory' so that this confusion may be eliminated.

- (a) A question of moderate difficulty for both P2A and P2B candidates. A good number of candidates give the purpose of stock control as being that of knowing that the business stock has not been pilfered. Although this may be a good purpose, it is not the main one. Any person in business controls stock mainly for business purposes, i.e. that of having the right amount of stock so as not to be under-stocked, thus losing sales, nor overstocked, thus having higher costs.
- (b) A question of moderate difficulty for P2A candidates but one which P2B candidates found difficult. The minimum stock level is the least amount of stock needed to keep the business running. Answers that gave this stock level as the least amount of stock only were given half the allotted marks since the objective was not stated. Most candidates understand the minimum stock level as the re-order level. Candidates hinting at the re-order level in their answers were not given marks. Incorrect answers also included that it is a level of stock that prevents the firm from under-stocking. This is incorrect since under-stocking is a relative term. It relates to the level of stock one is considering. Stating that "if the level of stock is any lower, the business would have problems" is not enough unless the problem is identified.

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- (c) A question of moderate difficulty for P2A candidates but one which P2B candidates found difficult. To avoid overstocking was given half the marks since the ultimate objective of keeping the costs of holding stock as low as possible is not mentioned in such an answer. From the answers given by a good number of candidates this rubric seems to have been understood as one asking why firms should order more stock or why should businesses keep high stock levels. General answers such as to avoid that the business goes bankrupt were not accepted. One answer stated that his was for the customers to have a wider variety. Most candidates give a definition of the maximum stock level rather than an appropriate reason as to why a firm should establish a maximum stock level. A good number of candidates state that the maximum stock level should be established so that "production will be on going and not stopped because there is no stock left to work with." This is the reason for establishing a minimum stock level and/or a re-order level rather than a maximum stock level.
- (d) A question of moderate difficulty for P2A candidates but one which P2B candidates found difficult. No P2B candidate was awarded full marks for this question. Some candidates referred to bulk buying and getting bulk discounts. However 'producing in bulk' or 'producing a lot of a product' were also unacceptable since batch production is also producing a lot of a product so that this criterion does not distinguish mass production from batch production. Nonetheless candidates were given half the marks if they stated that the products were identical. The expected answer involved a more detailed description of mass production in that it is a capital-intensive process in which products move continuously along a production line through different stages of production and that it is also known as flow production.
- (e) A question of moderate difficulty for P2A candidates but one which P2B candidates found difficult. 12% of P2B candidates did not even attempt an answer. A number of candidates bring up the advantages of division of labour to the firm, i.e. internal advantages. Others must have read the rubric differently as they bring up ways and means that small firms should be aided.

Question 5

- (a) Most candidates did not answer this question appropriately and gave too general an answer limiting themselves to saying that the HR manager's role was to look after the employees of the organisation. The candidate was required to listed down more specific functions of this role.
- (b) Most candidates identified the required advantage to a satisfactory level.
- (c) Some candidates, especially from the cohort who attempted paper 2B, gave confused answers to the two terms and did not manage to highlight the main difference between 'job specification' and 'job description'.
- (d) This part of the questions was poorly answered by a large number of candidates, who simply identified the meaning of the term 'unemployment' without focusing on explaining the meaning of the term 'structural'.
- (e) Here again, candidates tended to be rather general in their answers without actually clearly identifying the advantages as required.

Question 6

- (a) and (b) Both these questions were generally satisfactorily answered
- (c) Many candidates gave good examples here as required, but some failed to give a coherent explanation of the difference between internal and external communication. Candidates must understand that at this level, it is not enough to simply state that internal communication happens inside the firm and external communication happens outside the firm.
- (d) and (e) Many candidates struggled in trying to answer both these questions. Candidates are advised to revise this section of the syllabus thoroughly.

Question 7

- (a) and (b) Most of the answers to both questions were of a satisfactory level.
- (c) A large majority of candidates struggled when attempting to give an explanation of the required terminology and lost most of the marks.
- (d) This question was generally well answered with some candidates giving very valid examples.
- (e) Many candidates managed to give at least one valid point in answer to this question ie that the Consumer Protection Act protects consumers by giving them the right to be heard when they have a complaint to lodge, however, many failed to be able to identify a second point well.

Question 8

- (a) and (b) Most of the candidates answered both questions well.

- (c) In general, candidates were capable of explaining how ROCE is calculated; however, some of them were not well versed with the exact interpretation of this very important measurement.
- (d) This question was well answered.
- (e) Candidates were well prepared for this question and could clearly advise Terry on measures he could take to improve the liquidity of his business.

Paper 2A

Question 1

This question consisted of a number of compulsory questions. All Paper 2A candidates answered this question. Considerable discrepancies were reflected in the answers to this question. At the top end, the quality of work was of a high standard as regards clarity of expression, understanding and coverage. Some papers were a delight to read. In fact the highest mark was 28/30. At the low end some candidates failed in providing adequate responses. The lowest mark was a very low one - 3/30. This variable performance has pushed down the average mark to 18 /30.

Definitions of terms set - *wholesale distribution outlet* (part a (i)) and *pressure groups* (part (k)) elicited some disappointing answers. The main problem seems to be the lack of ability to express oneself in readable and understandable language.

The majority of candidates have a very good theoretical knowledge of tall organisations. This was evident in the responses given to part (d). However, they found it very challenging to apply this information. This shortcoming was revealed in part (c) when candidates were required to draw an organisation chart of a tall organisation.

In part (f), candidates failed to answer the question as set and very few candidates mentioned the right terminology such as *cost-price pricing, standard mark-up/margin and creaming /skimming*.

The performance of candidates was very positive in Parts (g), (h) and (i). As regards part (l), one should note that candidates should refrain from reproducing pre-prepared responses. These answers gain very few marks.

Question 2

This question was attempted by 118 candidates. The highest mark was 85% and the lowest mark was 5%. Candidates obtained an average mark of 55%. In general terms, autocratic and laissez-faire leadership are understood well by students. On the other hand, the answers given to Question 2B imply that individuals who sat for Paper 2A cannot differentiate between arbitration and conciliation as a means of resolving industrial disputes.

It is clear from the answers provided to Question 2C that candidates failed to answer it correctly because they misunderstood the question. Replies such as retraining of a worker and the purchase of a machine to substitute the employee are evidence of this. Candidates the need to read and understand a question carefully before attempting to answer it. Visual communication and the contract of employment provided no difficulties for candidates.

Question 3

Parts (a) and (b) dealt with accounting ratios and their interpretation. Candidates seemed to be very well prepared in calculating ratios. In fact, they scored excellent results in Part (a). However, the interpretation of the figures (Part (c)) seemed to be a major concern. Most of them could not provide adequate responses as to the possible causes for the change in the gross profit margin as well as in the net profit margin.

The concept of the break-even point was understood quite well by Paper 2A candidates. In spite of this, the mathematical calculation of this concept was a stumbling block. In fact, candidates obtained very low marks in Part c (ii).

Terms associated with limited liability companies created no difficulties – Part (d). On the other hand, candidates obtained mixed results in Part (e). The distinction between centralised and decentralised decision making was clearly explained although some confused decentralised decision-making with delegated decision-making. As regards business decision-making, a good number of candidates failed to put forward a correct definition.

Part (d) and Part (e) also threw up some unusual responses. These include the following:

- Limited Liability – you have limited things to do.
- Debentures are shares.
- Dividends are the wages of shareholders.
- Centralised decision-making is a decision that in the future was good.
- Decentralised decision-making is a decision that in the future was bad.

Question 4

This question created problems to all candidates who decided to answer it. This can be reflected clearly in the average mark - it was the lowest of all the questions in Section B - 8.2/20. The first section of Part (a) was fairly well tackled. However, most candidates did not realise that this question had two separate parts. As regards multi part questions, candidates are advised to indicate the start of their answer to each part.

Parts (b) and (c) provided the major difficulties of this question. The *external benefits and costs* of a sole trader opening up a business in a residential area were not explained clearly and many candidates failed to mention *MEPA* as Malta's national agency that is responsible for land use planning and environmental regulations. Paper 2A candidates did not answer part (d) correctly. Business ethics has become a vital subject in business. Thus it is very important that candidates are aware of the advantages and disadvantages of ethical and unethical behaviour.

Question 5

This question related to International trade. It was one of the most popular questions. An average of 79% of candidates selected it. The highest mark achieved was 20/20 and the lowest mark was 3/20. The 166 candidates who attempted this question obtained an average mark of 12/20. The answers that were provided show clearly that most of the candidates seemed familiar with the concept of international trade.

Part (b) was very well answered although a minority of candidates confused it with Part (c). These individuals provided very identical responses to both set of questions. It appears clearly that prominent terms that are used in this topic such as tariffs, quotas, visible exports/ imports and invisible exports/imports have been sufficiently discussed in the classrooms – Parts (d) and (e). A final note should be made about Part (a). The majority of Paper 2A candidates were not able to provide an acceptable explanation of a topical issue such as the global economy.

Question 6

Marketing has always been a favourite topic with candidates who are studying Business Studies. However, it was very surprising to note that out of the five questions in Section B, this area of the syllabus was answered by the least proportion of candidates. In fact, only 40% of those sitting for Paper 2A chose this question. Candidates had little or no difficulty in defining the importance of *marketing*. Yet, it is essential to add that most of them seem to be unaware of the fact that the absence of marketing may create big financial losses for businesses since development costs would not be recovered.

Price, product and sales promotion appear to be widely understood. However, as regards to sales promotion, many candidates failed to mention the point that it helps to distinguish a business organisation from its rivals. It seems that many candidates had very limited knowledge of the *distribution channel*. This can be gauged by the very low average marks that they obtained in part d (i) and d (ii).

PAPER 2B

Question 1

This was a compulsory question.

(a), (b) and (c) Very few candidates answered these questions correctly. Many candidates failed to distinguish between an enterprise in the public sector and an enterprise in the private sector. It is also evident that candidates are not aware that there is a difference between the economic world and the financial world.

(e), (d), (f) and (g) Generally these questions were answered correctly.

(h) There were various answers for this question but generally the candidates demonstrated that they are unfamiliar with the role of the Malta Enterprise.

(i) Candidates demonstrated the ability to distinguish between internal and external source of finance.

(j) Many candidates answered correctly.

Question 2

This question exposed the candidates' inability to comprehend a passage. The English language barrier is a general weakness that needs to be addressed to improve the performance of candidates.

Question 3

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- (a) Very few candidates submitted a correct answer.
- (b) and (c) Surprisingly only a few candidates listed correctly the key duties of a manager and the conditions of work that a manager must respect.
- (d) Candidates failed miserably in this question.
- (e) This question was generally well answered excluding those candidates who demonstrated overall weakness in the subject.

Question 4

- (a) and (b) Very poor answers were provided.
- (c) Although the theory of motivation is examined regularly candidates continue to fail miserably.
- (d) Generally candidates listed correctly two leadership styles but often failed to accurately distinguish the difference between the two styles.
- (e) Very poor answers have been provided.

Question 5

- (a) Correct answers were provided by most of the candidates. However, a number of candidates failed to comprehend the question and their answers dealt with the local transport system.
- (b) Candidates provided some correct answers but generally they were unable to list four factors.
- (c) Generally well answered but most candidates could only list a maximum of three advantages of road transport.
- (d) and (e) Both questions were answered very poorly. Only a few candidates have a basic knowledge in respect of pricing strategies.

Question 6

- (a) This question was generally well answered.
- (b) Candidates are unfamiliar with the financial statements and hence they failed to relate the users to the information provided by the financial statements.
- (c) This question was generally well answered and correct examples were provided.
- (d) Candidates do not distinguish between the two forms of long term borrowing.
- (e) Candidates need to understand better the different ways of financing a public limited liability. Very few correct answers were provided.

**Chairperson,
Examiners' Panel 2013**