

UNIVERSITY OF MALTA

**SECONDARY EDUCATION CERTIFICATE
SEC**

**BUSINESS STUDIES
MAY 2014**

EXAMINERS' REPORT

**MATRICULATION AND SECONDARY EDUCATION
CERTIFICATE EXAMINATIONS BOARD**

**SEC Business Studies
May 2014 Session
Examiners' Report**

Part 1: STATISTICAL INFORMATION

Table 1 shows the distribution of grades for the May 2014 session of the examination.

| GRADE | 1 | 2 | 3 | 4 | 5 | 6 | 7 | U | ABS | TOTAL |
|------------|-----|-----|------|------|------|-----|-----|------|-----|-------|
| PAPER A | 32 | 40 | 58 | 62 | 37 | - | - | 15 | 7 | 251 |
| PAPER B | - | - | - | 31 | 34 | 19 | 15 | 43 | 17 | 159 |
| TOTAL | 32 | 40 | 58 | 93 | 71 | 19 | 15 | 58 | 24 | 410 |
| % OF TOTAL | 7.8 | 9.8 | 14.1 | 22.7 | 17.3 | 4.6 | 3.7 | 14.1 | 5.9 | 100 |

Part 2: Comments regarding candidate's performance

2.1 GENERAL COMMENTS

The following comments summarise general weaknesses found, the rectification of which will assist candidates when these areas are examined in future examinations. Although the English language plays a central role in today's working environment, many candidates are still struggling to communicate correctly as they lack basic language skills. They need to understand the importance of sentence structure as this would allow information to 'flow' through a sentence.

PAPER I

QUESTION 1

- (a) This question was well answered by most candidates but a number of candidates confused the factors of production with the stages of production.
- (b) This question was also easily answered by a large number of candidates. The concept of opportunity cost is clearly understood as nearly all candidates scored high marks. Some candidates, however, confused the definition of the terms 'opportunity cost' with that of 'scarcity'.
- (c) Candidates sitting for Paper A found this question moderately difficult to answer. Generally they provided correct answers to the choice and the decision to be made but some failed to identify the opportunity cost. Most of the Paper B candidates failed to list correct examples of opportunity cost.
- (d) Candidates generally answered this question correctly. References to the size of the premises and market share were not accepted.
- (e) This part of Question 1 seems to have been the most difficult to answer as reflected by the low marks scored. Some candidates referred to public companies instead of "enterprises in the public sector". Others listed the same objectives as those enterprises in the private sector.

QUESTION 2

- (a) Some candidates referred to the private sector. This part of the question clearly stated to "identify and describe the sectors". Thus, it should have been quite clear that more than one sector was being required.
- (b) The majority of Paper A candidates identified the term required correctly, which was 'invisible exports'. The term 'export' was also accepted. However, 'invisible trade' was not accepted since the focus was on the "sale of services". Paper B candidates generally failed to provide the correct answer.
- (c) This part of Question 2 seems to have been the most difficult to answer. Acceptable answers included increased competition, increased specialisation, economies of scale, increased efficiency, free movement of people across the EU and the free movement of goods. Very few candidates could identify benefits other than funding.
- (d) This part of Question 2 seems to have been the easiest to answer. A good majority of candidates seem very aware of the functions of the MTA.

QUESTION 3

- (a) Candidates did well in this question. Good responses were given.
- (b) Candidates found this question moderately difficult to answer. Answers should have focused on the failures of the market system such as monopolies and the lack of provision of certain services such as national defence and health (public and merit goods).
- (c) Paper A candidates found this question moderately difficult to answer. Less than half the candidates sitting for Paper A obtained full marks. The main difficulty lay in the explanation of the term 'franchising' rather than the distinction between the 'franchisee' and the 'franchisor'. Surprisingly, excellent responses were provided for the concept of franchising by Paper B candidates.
- (d) Candidates found this question difficult to answer. Around 60% of Paper A candidates were not rewarded any marks for their answers. Few candidates referred to the Fair Trade movement as an organised social movement and market-based approach that aims to help producers in developing countries and promote sustainability. A number of candidates confuse this with workers' rights and with acting within the law or being ethical. Paper B candidates failed miserably in this question.

QUESTION 4

- (a) Although most candidates were able to give an excellent definition of the barter system, many were unable to list all three major problems.
- (b) Candidates found this question moderately difficult to answer. About one-third of Paper A candidates were able to list three acceptable banking services. About half the cohort was able to list two acceptable services. Of this latter cohort, most listed both bank loans and overdrafts. These were deemed to be the same service, i.e. that of lending money. Paper B candidates listed lending and deposits as the two main banking services. However, the third service (investment advice or the transfer of funds) was hardly pointed out.
- (c) Candidates scored very low marks in this question. Less than one-tenth of the Paper A cohort was able to list all three "other functions of the Central Bank". Answers such as

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“implements monetary policy” and “adjusting interest rate” were not accepted since these are tantamount to “maintaining price stability”. “Managing the exchange rate” was also not accepted since, if anything, this would now be a function of the ECB and not of a National Central Bank in the Eurozone. Paper B candidates failed to refer to the Central Bank’s authority on the local monetary policy, the publication of statistics and the keeping of reserves.

QUESTION 5

- (a) Candidates find it difficult to distinguish between a public corporation and a co-operative and most candidates could not give an example of each organisation.
- (b) There were a good number of candidates who answered this question correctly but others failed to distinguish between the two types of expenditure and could not list an example.
- (c) Generally this question was answered very poorly.

QUESTION 6

- (a) This part was easily answered by a large number of candidates. Some candidates refer to shopping “from the commodity of your home” instead of from the ‘comfort’ of your own home. It is to be emphasised the term ‘commodities’ in Business Studies means goods and services.
- (b) Listing four Ps of the marketing mix was found to be quite easy. However, explaining them was found to be moderately difficult. Those who brought up Place as one of the four Ps referred to the location of the business. Not even one of these candidates referred to the channels of distribution, which is what ‘Place’ as one of the 7 Ps is all about.
- (c) Paper A candidates found this question moderately difficult to answer. About one-fourth of the cohort obtained full marks while about one-third did not get any marks for their answers. In general, other candidates give the idea that they know the difference but find it difficult to express it in writing. Paper B candidates misunderstand completely these two terms.
- (d) Most of the candidates failed to define liquidity correctly.

QUESTION 7

- (a) Candidates sitting for Paper A found this question moderately difficult to answer, which was quite surprising since a question or part thereof on the main topic of communication always crops up in the Business Studies examination. In contrast, generally Paper B candidates could correctly name the basic elements of effective communication.
- (b) Generally well answered by most of the candidates.
- (c) Generally well answered by most of the candidates.
- (d) Candidates found this question moderately difficult to answer. Some candidates confused it with the chain of command.

- (e) Candidates found this part moderately difficult to answer. Some candidates were able to identify four different stakeholder groups. The emphasis here is on the word 'different' since a good number of candidates give, for example, owners and shareholders as two different stakeholder groups involved in business activity. Clearly these are not 'different'. The same applies to creditors and suppliers as well as to debtors and clients.

QUESTION 8

- (a) Generally, correct reasons were given for the reduction of employees by business organisations. Having to pay lower (less) wages was not accepted as a good reason to reduce the number of employees.
- (b) About half the Paper A cohort was able to write a proper definition of the term 'industrial relations'. The other half gives the idea that they know the difference but find it difficult to express it in writing. Paper B candidates answered incorrectly.
- (c) Only 15% of the Paper A cohort was able to list four acceptable functions of trade unions. About 30% were able to list three while another 30% was able to list two. Those candidates who did not get full marks for this part of the question were basically repeating one or two of the functions they had already identified. Thus, for example, "acting as a pressure group" and "organising protests" are clearly the same function. There was a mixed performance by Paper B candidates with some candidates identifying at least three functions whereas others failed to identify any of the functions.
- (d) A good majority of Paper A candidates were able to state correctly what an employer association is. The main difficulty lay with giving reasons why businesses join employer associations. Paper B candidates gave poor answers.

PAPER IIA

QUESTION 1

This question was generally well answered.

In part (b) candidates may have faltered only in giving their own views, rather than those specific to Vella Casha Builders in the second part of the question.

In part (c ii) some candidates limited themselves to saying that a parent company is related to other companies but this was not accepted to award marks.

In part (g) some candidates failed to identify two other main business objectives.

Marks were generally lost in part (h) where inappropriate answers were submitted. The answers provided did not relate to the theory on the subject.

QUESTION 2

- (a) The major weakness here was that some candidates failed to cover all the aspects of the term 'marketing'.
- (b) The term *Persuasive advertising* was generally well answered, but *informative advertising* was, at times, a little too vague.

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- (c) Some candidates failed to clearly identify four arguments as was required in the question and repeated points already made, albeit using different words.
- (d) Many failed to understand the full range of services undertaken by an advertising agency.
- (e) Many answers were too vague and superficial.

QUESTION 3

Candidates who managed to answer the whole question successfully were capable of producing the formula, of applying the correct values to formula and of expressing the answer in the correct unit. It has been noted that candidates either performed very well on the whole question, or else committed several errors even in the formulae themselves. This indicates that some students may have attempted this question without really studying the subject area well.

QUESTION 4

- (a) Most candidates found difficulty in expressing a proper definition.
- (b) Generally correct answers were provided. Some interesting answers were produced here!
- (c) Some candidates failed to put forward proper benefits achieved from ethical behavior. Generally this question was unsatisfactorily answered.
- (d) This question produced a mix of answers. There were both excellent answers but also some superficial ones.
- (e) Most of the candidates answered this question poorly.

QUESTION 5

- (a) Candidates found difficulty in expressing themselves when explaining *trade protectionism*.
- (b) Most candidates failed to list five reasons why governments shield local producers from foreign competition. In general, candidates listed three reasons.
- (c) In general, answers given here were rather poor. Candidates need to understand what *trade protectionism* really is and what its implications are.
- (d) In general, a poor reply even though this question features regularly in exams.
- (e) Surprisingly very poor replies.

QUESTION 6

- (a) Most candidates limited themselves with saying that the HR department deals with the recruitment of staff, which, of course, is only a small part of what goes on in this department.

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- (b) Some candidates failed to explain their points well and just limited themselves to listing down very short points. They were expected to give a brief explanation of what work goes on in an HR department.
- (c) Many candidates successfully mentioned overtime and bonus, but found difficulty in expressing the total four points which were required.
- (d) Many candidates could produce one out of the three required points.
- (e) Most candidates failed to state that a contract of employment is a *legally binding* document, and found some difficulty in listing all of the employer's and employee's obligations as required by the question.

PAPER IIB

One hundred and fifty nine candidates were registered for Paper 2B. Twenty one candidates were absent for Paper 2B. Three candidates answered two questions only and one candidate answered just one question instead of the required four. The most common choice was questions one, two, four and five.

QUESTION 1

This was a compulsory data response question that was attempted by all candidates who were present for the examination.

Candidates were given a case study about a sole trader that is planning to expand her business. The question created problems to all respondents. This can be reflected clearly in the poor average mark that was scored – 8.9%. It was one of the lowest average marks of all the questions answered.

The main shortcomings surfaced when dealing with an important and popular topic that is regularly tested – limited liability companies. Very few candidates were able to mention the documents that have to be prepared before forming a company and the role of the MFSA. Surprisingly, they found it very challenging to provide valid reasons, for and against, the setting up of a private limited company. In addition, the distinction between a share and a debenture issue appear to be barely understood. One candidate also came up the following unusual distinction which sums up the understanding of this area of study:

- share issue – any problem a firm might face which will affect everyone working on it.
- debenture issue - a business owned with lots of employees.

The fact that many candidates are familiar with electronic commerce has given rise to many correct responses to part (i). More than adequate replies were also provided in part (h) that dealt with the difference between a bank loan and a bank overdraft.

QUESTION 2

This fill in the blanks question was one of the most popular. In fact, it was selected by 114 candidates (83%). The highest mark was 20/20 and the lowest mark was 1/20.

Candidates fared quite well in this question. The highest average mark of all the questions was obtained - (13/20). This indicates that candidates (school leavers) have quite a good basic knowledge of business terms such as economic growth, unemployment, international trade, globalisation and allocation of resources.

Nevertheless, it is imperative to spend some time explaining to students the need to read and understand the entire question carefully before attempting to answer it. In this way, one will be in a better position to express oneself in the correct way.

Moreover, candidates are advised to underline the correct word/phrase. This would be very helpful to the markers of the scripts.

QUESTION 3

This question was very unpopular with students as only 26% of the candidates sitting for the examination chose it.

The purpose of business activity elicited some disappointing answers. Very few candidates could state that it is there to produce goods and services by combining the factors of production – i.e. to satisfy human wants.

Business objectives in the private sector were clearly understood by Paper 2B candidates.

Considerable discrepancies were reflected in questions 3 (c) and 3 (d). Although many candidates seem to understand the purpose of an income statement, they found it difficult to list the main elements that make up this account.

QUESTION 4

Communication seems to be very popular. As a matter of fact, this question attracted the highest number of candidates – 84%. In general terms, it also emerged that this theme is widely understood with the second highest average mark of 11/20.

Candidates seemed to be very well prepared in answering questions regarding internal and external communication as well as verbal and written methods of communication.

However, disappointingly only a handful of candidates could define communication using the right terminology – message, sender and receiver.

The major concern of this question was part (c), where candidates stopped short from explaining whether a memo is an internal or an external means of communication. They also failed to provide one advantage and one disadvantage of this means of communication.

QUESTION 5

This question dealt with different aspects of the syllabus, ranging from inventory control to methods of production to market research as well as the characteristics and functions of money.

Candidates scored high marks in questions relating to stock control and money.

It is disappointing to note that some candidates cannot mention appropriate features of job, batch and mass production. In contrast, they did provide correct examples of these different methods of production.

Market research is a vital subject in Business Studies. Yet, many students found major difficulties in distinguishing between primary and secondary research. It was frustrating to mark scripts of candidates confusing these two types of research with the primary and secondary stages of production!

QUESTION 6

Many candidates have problems in answering questions relating to the Human Resources department. As a matter of fact, this area of the syllabus was answered by the least proportion of candidates. In fact, only 22% of those sitting for Paper 2B chose this question

The highest mark was 15/20 and the lowest mark was 0/20. This has significantly lowered the average mark to only 7/20.

Labour turnover created many difficulties to candidates. Very disappointing responses were presented. Furthermore, less than adequate replies were provided to question 6 (b) that dealt with short listing of prospective employees and to question 6 (c) that dealt with internal recruitment.

The following responses are unacceptable at this level:

- Internal recruitment – when a company recruits family members or people they know personally.
- Labour turnover – when two businesses takeover another business and take care of it.

The only positive point of this question is the fact that candidates were able to list appropriate disadvantages that are associated with recruiting unsuitable employees.

**Chairperson,
Examiners' Panel 2014**