



L-Università  
ta' Malta

MATSEC  
Examinations Board



**Marking Scheme**  
SEC Business Studies

**Main Session 2019**

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**A. Paper 1**

<b>Q#</b>	<b><u>Detail required</u></b>	<b><u>MARKS</u></b>
<b>1a</b>	<i>Appropriate definition of scarcity, such as:</i>	
	Limited resources in contrast to limitless wants.	<b>2</b>
	<i>Appropriate definition of opportunity cost, such as:</i>	
	The output foregone ...	<b>1</b>
	... when choosing between alternatives.	<b>1</b>
	<i>Any other acceptable definition.</i>	
<b>1b</b>	Scarcity leads to choice ...	<b>1</b>
	... thus the allocation of resources in a manner to make the best use of the limited resources.	<b>1</b>
<b>1c</b>	<i>Any <b>TWO</b> business objectives from:</i>	
	Profit maximisation, sales maximisation, goodwill, growth, survival, customer satisfaction	<b>1mark X 2</b>
<b>1d</b>	<i>Any <b>TWO reasons</b> for growth of tertiary sector, such as:</i>	
	Human resource being Malta's main resource;	<b>1mark X 2</b>
	Malta's strategic position;	
	Sign of economic development;	
	Due to more students in tertiary education.	
<i>Any other appropriate reason.</i>		
<b>2a</b>	<i>Any acceptable definition of trade gap, such as:</i>	
	A country imports goods worth more than the value of the goods that it exports	<b>1</b>
	<i>May also be expressed as outflow &gt; inflow of foreign currency but must also bring in 'goods'.</i>	
	<i>½ mark for M&gt;X and ½ mark for referring to 'goods'.</i>	
<b>2b</b>	<i>Any <b>THREE</b> measures applied by the EU to ensure that Maltese businesses follow its trade practices, such as:</i>	
	Fines for not adhering to rules	<b>1mark X 3</b>
	Setting clear guidelines	
	Giving Training / Information seminars to local businesses	
	Funding to local businesses which in turn have to give a report of their trading records.	
<i>Any other appropriate measure.</i>		

<b>2c</b>	<p>Exports bring <u>inflows</u> of foreign exchange (accept Euro, Money) while Imports are an <u>outflow</u> of foreign exchange;</p> <p>With regard to goods, exports are when goods <u>leave</u> the country while imports are when goods from abroad <u>come into</u> the country;</p> <p>With regard to tourism, exports are when tourists <u>come</u> to Malta while imports are when Maltese <u>go abroad</u>;</p> <p>With regard to bonds and shares, exports are when <u>foreigners buy</u> securities of Maltese companies while imports are when <u>Maltese buy</u> securities of foreign companies.</p> <p><i>Any other appropriate difference.</i></p>	<b>4 marks</b>
<b>2d</b>	<p><i>Any <b>TWO</b> short-term measures a country might adopt to finance a balance of payments deficit, such as:</i></p> <p>Borrowing from IMF;</p> <p>Obtaining loans from other countries;</p> <p>Using gold and currency reserves;</p> <p>Selling of foreign assets.</p> <p><i>Any other appropriate measure.</i></p>	<b>1mark X 2</b>
<b>3a</b>	Public corporation	<b>1</b>
<b>3b</b>	<p><i>Acceptable definition of Public-private partnership (PPP), such as:</i></p> <p>Joint venture (partnership) between an agency of the government and the private sector in the delivery of goods or services to the public.</p> <p><i>Any <b>TWO</b> appropriate examples of PPPs, such as:</i></p> <p><i>Projects Malta, Yachting, care for the elderly, care services for disabled persons.</i></p> <p><i>Any other appropriate example.</i></p>	<b>1</b> <b>1mark X 2</b>
<b>3c</b>	<p><i>Any <b>TWO</b> appropriate differences between centralisation and delegation of authority, such as:</i></p> <p>Centralisation (C) is when most of the major decision-making power and authority rests in the hands of a <u>concentrated</u> group of leaders while Delegation (D) is the division of authority and powers <u>downwards</u> to the subordinates;</p> <p>C involves Systematic and consistent <u>reservation</u> of authority while D involves systematic <u>dispersal</u> of authority;</p> <p>With C communication flow is <u>vertical</u> while with D communication flow is <u>open and free</u>;</p> <p>With C, decision Making is slow while with D it is faster;</p> <p>C is best suited for small-sized organisations while D is suitable for large--sized organisations;</p> <p>C is implemented when there is inadequate control over the organisation while D is implemented when there is considerable control over the organisation.</p> <p><i>Any other appropriate difference</i></p>	<b>2marks X 2</b>

<b>3d</b>	<i>Any <b>ONE</b> appropriate advantage of nationalisation such as:</i>	
	To limit private monopolies;	<b>1 mark X 1</b>
	Services would increase even if unprofitable;	
	Better working conditions for the work force;	
	Better prices to consumers especially for basic services.	
	<i>Any other appropriate advantage.</i>	
	<i>Any <b>ONE</b> appropriate advantage of privatisation such as:</i>	
	To provide funds for the government;	<b>1 mark X 1</b>
	To reduce the need for state finance (taxes);	
	To encourage wider share ownership;	
To increase efficiency;		
To reduce trade union power;		
Private firms are less likely to give in to industrial action seeking big pay increases;		
To encourage competition in some sectors where at present there is a monopoly.		
<i>Any other appropriate advantage.</i>		
<b>4a</b>	<i>Acceptable definition of business ethics, such as:</i>	
	The application of ethical values to business behaviour. <b>OR</b>	<b>2</b>
	Moral principles that guide the behaviour of the business.	
<b>4b</b>	<i>Any <b>TWO</b> appropriate examples of ethical business practices, such as:</i>	
	No abusive behaviour at place of work	<b>1mark X 2</b>
	Be compliant with health and safety regulations and practices in the EU;	
	Have ethical dealings with regulatory bodies and labour unions;	
	Not indulge in corrupt practices;	
	Pay all due taxes;	
	Dispose waste responsibly;	
	Fair and honest treatment of customers;	
	Considerations for the environment;	
	Not create negative externalities.	
	<i>Any other appropriate example of ethical behaviour.</i>	
	<i>Any <b>TWO</b> appropriate examples of unethical business practices, such as:</i>	
	Engage in bribes and corruption;	<b>1mark X 2</b>
	Child labour;	
	Unlawful use of copyrighted material and processes;	
Pollution and unfriendly environment decisions,		
<i>Accept any behaviour that goes against the ethical ones, above.</i>		
<i>Any other appropriate example of unethical behaviour.</i>		

<b>4c</b>	<i>Any TWO reasons why businesses need to adapt to a changing environment, such as:</i>	
	To remain competitive;	<b>1mark X 2</b>
	To meet the needs of its customers.	
	To survive.	
	<i>Any other appropriate reason.</i>	
<b>4d</b>	<i>Acceptable definition of globalisation, such as:</i>	
	The development of an increasingly integrated global economy marked especially by free trade, free flow of capital, and labour.	<b>2</b>
	<i>Any other acceptable definition.</i>	
<b>5a</b>	<i>Any 4 out of the 7Ps to be named from the following:</i>	
	product, price, promotion, place, people, process, physical evidence.	<b>½mark X 4</b>
<b>5b</b>	<i>Any ONE difference between internal &amp; external finance, such as:</i>	
	Internal finance refers to finance generated from <u>within</u> the company while external finance refers to finance obtained from <u>outside</u> the company.	<b>3marks X 1</b>
	Internal finance refers to <u>profits</u> reinvested in the company ( <i>accept:</i> not given to owners/shareholders while external finance refers to the creation of a <u>liability</u> ).	
	<i>Any other appropriate difference.</i>	
	<i>Any TWO examples of external finance, such as:</i>	
	Share issue, loan stock/corporate bonds/debentures, bank loan.	<b>1mark X 2</b>
	<i>Any other appropriate example.</i>	
<b>5c</b>	<i>Appropriate distinction between Income &amp; Expenditure, such as:</i>	
	Income is the <u>revenue</u> generated in the course of business operations while Expenditure is the <u>expenses</u> incurred in the running of a business.	<b>1</b>
<b>5d</b>	<i>Any TWO possible consequences of inefficient inventory control, such as:</i>	
	Stock-outs; surplus inventory ( <i>accept also:</i> sales reduction/ production delays/ idle resources; increased holding costs).	<b>1mark X 2</b>
<b>6a</b>	<i>Acceptable explanation of minimum wage, such as:</i>	
	the lowest remuneration that employers can legally pay their workers.	<b>1</b>
	<i>Any other acceptable explanation.</i>	
	<i>Acceptable explanation of statutory benefits, such as:</i>	
	Labour advantages implemented by the government through mandatory contributions, deductions, and insurances.	<b>1</b>
	<i>Any other acceptable explanation.</i>	

<b>6b</b>	<i>Any TWO appropriate differences between Arbitration and Conciliation, such as:</i>	
	In arbitration, a panel of arbitrators hear the cases of both parties and examine evidence to <u>come at a resolution</u> while in conciliation, most if not all <u>communication goes through the conciliator</u> who is trusted by both parties.	<b>2</b>
	While the decisions put forth by arbitrators are final and <u>legally binding</u> thereby leaving little room for appeal, the decision given by the conciliator is <u>not binding</u> , with room for negotiation.	<b>2</b>
	<i>Any other appropriate difference.</i>	
<b>6c</b>	<i>Any TWO reasons why businesses may decide to reduce the number of employees, such as:</i>	
	Fall in consumer demand; Investing in capital equipment (machine vs labour intensive); Downsizing; Rationalisation.	<b>1mark X 2</b>
	<i>Any other appropriate reason.</i>	
<b>6d</b>	<i>Any TWO benefits of joining employer associations, such as:</i>	<b>1mark X 2</b>
	Trade union negotiation, sharing information and advice, approaching other companies, find and hire valuable new employees, develop strong leadership skills in management staff.	
	<i>Any other appropriate benefit.</i>	
<b>7a</b>	<i>Any FOUR elements of communication from:</i>	
	Sender, medium, channel, receiver, feedback, context (source, message, encoding)	<b>½mark X 4</b>
<b>7b</b>	<i>Any FOUR problems of communication from:</i>	
	Emotional, social, language, technical, geographical	<b>½mark X 4</b>
<b>7c</b>	<i>Any TWO appropriate differences between internal (INT) and external (EXT) communication, such as:</i>	
	INT takes place between the members of the organisation while EXT occurs between the organisation and external party/organisation;	<b>2marks X 2</b>
	INT is both formal and informal while EXT is mainly formal;	
	Objective of INT is to transmit information between various business units and departments while Objective of EXT is to maintain relationship or exchange information with the outside parties;	
	Participants in INT are employees and management while Participants in EXT are customers, shareholders, investors, clients, general public, suppliers, creditors, etc;	
	Frequency of INT is higher while frequency of EXT is comparatively low;	
	INT flows within the organization while EXT flows in the vast business environment.	
	<i>Any other appropriate difference.</i>	

<b>7d</b>	<i>Any TWO attributes to evaluate the importance of having an efficient production manager, such as:</i>	
	ability to make good decisions about what to produce;	<b>1mark X 2</b>
	ensure that goods are produced on time;	
	keeps costs within budget;	
	ensure that goods are produced in the right quantity;	
	maintains standards of quality.	
	<i>Any other appropriate attribute.</i>	
<b>8a</b>	Pressure group - a group of people who work together to try to influence what other people or the government think about a particular subject.	<b>2</b>
<b>8b</b>	i. <b>Jobsplus</b> (formerly ETC) - enhancing and facilitating access to jobs and the labour market, facilitating labour mobility and promoting investment in human capital.	<b>2</b>
	ii. <b>Malta Enterprise</b> – Malta’s development agency, with the objective of attracting new foreign direct investment as well as facilitating the growth of existing operations.	<b>2</b>
	iii. <b>MSE</b> - market to raise capital finance and to facilitate trading of shares and bonds.	<b>1</b>
	iv. <b>Malta Chamber of Commerce, Enterprise and Industry</b> - the independent voice of the private sector in Malta. Its principal mission is to actively represent companies from all economic sectors and ensure that entrepreneurs enjoy the best competitive environment and regulatory conditions possible for the conduct of business.	<b>1</b>
	v. <b>MTA</b> - to advance the economic and social activity of tourism in the national interest.	<b>1</b>
	vi. <b>MRA</b> - the regulator of water and electricity services, and to promote energy efficiency and renewable energy.	<b>1</b>

**B. Paper 2A**

<b>Q#</b>	<b><u>Detail required</u></b>	<b><u>MARKS</u></b>
<b>1a</b>	Private sector.	<b>2</b>
<b>1b</b>	<i>Any TWO differences between public &amp; private companies, such as:</i>	
	Public company may sell their shares to the public while private company cannot;	<b>1mark X 2</b>
	A public company has no maximum number of shareholders (owners) while a private company has a maximum number of 50;	
	The minimum amount of authorised capital of a public company is €46,600 while that of a private company is €1,165 ( <i>Accept: Min. Authorised capital of public co. &gt; that of private co.</i> );	
	Name of public company must end with public limited company or plc while name of private company must end with Limited or Ltd.;	
	<i>Any other appropriate difference.</i>	
<b>1c</b>	Large scale company	<b>1</b>
	Justification: The extract mentions large turnover and large number of factories	<b>1</b>
<b>1d</b>	Multinational	<b>1</b>
	Justification: It has its headquarters in Switzerland and a number of factories around the globe.	<b>1</b>
<b>1e</b>	<i>Any TWO benefits of multinationals to a country, such as:</i>	
	The resource and techniques they get to the country;	<b>1mark X 2</b>
	They contribute to the fiscal policy of the country;	
	Provide employment.	
	<i>Any other appropriate benefit.</i>	
<b>1f</b>	<i>Any THREE advantages of large scale businesses on the following guidelines:</i>	
	Marketing economies;	<b>1mark X 3</b>
	Technical economies;	
	Financial economies;	
	Risk bearing economies.	
	<i>Candidates need not mention the above economies by name. A reference to them is sufficient.</i>	
	<i>Any TWO business objectives, other than growth, such as:</i>	
	profit maximisation, sales maximisation, survival, goodwill, customer satisfaction.	<b>1mark X 2</b>
<b>1g</b>	<i>Any ONE difference between primary &amp; secondary research, such as:</i>	
	Primary market research is research which involves gathering new data while secondary market research is research which makes use of information previously researched for other purposes;	<b>2marks X 1</b>
	Primary market research uses questionnaires or interviews while secondary market research uses research that is publicly available.	
	<i>Any other appropriate difference.</i>	

<b>1h</b>	<i>Any TWO competition-based pricing strategies from:</i>	
	Penetration pricing, predatory pricing ( <i>Accept: Destroyer pricing</i> ).	<b>1mark X 2</b>
	<i>Do NOT accept Creaming/Skimming.</i>	
	<i>Any TWO appropriate examples that are appropriately related to the named strategy, that is:</i>	
	Penetration pricing: Selling at a lower price than Nestle to begin with to gain a large share of the market.	<b>1</b>
	Predatory pricing: selling goods at a very low price to destroy competition.	<b>1</b>
<b>1i</b>	<i>Any TWO advantages of advertising such as:</i>	
	Advertising leads to higher output which may reduce prices ( <i>economies of scale</i> );	<b>1mark X 2</b>
	Expansion of the market (increased sales);	
	Impossible to launch new products without advertising (introduces a new product to the market);	
	Consumers are better informed of the goods available and their relative merits (educates the consumers);	
	Helps to fight competition;	
	By introducing new products, advertising improves the standard of living;	
	Advertised goods are of higher quality because the producer's reputation is at stake;	
	Advertising keeps the price of newspapers and other media (ex. Internet) at reasonable levels, sometimes even for free;	
	Helps to keep people employed because it increase the demand for goods and services.	
	<i>Any other appropriate advantage.</i>	
	<i>Any TWO arguments against advertising, such as:</i>	
	Advertising can be very expensive;	<b>1mark X 2</b>
	May lead to higher prices (additional cost) for consumers;	
	Uses scarce resources that could be employed elsewhere to produce something more worthwhile;	
Consumers might be better off with less advertising and more competition ( <i>perfect competition</i> );		
Advertising can persuade people to buy things they do not really want and cannot afford (confuses buyers);		
Advertising may tempt people to live beyond their means;		
Might encourage sale of inferior product;		
Some types of advertising may be misleading;		
Some types of advertising are not ethical (undermines social values).		
	<i>Any other appropriate disadvantage.</i>	

<b>1j</b>	<i>Any <b>TWO</b> ethical consideration in marketing, such as:</i>	
	Issues of sexuality (sexual orientation);	<b>1mark X 2</b>
	Issues of racism;	
	Issues of religious beliefs;	
	Violence, especially where children should not be affected by the content;	
	Negative advertising policy lets the advertiser highlight various disadvantages of the competitors' products rather than showing the inherent advantages of their own products or services.	
<i>Any other appropriate consideration.</i>		
<b>1k</b>	Acceptable explanation of 'distribution channels' on the following guidelines: a chain of businesses or intermediaries through which a good or service passes until it reaches the end consumer.	<b>1</b>
	<i>Candidates should mention TWO channels such as the following suggestions:</i>	
	Direct selling;	<b>1mark X 2</b>
	Selling through intermediaries;	
	Dual distribution;	
	Manufacturer - Wholesaler - Retailer - Consumer;	
	Manufacturer - Retailer - Consumer;	
	Manufacturer - Consumer.	
	<i>Any other appropriate channel.</i>	
<b>2a</b>	<i>Acceptable definition of communication, such as:</i>	
	The transfer of information ...	<b>2</b>
	... from a sender (transmitter) to a receiver.	<b>2</b>
	<i>Above definition must be direct and specific. Do NOT accept examples in lieu of definition. Do not give full marks if the terms 'sender' or 'transmitter' and 'receiver' are replaced by other general terms like 'persons'.</i>	
<b>2b</b>	<i>Any <b>FOUR</b> uses of communication, such as:</i>	
	Passing of factual information, knowledge and items;	<b>1mark X 4</b>
	Putting forward opinions;	
	Persuading others;	
	Giving instructions ( <i>accept</i> : instructing others and/or directing them);	
	Collecting information;	
	Discuss issues ( <i>accept</i> : negotiating);	
	Organising firm's activities.	
	<i>Any other appropriate use.</i>	

<b>2c</b>	<i>Any <b>THREE</b> communication patterns to be named (1) and explained briefly (1) in at least <b>ONE</b> sentence/phrase from:</i>	
	<u>Internal</u> communication: takes place between the members of the organisation;	<b>2marks X 3</b>
	<u>External</u> communication: occurs between the organisation and external party/organisation;	
	<u>Downward</u> : information passed down the hierarchy ( <i>accept: any appropriate example</i> );	
	<u>Horizontal</u> : involves information being passed between people on the same level in a hierarchy ( <i>do NOT accept 'grapevine' as an appropriate answer</i> );	
	<u>Upward</u> : information passed down the hierarchy ( <i>accept: any appropriate example</i> ).	
<b>2d</b>	<i>Any <b>THREE</b> consequences of ineffective communication to be listed such as:</i>	
	Lack of control;	<b>2marks X 3</b>
	Slowdown in procedures;	
	Lack of interest;	
	Less employee commitment;	
	Loss of profitability / Loss of revenue.	
	<i>Any other appropriate consequence.</i>	
<b>3a</b>	<i>1 mark per example X 2</i>	<b>2</b>
	<i>2 marks per difference X 2</i>	<b>4</b>
	Public - water, electricity, healthcare, education...	
	Private - any profitable organisation-ltd, plc, sole-owner...	
	Private sector - organizations that are <i>not</i> government owned, and	
	the goods and services provided by organizations outside of the government	
	The Public Sector is comprised of organizations that are owned and operated by the government and exist to provide services for its citizens.	
	<i>accept any other correct difference:</i>	
	aims, ownership, finance, control, responsibility, profit & return	
<b>3b</b>	<i>Acceptable definition of the term 'limited liability' that brings out the difference from 'unlimited liability', such as:</i>	
	Limited Liability means that the liability of the owners (shareholders) ...	<b>1</b>
	... towards the debts of the business organisation (company) ...	<b>1</b>
	... is limited to the amount of capital contributed by the owner (shareholder) while ...	<b>1</b>
	... with UL, this liability is not limited but may involve the personal assets of the owner (shareholder).	<b>1</b>

<b>3c</b>	Public company	1
	<i>Any TWO appropriate reasons</i>	<b>1½mark X 2</b>
	to raise more capital	
	to finance growth/ acquisition of assets/ finance new entrepreneurship projects	
	to finance business combinations	
	to repay loans/ redeem debentures (corporate bonds)...reduce dependency of long-term borrowing	
to broaden its capital base (and attract new investors)		
<b>3d</b>	ordinary shares - equity/ shareholders' capital contribution, issue of shares to raise capital (or any correct answer)	<b>1</b>
	debentures - issue of bonds for long-term borrowing/loan stock, borrowing from the general public	<b>1</b>
	ordinary shares - equity/ shareholders' capital contribution, issue of shares to raise capital (or any correct answer)	<b>1 mark X 4</b>
	<b>ordinary shares</b> – <i>advantages</i> - allows the company to make new investments/projects; dividend is based on company earnings; finance (capital) has not to be redeemed (paid back)... <i>any one</i>	
	<i>Disadvantages</i> - dividends may be high and funds flow out of the company to service finance and keep shareholders satisfied; share issue may broaden the shareholder base and may impact on control interests ( <i>or any correct answer</i> )	
	<b>debentures</b> – <i>advantages</i> - allows the company to make new investments/projects; interest rate is generally lower than dividend %; upon redemption saving on servicing of finance (or any correct answer)	
	Disadvantages- funds have to be redeemed/paid back; a fixed annual interest payment irrespective of profitability which may threaten business survival when profits are low (or any correct answer)	
<b>4a</b>	<i>Tiers in Maslow's Hierarchy of needs to be given in this order:</i>	
	Physiological (needs);	<b>1</b>
	Safety (needs);	<b>1</b>
	Belongingness and Love (needs);	<b>1</b>
	Esteem (needs);	<b>1</b>
	Self-actualisation(Self-fulfilment) (needs).	<b>1</b>
	<i>Give half the mark if the order of the particular tier is incorrect.</i>	

<b>4b</b>	<i>Any FOUR appropriate Human Resources Department functions such as:</i>	
	<u>Recruitment</u> – the process of finding people who are best suited to the needs of the business;	<b>1mark X 4</b>
	<u>Selection</u> – the process of choosing employees from a number of candidates for a job;	
	<u>Training</u> – the process of helping to maintain a skilled workforce. It may involve induction and on-the-job and off-the-job training;	
	<u>Compensation</u> - the process of connecting the employees with the company's payment system;	
	<u>Industrial relations</u> – the process of keeping good working relationships between the employer and the employees;	
	<u>Advice</u> and assist the line managers in personnel matters.	
<i>Both title &amp; development of the function to be given for full marks.</i>		
<b>4c</b>	<i>Acceptable definition of job rotation, such as:</i>	
	Workers move between jobs.	<b>1</b>
	<i>Appropriate explanation as to how job rotation increases job satisfaction, such as:</i>	
	Gives each worker a change to alleviate boredom & monotony;	<b>3</b>
	Gives each worker a new challenge to help increase motivation;	
	Gives each worker more chances of promotion since they get to know every part of the process.	
<i>Any other appropriate explanation.</i>		
<b>4d</b>	<i>Explanation as to how can ‘non-financial incentives’ improve the motivation of employees based on Maslow’s hierarchy or any of the other two theories of motivation in the syllabus.</i>	<b>3</b>
	<i>Any FOUR examples of non-financial incentives, such as:</i>	
	recreational facilities, environment of work, friendly colleagues, working hours & times of attendance (reference also to flexi-time), holiday arrangements and health & safety measures plus job satisfaction, Appraisal System, Job Rotation, Job Enrichment, Job Enlargement.	<b>1mark X 4</b>
<b>5a</b>	<i>ONE reason for using cash budgets to be given, such as:</i>	
	A forecast/plan of cash inflows and outflows; or Knowing if a bank overdraft may be required. <i>Accept any reason that has to do with liquidity.</i>	<b>2</b>
	<i>ONE appropriate example of cash inflow to be given, such as:</i>	
	<i>Sales, any other non-sales inflow such as rent receivable.</i>	<b>1</b>
	<i>ONE appropriate example of cash outflow to be given, such as:</i>	
	Purchases, any other non-goods example of outflow such as rent payable. <i>(Do NOT accept non-cash expenses such as Depreciation).</i>	<b>1</b>

<b>5b</b>	<i>Acceptable definition of Break Even chart, such as:</i>	
	A graph showing Total Cost (TC) and Total Revenue (TR) related to Output. <i>Accept also:</i> A graph showing at what level of output TR=TC / the firm is breaking even/making zero profit.	<b>1</b>
	<i>Appropriate sketch of BE chart to include:</i>	
	X-axis labelled Output OR Sales;	<b>0.5</b>
	Y-axis labelled Costs/Revenue ( <i>Accept: €</i> );	<b>0.5</b>
	1 Straight line starting from origin & labelled TR;	<b>0.5</b>
	1 Straight line with a y-intercept & labelled TC;	<b>0.5</b>
	Drop line from point of intersection of TC & TR to x-axis (OR any other means that clearly indicates BEP);	<b>0.5</b>
Shading OR any other means that clearly indicate the area of profit (to the right of the BEP).	<b>0.5</b>	
<b>5c</b>	<i>i. Stock turnover: 4 times</i> - inventory is replaced 4 times every year (every 3 months). The type of inventory and past records determine whether it is fast/slow moving inventory	<b>1 + 1</b>
	<i>ii. Current ratio: 1.5:1</i> - the 'cash and cash to come' including inventory (current assets) are 1.5 times the size of short-term payables. The current assets available should be sufficient to pay creditors (unless current assets are mainly inventory)	<b>1 + 1</b>
	<i>iii. Quick asset ratio: 0.7:1</i> - only €0.70 of 'cash and cash to come' is available for every €1 of payables. Inventory is excluded to give a better picture of liquidity as it may not be easily turned into cash. The business may fail.	<b>1 + 1</b>
	<i>iv.</i> To identify the financial strengths and weaknesses of a business; or to analyse and evaluate performance and financial position by comparing with past performance and/or other businesses	<b>1 + 1</b>
<b>5d</b>	Gross profit is the difference between sales and cost of sales. A mark-up on the cost of sales is applied to earn a gross profit.	<b>2</b>
	The day-to-day expenses will be higher than gross profit leading to a net loss.	<b>2</b>
<b>6a</b>	<i>Acceptable definition of barter, such as:</i>	
	The exchange of goods without the use of money OR the exchange of goods (and services) for other goods (and services).	<b>2</b>
	<i>Explanation as to why barter is not practical (bringing in the disadvantages of barter), such as:</i>	
	The need for the double coincidence of wants in barter limits the volume of trade compared with what can be done with money.	<b>2</b>

<b>6b</b>	<i>Any FOUR functions of Central Bank of Malta from:</i>	
	Maintenance of Price Stability;	<b>1mark X 6</b>
	Reserves management;	
	Banker to the banks (credit institutions);	
	Banker to the government;	
	Ensuring Financial Stability;	
	Issue of currency;	
	Agent of ECB (Eurosystem) for monetary policy;	
	Relations with International Institutions;	
	Economic analysis and research;	
	Collecting, compiling, disseminating and publishing statistics;	
	Promoting and supporting the development of financial markets;	
Promoting and supporting efficient payment and settlement systems.		
<b>6c</b>	<i>Relationship between commercial banks and the Central Bank of Malta to include:</i>	
	CBM holds bank accounts of commercial banks (Banker-to-the-banks function);	<b>2</b>
	CBM influences the volume of loans that banks make through the ECB's monetary policy.	<b>2</b>
	<i>Any other appropriate relationship.</i>	
	<i>Any TWO commercial banks in Malta to be mentioned, such as:</i>	
	BOV, HSBC, APS ( <i>acronyms accepted</i> ) and candidates do <b>not</b> need to give full name such as HSBC Bank (Malta) plc.	<b>1mark X 2</b>
	<i>Acceptable correct answers;</i>	
<b>6d</b>	Enhancing relationships between consumers and traders.	<b>1mark X 4</b>
	Educating and informing consumers.	
	Encourage service providers to adopt practices that foster healthy customer relationships.	
	Assist consumers settling disputes with suppliers.	

C. Paper 2B

<b>Q#</b>	<b><u>Detail required</u></b>	<b><u>Marks</u></b>
<b>1a</b>	Market research.	<b>1</b>
<b>1b</b>	Primary (research).	<b>1</b>
	<i>Acceptable explanation of primary research required, such as:</i>	
	Primary research gathers new data direct from the consumer.	<b>1</b>
	<i>Candidate to quote or refer to text to show that it is primary:</i>	
	"interviewers recruit random respondents on the street and invite them to take part in the research".	<b>1</b>
<b>1c</b>	<i>Any <b>THREE</b> reasons for primary research, such as:</i>	
	Targeted issues are addressed;	<b>1mark X 3</b>
	Data interpretation is better;	
	How recent is the data;	
	Proprietary issues.	
	<i>Any other appropriate answer</i>	
<b>1d</b>	<i>Any <b>TWO</b> research methods (instruments) other than taste tests, such as:</i>	
	Other primary: Questionnaires, Focus groups, Consumer panels;	<b>1mark X 2</b>
	Secondary : Market research agencies, NSO, Public libraries, Newspapers, Specialist magazines, Internet sites.	
	<i>Any other appropriate method (instrument).</i>	
<b>1e</b>	Acquired other companies	<b>1</b>
	Technological investment	<b>1</b>
	accept share issue and reinvested profit to acquire other businesses and to finance new investment	
<b>1f</b>	Mass market.	<b>1</b>
	<i>Explanation to include definition of mass market, such as:</i>	
	a market for goods produced on a large scale for a significant number of end consumers.	<b>1</b>
	<i>Candidate to quote or refer to any <b>ONE</b> sentence/phrase from the text to show that it is mass market:</i>	
	"expanded from one shop with a small bakery at the rear into a major retailer with two brands"	<b>1mark X 1</b>
	"building two new bakeries in Birmingham and North London, each able to service 100 shops"	
	"In 1984, Greggs became a public company".	

<b>1g</b>	<i>Any differences between wholesaler &amp; retailer, such as:</i>	
	Wholesaler sells to retailers while retailers sell to (final/end) consumers;	<b>2 marks</b>
	Wholesaler sells at lower prices than retailer;	
	Wholesaler has direct links with the manufacturer while retailer has no such link;	
	Wholesaler will not have a say in the quality as he has to buy in bulk from the manufacturer while retailer can choose the products with quality and discard the damaged ones as they only buy small amounts.	
<i>Any other appropriate difference.</i>		
<b>1h</b>	<i>Any TWO</i>	
	customers, suppliers, employees, investors	<b>1 + 1</b>
	main interest of selected stakeholders	<b>1 + 1</b>
<b>1i</b>	<i>Any THREE methods of promotion, such as:</i>	
	BOGOF, Sponsorships, Public relations, Packaging, Press releases.	<b>1mark X 3</b>
	<i>Any other appropriate method but do NOT accept advertising and/or advertising methods.</i>	
<b>1j</b>	<i>Acceptable definition of product life cycle, such as:</i>	
	the cycle that every product goes through...	<b>1</b>
	<i>Any other acceptable definition.</i>	
	<i>Any FOUR stages of the product life-cycle from:</i>	
	development/pre-launch, launch or introduction, growth, maturity, saturation, decline and obsolescence.	<b>1mark X 4</b>
<b>1k</b>	<i>Any appropriate distinctions between market segment and a target market, such as:</i>	
	Market segment is <u>part of</u> a broad market while the target market is <u>that segment for which</u> marketing strategies and promotional schemes are devised;	<b>2 marks</b>
	Segmentation is the <u>first</u> step in the process of product promotion while targeting is the <u>second</u> step;	
	The number of market segments may be equal to or greater than the number of target markets.	
	The number of target markets cannot be greater than the number of market segments.	
	<i>Any other appropriate difference.</i>	

<b>2a</b>	<i>The order of replies should be as follows:</i>	
	a. trade	<b>1</b>
	b. producer*	<b>1</b>
	c. consumer*	<b>1</b>
	d. intermediaries	<b>1</b>
	e. wholesaler**	<b>1</b>
	f. retailer**	<b>1</b>
	g. value	<b>1</b>
	h. tertiary	<b>1</b>
	<i>* may interchange; ** may interchange.</i>	
<b>2b</b>	Mentioning of a product related to mass market.	<b>1</b>
	Mentioning of a product related to niche market.	<b>1</b>
	Explaining the connection between the mentioned product and mass market.	<b>1</b>
	Explaining the connection between the mentioned product and niche market.	<b>1</b>
<b>2c</b>	<i>Any <b>TWO</b> appropriate differences between wholesaler &amp; retailer, such as:</i>	
	wholesaler from manufacturer while retailer buys from wholesaler;	<b>2marks X 2</b>
	Wholesaler' acts as a link between manufacturer and retailer while retailer acts as a link between the consumer and the wholesaler;	
	Wholesaler buys in bigger bulk than retailer;	
	Price at which wholesaler sells is lower than that of retailer;	
	There is more competition among retailers than among wholesalers;	
	Wholesalers have larger volumes of transactions than retailers;	
	Capital requirement of wholesaler is much larger than for retailer;	
	Retailers need more advertising than wholesalers.	
	<i>Any other appropriate difference</i>	
<b>2d</b>	<i>Acceptable answers, Any <b>TWO</b> of the following guidelines:</i>	
	Providing advice upon purchasing: This will enhance the business's retailer-consumer relationship	<b>Mention 2 * 1 mark Brief reasoning 2 * 1 mark</b>
	Provide aftersales service: This will ensure customer loyalty and returning customers	
	Providing credit: This will attract more customers since they can buy and pay at a later stage	

<b>3a</b>	<i>The order of replies should be as follows:</i>	
	a. Profitability	<b>1</b>
	b. Earnings	<b>1</b>
	c. Expenses	<b>1</b>
	d. Liquidity	<b>1</b>
	e. Short-term	<b>1</b>
	f. ROCE	<b>1</b>
	g. Working	<b>1</b>
	h. Quick	<b>1</b>
<b>3b</b>	Award 1 mark for defining them and 1 mark for applying to particular applicable products	
	Job: involves producing custom work, such as a one-off product for a specific customer (1). Example (1) building ships, buildings, handmade crafts like furniture and made-to-measure clothes.	<b>Definition 3 * 1 mark</b> <b>Application 3 * 1 mark</b>
	Batch: A manufacturing process in which components or goods are produced in groups rather than in a continuous stream. (1) Example (1) Baking / meal preparation, manufacture of sports shoes, pharmaceutical ingredients, colouring paints, adhesives, printing jobs.	
	Mass production: A manufacturing process in which large quantities of standardized products are produced, frequently using assembly line or automation technology. (1) Example (1): Soft drinks, cigarettes, matches, microchips.	
<b>3c</b>	Candidates should show their knowledge of the definitions of each stock level :	
	The maximum level indicates the maximum number of items that should be held in stock at any one time (½) to avoid tying up capital unnecessarily (½)	<b>1 mark</b>
	The minimum stock shows the lowest amount of stock that should be kept (½) to avoid delays in delivery and production (½).	<b>1 mark</b>
	The re-order level shows at what point an order should be placed with a supplier (½) to avoid the danger of running out of stock (½).	<b>1 mark</b>
<b>3d</b>	<i>Acceptable answers may include any <b>THREE</b> reasons on the following guidelines:</i>	
	Cooperation, pool of skilled labour, ancillary firms, industry marketing strategy	<b>1mark X 3</b>

<b>4a</b>	<i>The order of replies should be as follows:</i>	
	a. Resource	<b>1</b>
	b. Clients	<b>1</b>
	c. Population	<b>1</b>
	d. Below	<b>1</b>
	e. Working	<b>1</b>
	f. Above	<b>1</b>
	g. Non-working	<b>1</b>
<b>4b</b>	<i>The correct answers are:</i>	
	i. Regional unemployment	<b>1</b>
	ii. Cyclical unemployment	<b>1</b>
	iii. Technological unemployment	<b>1</b>
<b>4c</b>	<i>The correct replies are:</i>	
	Terms of employment	<b>1</b>
	Employee responsibilities	<b>1</b>
	Employee benefits	<b>1</b>
<b>4d</b>	Acceptable definitions of an 'ageing population' such as: An increase in the average age of the population.	<b>1</b>
	Candidates should give an explanation based on the following guidelines:	
	Ageing population means that the firms are to shift to producing goods and services which are demanded by an ageing population (1) such as health services and mobility products such as walking sticks (1).	<b>2</b>
	Moreover, it will have to retain elder workers in the business (1) since there might be fewer youths to replace them. (1)	<b>2</b>
<b>5a</b>	<i>The order of replies should be as follows:</i>	
	a. Money	<b>1</b>
	b. Exchange	<b>1</b>
	c. Accepted	<b>1</b>
	d. Transactions	<b>1</b>
	e. Store	<b>1</b>
	f. Value	<b>1</b>
	g. Account	<b>1</b>
h. Common	<b>1</b>	

<b>5b</b>	<i>Accept answers on the following guidelines:</i>	
	Enhancing relationships between consumers and traders.	<b>1mark X 4</b>
	Educating and informing consumers.	
	Encourage service providers to adopt practices that foster healthy customer relationships.	
Assist consumers settling disputes with suppliers.		
<b>5c</b>	<i>Candidates should show their knowledge of the roles of each regulatory body:</i>	
	MFSA: the single regulator for the financial services sector.	<b>1</b>
	PA: provides planning services to provide a balanced and sustainable environment	<b>1</b>
	NAO: assess the financial administration of the public sector and to encourage the economic, efficient and effective utilisation of public sector resources.	<b>1</b>
<b>5d</b>	Candidates should	
	i. Define external cost and benefits or give an outline of the ways the government influences them. (1)	<b>1</b>
	ii. <i>argue that:</i>	
	It is important to regulate businesses to lessen the external costs created in their drive to achieve profit maximisation (1) give an example in evaluation (1)	<b>2</b>
	It is important to influence businesses to create positive externalities since otherwise they won't be interested to do so (1) give an example in evaluation (1)	<b>2</b>
<b>6a</b>	<i>The order of replies should be as follows:</i>	
	a. Ethics	<b>1</b>
	b. Environment	<b>1</b>
	c. Culture	<b>1</b>
	d. Honesty*	<b>1</b>
	e. Respect*	<b>1</b>
	f. Stakeholders	<b>1</b>
	g. Objectives	<b>1</b>
<i>* May be interchanged.</i>		
<b>6b</b>	<i>Correct answers should be as follows:</i>	
	i. Oral communication	<b>0.5</b>
	ii. Non-verbal Communication	<b>0.5</b>
	iii. Oral communication	<b>0.5</b>
	iv. Written Communication	<b>0.5</b>
	v. Non-verbal Communication	<b>0.5</b>
	vi. Written Communication	<b>0.5</b>
	vii. Non-verbal Communication	<b>0.5</b>
	viii. Written Communication	<b>0.5</b>
	ix. Written Communication	<b>0.5</b>
x. Oral communication	<b>0.5</b>	

<b>6c</b>	<i>Candidates should define formal and informal communication networks on the following guidelines:</i>	
	Informal communication at work is any type of communication that doesn't take place using the formal structures in a company.	<b>1</b>
	<u>Examples:</u> communication between employees to socialise.	<b>1</b>
	Formal communication includes communications using the formal structures of a business to interchange information officially.	<b>1</b>
	<u>Examples:</u> wheel network, chain network or circle network.	<b>1</b>
	<i>Evaluation should be based on the following guideline:</i>	
	Most organizational communication happens using an informal network due to friends, usage and efficiency.	<b>1</b>
<b>6d</b>	<i>Acceptable answers should be based on the following guidelines:</i>	
	Strengthens customer relationship;	<b>1mark X 3</b>
	Effective and saves time;	
	Cost savings;	
	Keeps log of the business communications;	
	Resources can be employed more efficiently.	
	<i>Any other appropriate advantage.</i>	