G.C.E. (A/L) Examination – 2021 (2022)

32 - Business Studies

Goals :-

This Question Paper includes questions to evaluate the competencies such as subject knowledge, understanding the usage of knowledge, analyzing and synthesizing abilities as mentioned as the goals of the business studies syllabus.

Marking Scheme:-

Business Studies - paper I

Multiple choice	30 x 02 Marks each	=	60
Filling the Blanks	10 x 02 Marks each	=	20
Specific short answers	10 x 02 Marks each	=	20
			100

Business Studies - Paper II

Part I : 4 Questions

Part II : 4 Questions

05 questions should be answered selecting at least 02 questions from each part.

There are 08 questions. Each question includes 05 sections.

Each section carries 04 marks **X** 05 = 20 Marks

Paper I & Paper II = 200 Marks

Final Marks = 100 Marks

Common Techniques of Marking Answer Scripts.

It is compulsory to adhere to the following standard method in marking answer scripts and entering marks into the mark sheets.

1. Use a red color ball point pen for marking. (Only Chief/Additional Chief Examiner may use a mauve color pen.)
2. Note down Examiner's Code Number and initials on the front page of each answer script.
3. Write off any numerals written wrong with a clear single line and authenticate the alterations with Examiner's initials.
4. Write down marks of each subsection in a △ and write the final marks of each question as a rational number in a □ with the question number. Use the column assigned for Examiners to write down marks.

Example: **Question No. 03**

(i) ..... √ $\frac{4}{5}$

(ii) ..... √ $\frac{3}{5}$

(iii) ..... √ $\frac{3}{5}$

03 (i) $\frac{4}{5}$ + (ii) $\frac{3}{5}$ + (iii) $\frac{3}{5}$ = $\frac{10}{15}$

MCQ answer scripts: (Template)

1. Marking templets for G.C.E.(A/L) and GIT examination will be provided by the Department of Examinations itself. Marking examiners bear the responsibility of using correctly prepared and certified templates.
2. Then, check the answer scripts carefully. If there are more than one or no answers Marked to a certain question write off the options with a line. Sometimes candidates may have erased an option marked previously and selected another option. In such occasions, if the erasure is not clear write off those options too.
3. Place the template on the answer script correctly. Mark the right answers with a 'ν' and the wrong answers with a 'X' against the options column. Write down the number of correct answers inside the cage given under each column. Then, add those numbers and write the number of correct answers in the relevant cage.

Structured essay type and assay type answer scripts:

1. Cross off any pages left blank by candidates. Underline wrong or unsuitable answers. Show areas where marks can be offered with check marks.

2. Use the right margin of the overland paper to write down the marks.

3. Write down the marks given for each question against the question number in the relevant cage on the front page in two digits. Selection of questions should be in accordance with the instructions given in the question paper. Mark all answers and transfer the marks to the front page, and write off answers with lower marks if extra questions have been answered against instructions.

4. Add the total carefully and write in the relevant cage on the front page. Turn pages of answer script and add all the marks given for all answers again. Check whether that total tallies with the total marks written on the front page.

Preparation of Mark Sheets.

Except for the subjects with a single question paper, final marks of two papers will not be calculated within the evaluation board this time. Therefore, add separate mark sheets for each of the question paper. Write paper 01 marks in the paper 01 column of the mark sheet and write them in words too. Write paper II Marks in the paper II Column and wright the relevant details.

***

ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව
இலங்கைப் பரீட்சைத் திணைக்களம்
අ.පො.ස. (උ.පෙළ) විභාගය/ க.பொ.த. (உயர் தர)ப் பரீட்சை 2021 (2022)

විෂයය අංකය
பாட இலக்கம் 32

විෂයය
பாடம் **Business Studies**

ලකුණු දීමේ පටිපාටිය/புள்ளி வழங்கும் திட்டம்
I පත්‍රය/பத்திரம் I

ප්‍රශ්න අංකය வினா இல.	පිළිතුරු අංකය விடை இல.	ප්‍රශ්න අංකය வினா இல.	පිළිතුරු අංකය விடை இல.	ප්‍රශ්න අංකය வினா இல.	පිළිතුරු අංකය விடை இல.
01.	3	11.	2	21.	2
02.	2	12.	4	22.	4
03.	5	13.	3	23.	3
04.	2	14.	5	24.	1
05.	1	15.	1	25.	4
06.	2	16.	2	26.	3
07.	4	17.	4	27.	3
08.	5	18.	3	28.	5
09.	5	19.	4	29.	2
10.	2	20.	1	30.	3

✪ විශේෂ උපදෙස්/ விசேட அறிவுறுத்தல் :

එක් පිළිතුරකට/ ஒரு சரியான விடைக்கு 02 ලකුණු බැගින්/புள்ளி வீதம்

මුළු ලකුණු/மொத்தப் புள்ளிகள் = 02 x 30 = 60

31. (a) Tangible
Intangible

(b) Business
Trade / Commerce

32. (a) Market Segmentation
Positioning

(b) Private
Producer

33. (a) Primary
Secondary

(b) Equity
Debt

34. (a) 1. Medium of exchange
2. Store of value
3. Deferred payment method
4. Measure of value

35. (a) Retailing
Physical

(b) Business
Government

36. (a) Deposit
Lending

(b) Top, Middle

37. (a) Bi
Multi

(b) 14001
Food

38. (a) Liveware
Firmware

(b) Employee

39. (a) Internal OR External
External Internal

(b) Wages/salaries, Overtime

40. (a) Operating
Investing

(b) Intermediary
Clearing

41.

1. To register businesses
2. Supporting continuity of business legally and systematically
3. Enhancing business knowledge
4. Receiving the acceptance of the government and public
5. Assisting to identify new market opportunities
6. Assisting to identify new business opportunities

42.

1. Maintained under provincial councils, urban councils and Pradeshiya Sabhas
2. Ownership being with the respective local government authority
3. Necessary funds being allocated through the respective local authority or the central government
4. Being administrated by the local government authority

43.

- Land		Financial
- Labour		Human
- Capital		Physical
- Entrepreneurship	OR	Entrepreneurship
- Information		
- Time		
- Knowledge		

44. Listed

- Public limited Companies

Non Listed

- Private Companies
- State owned but non – listed companies
- Public unlisted companies

45.

1. Amount of capital invested
2. No. of employees
3. Energy used
4. Annual Turnover
5. Organization Structure
6. Technology used
7. Nature of the market
8. Business ownership

46.

- LAN - Local Area Network
- PAN - Personal Area Network
-WAN - Wide Area Network
-MAN - Metropolitan Area Network
-WLAN - Wireless Local Area Network
-VPN - Virtual Private Network

47.

- Owner or Investor
-Customers / Consumers
-Managers
-Employees

48.

Advantages	**Disadvantages**
1. Quick decision making	1. Less opportunities for employee promotion
2. Easy supervision	2. Poor discipline due to more autonomy
3. Reduce cost	3. Difficult in employee evaluation
5. Easy coordination	

49.

Opportunities for businessmen	Opportunities for Consumers
1. Expansion of market globally	24 hours transaction
2. Reduction of cost due to elimination of middleman	Quick and easy ordering
3. Ability to obtain market information easily	Greater choices
4. Increase in sales	Comparatively low prices

Threats for businessmen	Threats for Consumers
1. High competition	Frauds and corruption
2. Less technological facilities	Security issues
3. Negative reviews	Payment issues
4. -	Misleading information

50.

1. Growth
2. Maturity
3. Decline
4. Re–growth

Part I

1. Automobile Company Limited assembles and sells zero-emission motor vehicles in Sri Lanka. Although a large number of employees work in the company, an employee performs only a single task. In addition, the company offers after-sales-services for customers. Moreover, the company began to produce spare parts this year. The company pays a large sum of income tax to the government and contributes to regional infrastructure development.

(i) (a) Name the **two** products that the company offers for customers with examples.

Goods :- Motor Vehicles
Spare Parts

Services:- after-sales service
Sales/marketing

(1 mark for 2 points)
(1 mark for example)

(b) State **four** ways how the company has contributed to sustain the economy.

1. Contribution for national production
2. Creating employment opportunities
3. Increase in government tax revenue
4. Regional infrastructure development
5. Innovation

(2 marks for 4 points)

(ii) (a) Based on the above case, name **four** forces that influence the business of the company.

1. Owners
2. Employees
3. Customers
4. Government
5. Natural Environment
6. Suppliers

(2 marks for 4 points)

(b) Explain **two** reasons why businesses should aim for profits.

1. Business development / re – investment / Continuity of business
2. Returns for investors
3. Returns for employees

(2 marks for 2 points with explanation)

(iii) (a) In addition to the after-sales-services, briefly describe **two** other services that can be offered by the company for customers.

1. Insurance facilities
2. Finance/credit facilities
3. Transport facilities

(2 marks for 2 points with explanation)

(b) Explain what is meant by "an employee performs only a single task" and state **two** advantages the company can obtain from it.

- Division of labour

(1 mark)

Advantages

1. Job Specialization
2. Reduction in unit cost
3. Increase in production volume
4. Promoting innovation

(2 marks for 2 points)

(iv) Explain **three** benefits the business could accomplish by fulfilling socia responsibilities.

1. Assure continuity of the business
2. Increase goodwill of the business
3. Ensure trust on business
4. Increase customer satisfaction
5. Easy to achieve business goals and objectives
6. Expansion of markets
7. Ability to face competition
8. Ability to secure investments

(3 marks for 3 points)

(v) Explain **four** ways in which motor vehicle manufactures could contribute to environmental sustainable development.

1. Formulating environmentally friendly policies
2. Producing electrical vehicles
3. Producing light vehicles/ fuel-efficiency
4. Managing waste and raw material / re – using and recycling raw materials
5. Producing vehicles operated by renewable energy sources

4 points)

2. Below are some opinions shared by Mrs. Shalika about her apparel production business.

"Although the business which I have started by investing a small amount of money is challenging, it is subjected to a few rules and regulations in operations. All the decisions and responsibilities about the business are undertaken by myself. Eventhough, I intend to convert this business into a partnership, my accountant stated that it is appropriate to register as a private limited company."

(i) (a) Indicate the type of the above business based on ownership.

- Private

(1 mark)

(b) Using the above scenario, state **three** reasons for classifying the business as above in (a).

1. Only owner has invested money in the business
2. Owner makes decisions on her own
3. Owner take sole responsibility / face risks alone
4. Owner enjoys the returns alone

(3 marks for 3 points)

(ii) (a) Describe the procedure to be followed if Shalika intends to register her business as 'Viana Textiles'.

1. Obtain the application for registration from the area's Divisional Secretariat
2. Obtain the business registration report form the respective Grama Niladhari officers
3. Make the payment at the respective D.S. office by submitting the report obtained from the G.N. and the filled application form
4. D.S. will issue the business registration certificate after verifying the documents

(2 marks for 4 points)

(b) Name **one** internal and **one** external sources of funding Shalika's business can use and state an advantage of each.

Internal: Retained profit, Provisions for depreciation, sale of surplus assets

1 point)

Advantages: 1. Less cost

2. Quick access

3. No repayment

4. No increase of liabilities

5. Not subjected to special conditions

(1/2 mark for 1 point)

External :- Bank loan, lease, over draft, hire purchase

(1/2 mark for 1 point)

Advantage:- 1. Can obtain a larger amount
2.Easy / quick access
3.Ability to obtain tax relief

(1/2 mark for 1 point)

(iii) (a) State **four** limitations of Shalika's business.

1. Unlimited liability of the owners
2. Difficulty in finding capital
3. No legal personality for business
4. As the owner makes decisions alone there can be, chances for failures
5. Ensuring continuity of business is problematic
6. Difficulty in controlling, when the business expands
7. Bear losses alone

(2 marks for 4 points)

(b) If Shalika expects to establish a sales outlet to sell her products, name the type of business combination it belongs to and explain it briefly.

Vertical Integration / forward integration

(1 mark)

- Vertical integration allows the business to move from manufacturing to sales stages

Apparel manufacturing

↓

Apparel sales

(1 mark)

(iv) State **four** benefits Shalika can enjoy by converting her business into a partnership.

1. Can take more successful decisions
2. Can collect more capital
3. Can share responsibilities among others

4. Synergize various competencies and skills
5. Increase efficiency and motivation due to collective responsibility
6. Sharing risks

(4 marks for 4 points)

(v) (a) Write **four** advantages that can be claimed by registering a business as a private limited company compared to a partnership.

1. Can raise a relatively a large amount of capital
2. Obtain a legal personality for the business
3. Ensure continuity of business
4. Limited liability
5. Ability to attract competent / skilled personnel

(2 marks for 4 points)

(b) State **four** characteristics of a public corporation.

1. Owned by the state
2. Incorporated by a special or general act of legislature
3. Possesses a legal personality
4. Liable for the legislature
5. Managed by a government appointed board of directors
6. Can raise capital through government loans, dividends, and reinvestments
7. The main objective is to provide an efficient service for the public.

(2 marks for 4 points)

3. (i) (a) State **four** non-financial incentives the government offers to promote small and medium enterprises in Sri Lanka.

1. Advocacy
2. Entrepreneurship development programs
3. Provide research and technical services
4. Providing infrastructure facilities
5. Providing sales facilities / market facilities
6. Rewarding for excellence

(2 marks for 4 points)

(b) Indicate **four** functions of venture capital companies.

1. Advocacy for new businessmen
2. Provide seed capital for new ventures
3. Finance for expansion of business
4. Finance business acquisitions
5. Financing purchasing of businesses
6. Share underwriting
7. Loan syndication
8. Loan and financing

(2 marks for 4 points)

(ii) (a) Indicate **four** advantages businesses could gain through stabilizing the value of local currency by the Central Bank of Sri Lanka.

1. Facilitate business planning
2. Motivate investors
3. Ensure import and export activities are carried out at an optimal level
4. Stabilize pricing policies
5. Ensure turnover income at an optimal level
6. Ensure costs are maintained at an optimal level

(2 marks for 4 points)

(b) Briefly describe **two** roles of primary dealers in the capital market.

- Take part in primary auctions conducted by Ministry of Finance (Loan)
- Participate in the secondary market of treasury bills transactions

(2 marks for 2 points)

(iii) (a) State **four** advantages businessmen can obtain through the services of leasing companies.

1. Can utilize assets without paying the full cost
2. Lease instalment exempted from income – tax
3. Can avoid losses from obsolesce of assets and capital losses
4. Can enjoy a good return without a huge investment

(2 marks 4 points)

(b) Write **two** advantages and **two** disadvantages the customers can get from Autom

<u>Advantages</u>

1. Can make withdrawals using the teller card
2. Can deposit cash to the account
3. Can transfer cash between accounts
4. Can check the account balance

6. Can obtain service 24/7

Disadvantages

1. Technical difficulties / errors
2. Security problems
3. Less interpersonal relations
4. Unable to make large transactions
5. Will have to bear additional expenses

(1 mark for 2 points)

(iv) (a) If you make a payment to Chathura Bandara by a cheque worth of Rs. 50 000,
1. Show the way of crossing the cheque to ensure maximum security.



(1 mark)

2. Indicate **two** instances where a cheque is dishonoured.

1. Insufficient balance in the account
2. Hold the payment
3. Drawer bankrupted
4. Drawer's death informed to the bank
5. Court orders
6. Writing errors / mistakes
7. Account closed
8. Expiry of the validity period of the cheque

(1 mark for 2 points)

(b) 1. State a reason for issuing a post dated cheque.

1. Insufficient balance in the account
2. Drawer needs to delay the payment

(1 mark for 1 point)

2. State whether such a cheque can be deposited in a bank by an ordinary account holder before the given date. Give reasons for your answer.

(1/2 mark)

Not accepted as a transactional document until the date stated on the cheque

(1/2 mark)

(v) Briefly describe **two** advantages and **two** disadvantages of increasing in import duty for domestic businesses. (C

Advantages

1. Protecting domestic industries
2. Increasing competitiveness of local/domestic businesses
3. Creating demand for local products

(2 marks for 2 points)

Disadvantages

1. Price increase due to increase in cost of certain raw materials
2. Decrease sales income / sales turnover

(2 marks for 2 points)

Part I

4. (i) (a) Write **two** benefits employees obtain through a minimum wage stipulated by the government.

1. Assurance of a certain amount as a salary/ legal coverage
2. Sets a basis to obtain a certain amount as a salary
3. Regulate salary system
4. Similar salaries for similar occupational fields
5. Prevent room for labour exploitation and abuse

(02 marks for 2 points)

(b) Describe **two** advantages for an exporter through a letter of credit. (02 *marks*)

1. Assurance of payment for goods exported
2. Inability to change conditions related to the letter of credit by the importer
3. Ability to obtain an export cash advance
4. Enhance exporter's trustworthiness

(02 marks for 2 advantages)

(ii) (a) Write **two** dissimilarities between debit cards and credit cards.

Debit card	Credit card
1. A bank account is needed to obtain a debit card	1. No need of a bank account
2. Transactions are performed based on the account balance	2. Transactions are done on a loan basis
3. No special requirements to obtain a debit card	3. Need special requirements to qualify
4 No cost incurred on transactions (no interest charge)	4. Late payments and interests are charged

(02 marks for 2 dissimilarities)

(b) Indicate **two** advantages and **two** disadvantages of digital currency.

Advantages

1. Speedy payment
2. No need of physical money
3. Less transaction cost
4. Ensure security of money

(1/2 marks x 2 points = 1 mark)

Disadvantages

1. Subject to frauds
2. Volatility of money
3. Security issues (cyber-attacks)
4. Legal restrictions

(1/2 marks x 2 points = 1 mark)

(iii) (a) Briefly describe the procedure to be followed in selling a good using e-trade.

1. Meeting of buyers and sellers via internet
2. Organizing trade transactions
3. Trading goods
4. Making payments

(1/2 marks x 4 points = 2 marks)

(b) State **two** ways how new technology can be used for retailing, providing an example for each.

1. Marking price - Bar code, QR code
2. Measuring methods - Digital scale
3. Payment methods – Debit card, credit card
4. Inspection methods – CCTV camera system
5. Security – RFID (Radio Frequency Identification)

(1/2 marks x 4 points = 2 marks)

(iv) (a) State **two** benefits of conducting staff meetings by a manager in communicating information.

1. Provide detailed information
2. Information provider and receiver meet each other
3. Speedy dissemination of information
4. Responses given through body language
5. Can obtain responses instantly

(1 mark x 2 points = 2 marks)

(b) State **four** main objectives of the International Monetary Fund (IMF).

1. Promote global cooperation
2. Ensure financial stability
3. Facilitate international trade
4. Promote employment opportunities
5. Sustainable economic development
6. Reducing poverty

(1/2 marks x 4 = 2 marks)

(v) Explain **four** suggestions for promoting foreign trade in Sri Lanka with examples.

1. Removal of tariffs
2. Relaxation of customs rules and regulations
3. Organizing trade fairs and exhibitions
4. Promote favourable trade agreements
5. Enhance product quality to meet international markets
6. Government trade policies to promote international trade
7. Implement various incentives

(4 marks for 4 points)

Part II

5. Management means 'the process of achieving business goals and objectives in a dynamic environment using limited resources in an effective and efficient manner with diverse people in a collective way.'

(i) (a) Identify **four** management concepts included in the above definition.

1. Dynamic business environment
2. Goals and objectives
3. Resources
4. Efficiency
5. Effectiveness
6. Working with diverse people
7. Process

(1/2 marks x 4 points = 2 marks)

(b) Explain the difference between goals and objectives of a business.

Outcomes a business expects to achieve in the long term are known as goals whereas presenting those broad goals in a more specific manner are known as objectives.

OR

Objectives are specific, measurable, achievable, realistic and time bounded whereas goals are long term oriented.

(2 marks for any of the above differences)

(ii) (a) Briefly explain why technical skills are highly important for front-line managers.

Front-line managers are more involved in operational and customer-related activities while implementing the decisions taken. Therefore, they require technical skills related to a specific field in performing duties.

(2 marks for the description)

(b) State **four** benefits the management of a business could enjoy by delegating authority to lower managers.

1. Motivate lower-level managers
2. Ease the workload of top managers
3. Professional development of lower-level managers
4. Ability to take better decisions
5. Easy to implement decisions
6. Empower lower-level managers

(1/2 marks x 4 points = 2 marks)

(iii) (a) Describe **two** ways how effective planning becomes important for a business.

1. To face future uncertainties and the dynamic environment
2. Ensure optimal resource efficiency
3. Facilitate controlling
4. Enable managers to think about the future
5. Facilitate and coordinate other management functions
6. Ensure continuity and growth of the organization
7. Assess current and future competitiveness
8. Motivate others

(1 mark x 2 points = 2 marks)

(b) Name **four** sources of power a manager is entrusted with.

1. Legitimate power
2. Expert power
3. Reward power
4. Coercive power
5. Referent power

(1/2 marks x 4 points = 2 marks)

(iv) Following informations provided about Thilakshi's business.

- Maximum material consumption - 200 units per day.
- Minimum material consumption - 120 units per day.
- Re-order period - minimum 10 days and maximum 12 days.
- Re-order quantity - 1600 units.

Compute the following

(a) Re-order level

(b) Minimum stock level

(c) Maximum stock level

(d) Average stock

a. 2400 units (1 mark)
b. 640 units (1 mark)
c. 2800 units (1 mark)
d. 160 units (1 mark)

(v) As a manager, explain the decision-making process involved in buying a computer out of five types of computers available in the market with examples.

1. Identifying the problem Ex: Identifying the need to buy a computer
2. Analysing the problem Ex: Collect information about computer types
3. Identifying alternatives Ex: Compare different computer types
4. Selecting the best alternative Ex: Selecting the best computer
5. Implementation Ex: Purchasing the computer

(Including points 1 and 6, 4 marks for 4 points)

6. (i) (a) Indicate **four** criteria to be considered in selecting a production method.

1. Quantity/demand of the product
2. Product range
3. Flexibility of the process
4. Production for order? or stocks?

(1/2 marks x 4 points = 2 marks)

(b) State **four** reasons for the suitability of Computer Aided Manufacturing (CAM) system in the process production.

1. Minimise defects
2. Minimise wastage
3. Maintain uniformity of the products
4. Update products easily

5. Reduce costs
6. Ability to directly connect information from research and development to the production
7. Ensure high quality
8. Develop a database for the product

(1/2 marks x 4 points = 2 marks)

(ii) (a) Define 'labour productivity' and describe **two** methods that an organization can adopt to improve it.

The ratio between labour input and output of an organization during a given period of time. **OR**

$$\text{Labour productivity} = \frac{\text{Output}}{\text{No. of employees/ Labour hours}}$$

(1 mark)

Methods

1. Use skilled labour
2. Train employees
3. Financial and non-financial incentives
4. Good employee relationships

(1/2 marks x 2 points = 2 marks)

(b) Describe two ethics a manufacturer should consider when manufacturing goods.

1. Supply quality goods
2. Ensure value for money
3. Offer safe products
4. Being conscious about the environment/ green products

(2 marks for describing 2 points)

(iii) (a) State **four** benefits a business could obtain through effective communication.

1. Facilitate exchange of ideas between related parties in performing transactions
2. Maintain employer-employee relationships
3. Manage human and physical resources
4. Promotional activities

(1/2 marks x 4 points = 2 marks)

(b) Write **four** limitations of electronic communication.

1. Less interpersonal relationship
2. Lack of trust
3. External barriers in using communication equipment
4. Attitudes of the users
5. Lack of knowledge of users
6. Lack of technological infrastructure facilities

(1/2 marks x 4 points = 2 marks)

(iv) (a) Why a manager is considered as an entrepreneur in Mintzberg's managerial role of decision making?

Entrepreneurs make/initiate changes in the organization to match with the changes of the dynamic environment

(1 mark)

(b) State **three** benefits that an organization and employees can obtain through motivation.

Organization	Employees
1. Increase labour productivity	1. Increase income for employees
2. Increase output	2. Increase employee satisfaction
3. Satisfied employees	3. Easiness of doing tasks
4. Less absenteeism	4. Strengthen firm loyalty
5. Less labour turnover	5. Enhance employee commitment

(1/2 x 3 points = 1 ½ marks) ***(1/2 x 3 points = 1 ½ marks)***

(v) Explain how a green entrepreneur is important for an economy with **two** examples.

1. Reduce resource wastage by producing environmentally friendly products
2. Safeguard natural resources in producing green products
3. Creating green jobs
4. Introducing green production methods

(2 marks x 2 points = 4 marks)

7. A soap manufacturing firm produces and sells products for different customer groups under diverse trade names. Prior to introducing a new product, the firm conducts market research.

(i) (a) Describe why the firm produces products for different customer groups.

(b) Indicate with reasons whether the firm adopts a customer concept or a selling concept.

1(a)

1. Existence of various income levels in consumer groups
2. Change of consumer preferences
3. To diversify markets
4. To minimize risks towards self-markets

(01 mark for one point, Total 02 marks)

b). Customer Concept (01 mark)

Producing as per the needs of the customers (01 mark)

(ii) (a) What is the consumer product category that this product belongs to?

(b) Describe **three** advantages that can be obtained by a firm by conducting market research prior to introducing new products.

(ii) a. Convenience goods

(01 mark)

b) Advantages

1. Ability to identify consumer preferences
2. Ability to determine consumer demand
3. Ability to know the information about the products and competitive products
4. Ability to search on distribution methods
5. Ability to comprehend on target price
6. Ability to search on promotional methods
7. Ability to collect information on production planning of new products

(Total 03 marks for three points)

(iii) Write **four** strategies that can be adopted to extend a Product's Life Cycle (PLC) when it reaches the maturity stage.

1. Adding new features/accessories
2. Changing promotional methods
3. Introducing different methods of use
4. Modification of product
5. Product diversification

(Total 04 marks for 04 points)

(iv) (a) State **four** benefits that a firm can obtain by preparing a financial budget.
(b) Write **four** examples for capital investment decisions.

1. If there is a future cash surplus, it can be identified in advance and then be able to invest effectively.
2. If there is a future cash deficit, it can be identified in advance and then be able to meet it.
3. Easy to control and plan finances by identifying actual and budgeted cash
4. Help to obtain business loans and secure future financial status of the business

(1/2 a mark for one point, Total 02 marks for 04 points)

b)

1. Decisions on business modernization
2. Decisions on reinstalment
3. Decisions on business improvement
4. Decisions on business diversification

(1/2 a mark for one point, Total 02 marks for 04 points)

(v) (a) State what is 'operating ratios' and write **two** advantages of it.
(b) Explain what is meant by 'inter-bank call money market'.

(a) Ratios that depict the association between investment in assets and earnings from them.
(1 Mark)

Advantages

1. Ability to comprehend on benefits of investment
2. Ability to comprehend on debtors turnover
3. Ability to comprehend on stock turnover

(1/2 a mark for one point, Total 02 marks for 01 points)

b) The inter-bank call money market is an overnight market (short-term) that mainly assists commercial banks in meeting their immediate liquidity requirements by facilitating lending and

(2 marks with the word underlined)

8. (i) (a) Indicate **four** advantages that an organization can realize by recruiting employees externally.

1. Ability to attract personnel with updated/new knowledge
2. Ability to obtain new ideas and attitudes
3. Ability to select more suitable personnel
4. By recruiting skilled personnel, the organization will be able to save cost on training and development
5. Diverse workforce

(1/2 marks x 4 points = 2 marks)

(b) Explain **two** disadvantages that can occur through 'on the job training'.

1. Bad practices of the current employee/trainer can be passed on to the trainee
2. New scientific methods may not be shared
3. Superior's efficiency may suffer due to greater workload
4. Can be stressful for the trainee
5. Reduction in production
6. Scarcity of employees with diverse competencies

(2 marks for 2 disadvantages)

(ii) (a) Describe **two** ways how performance evaluation is important for an organization

1. To identify training needs
2. To decide on promotions and demotions
3. To decide on compensation (remuneration)
4. Identifying competent personnel
5. Ability to change the recruitment process in the future based on evaluation data

(2 marks for describing)

(b) Explain **two** methods an organization can adopt in selecting the most suitable job candidate with examples.

1. Interviews
2. IQ test
3. Personality test
4. Practical test
5. Medical test
6. Background test

amples)

(iii) (a) Indicate **four** functions of an effective information system.

1. Communicate accurate information for the relevant parties
2. Help to enhance the quality of the products produced
3. Reduce costs involved
4. Ability to meet the competition successfully
5. Ability to ensure success of managerial functions performed
6. Ability to provide information to relevant parties at any time required

(1/2 marks x 4 points = 2 marks)

(b) Write **two** advantages and **two** disadvantages for a business when exchanging information through the internet. (

Advantages

1. Reduction of cost
2. Easy to promote products globally
3. Ability to attract employees
4. Easy to explore new markets
5. Easy to communicate
6. Accelerate speed and reduction of time

(1 mark for 2 advantages)

Disadvantages

1. Require technical knowledge
2. Need proper infrastructure
3. Incur a larger investment/cost initially/at the beginning
4. Need to train employees at an extra cost
5. Technology changes frequently/ technology becomes obsolete very fast

(1 mark for 2 disadvantages)

(iv) (a) State **two** reasons which reflect the importance of a business plan.

1. Ability to direct business activities
2. Ability for stakeholders to get a sound understanding about the business
3. Ability to obtain financial assistance for the business
4. To identify and solve business issues
5. Ability to attract potential investors

(1 mark for 2 reasons)

(b) Briefly explain **three** instances where preparation of a business plan is required.

1. When establishing a new business
2. When expanding a business
3. When consolidating a business
4. When modernizing an existing business
5. When purchasing a business ***(3 marks for 3 instances)***

(v) The total cost of production is Rs 25 million where Rs 15 million is fixed. The total income of the business is Rs 20 million. Sales forecasts reported that there will be a high demand for this product in future. The production manager of the firm suggested to discontinue the product, where as, the sales manager suggested to continue with it. Mentioning your decision whether to continue or discontinue the product, explain **three** reasons for your answer.

Continue the business

(1 mark)

Reasons to continue

1. Demand tends to increase in future
2. Income increases in future due to increased demand for the product
3. If discontinued, other related products can be affected
4. Not being able to recoup/recover the investment done so far
5. Forgo/give up other investment opportunities

(3 marks for 3 points)
