

Provincial Department of Education
G.C.E Advance level- 2019- May- Practice Exam
Grade 13

Subject No 32

Business studies

Marking Scheme

Part 1

Answers

1. 4	16. 2
2. 2	17. 1
3. 5	18. 2
4. 2	19. 4
5. 5	20. 4
6. 3	21. 5
7. 2	22. 4
8. 4	23. 5
9. 2	24. 1
10. 3	25. 3
11. 4	26. 1
12. 1	27. 2
13. 3	28. 5
14. 4	29. 4
15. 1	30. 2

(2×30=60 Marks)

31. (a) Personal specialization, Barter system
(b) Administration , Human resource activities
32. (A) By forming policies
(B) By imposing rules and regulations
(C) By providing infrastructure
(D) By being a customer
33. (A) False
(B) True
(C) False
(D) True
34. (a) Government sector commercial banks ,Licensed specialized banks
(b) Credit card, Debit card
35. (A) Supplier
(B) Whole seller
(C) Retail seller
(D) Consumer
36. (a) Conceptual Skills
(b) Cost of holding per unit for period (a year), Annual stock requirement / Annual Demand
(Consumption)
37. (a) Integrated
(b) Limited by guarantee, Sri Lanka Securities and Exchange Commission.
38. (a) Appointment letter
(b) Probationary period
39. (a) LAN

Wide Area Network (WAN)

(a) Internet Service, E.mail facilities

40. (a) Macro analysis.
(b) as well as when expanding an existing business, when amalgamating businesses, when modifying a business and when purchasing a business.
41. Right to safety
Right to be informed
Right to choose
Right to be heard
42. Internal Entrepreneurship
Global Entrepreneurship
Social Entrepreneur
Green Entrepreneurship ship
43. Industrial development board
Export development board
Sri Lanka standards institution
National development bank o Industrial technology institution
44. General Liability Insurance
Product Liability Insurance
Employer Liability Insurance
45. Agriculture and rural development.
Tele communication, Science technology and climatology.
Health and population affairs
Transport
Human resource development.
46. Entrepreneur
Disturbance handler
Resource Allocator
Negotiator
47. Computer Aided Design / CAD
Computer Aided Manufacturing / CAM
Computer Integrated Manufacturing / CIM
Computerized Numerical Control / CNC
48. The Nature of the product
The nature of the market
The nature of the demand
Distribution channels of competitors
The strengths of producers
49. Real Time Gross Settlement System (RTGS)
Image cheque clearing / Cheque Transaction System (CTS)
Script less Securities Settlement System (SSSS)
Society for Worldwide Interbank financial Telecommunication (SWIFT&)
50. Promotions
Transfers
Dismissal
Termination

Part 11

Question No 01

1. a) Needs:- Education (01 Marks)
Wants:- Commerce stream Education (01 Marks)
- b) According to the nature of the production:- Tertiary
According to the ownership/ proprietorship:- Public
According to the goals:- Non Profit Motive
According to the production sector/source of production:- Services (4×1/2 = 02 Marks)
2. Customers
- To receive quality stationary and books
 - To see if the responsibilities are fulfilled properly.
 - To ensure the existence of the business
- Debtors
- To know the ability of recovering the loans
 - To know the safety of the lendings
 - To ensure the safety of collaterals
- Supplies
- To receive continuous orders
 - To collect money back for the goods supplied
- Government
- To collect taxes/ to give tax reliefs
 - To improve the employment
 - To measure the economic development
- (Mention four stakeholders 4 × 1/2 = 02 Marks)(Mention two Reasons 4 × 1/2 = 02 Marks)
3. Business : What is the nature of business ?
Example:- Produce goods
Small Business
- Customers : Their demand patterns, communication, religious and social cultural factors etc
- Employee : Which level employee, their environment, their needs and wants etc
- Competitors : Are there competitors? what are the ethics they follow? etc
- Socio - culture : Rooted cultural values and norms of ethical groups and their sub cultures
- Organizational culture : Customs and practices, values, habits, attitudes of the business
- Practicalness : It should be considered, if ethical code of system can practically be implemented when formulating it.
(Mention four code of ethics 02 Marks, Suitable examples four 02 Marks)
4. a) Ensure the existence of business.
- Develop business goodwill / image.
 - Ensure business trust
 - Satisfy customers
 - Achieve the business objectives
- (4×1/2 = 02 Marks)

- b) Consumption of resources.
Raw materials and waste management.
Risk management
Protection of natural and cultural heritages.

(4×1/2 = 02 Marks)

5. (a)

- 1) Affect to local production
- 2) Instability of prices of goods and services and increase of inflation
- 3) Difficult to carry out business activities, if government fails to provide infrastructure facilities.
- 4) Increase of competition and possibility for trade malpractices
- 5) Complexity of market

(Give marks for suitable answers of students.)

(4×1/2 = 02 Marks)

- b) Payment of taxes
Use of indigenous resources
Following policies that the government implements
Following the rules and regulations
Contribution to the employment
Minimize damage to the environment

(4×1/2 = 02 Marks)

Question No 02

1. a) When considering, “The interest rate of commercial bank drops”, it means, since the reduction in interest, businessmen get loans easily at low interest and invest them in businesses, through which production increases and the businesses can be expanded. (02 Marks)

b) The abundance of goods and services in the market.

Since the increased competition, there is more space for malpractices in the market.

Market has become complex with the free trade.

The deterioration of society and culture that can happen with globalization.

The need for making consumers aware to avoid environmental pollution

(4×1/2 = 02 Marks)

2. (a) Yes.

Both persons have specialization in both field in relation to apparel industry. They can make garments production efficiently. They can obtain the benefits of their skills. (01 mark)

(b) The liability of the partners is unlimited.

The disagreement and disputes between the partners can adversely affect the business.

There is no continuity.

All the partners are liable to the conduct of a single partner.

(2×1/2 = 01 Marks)

(c) Basic information about the business. E.g.: Business name, Names and addresses of the partners, nature of the business, time duration of the business.

- Details about the investment of capital
- Information on sharing profits and losses.
- The objective of the partnership
- Limitations on partners’ drawings
- Information about interest on capital and drawings.
- Conditions on the dissolution of the partnership.
- Conditions on the investment of the additional capital

- The action to be taken in the event of an admission of a partner, retirement of an existing partner or the death of a partner.

(4×1/2 = 02 Marks)

3. (a)

- 1) Possibility to obtain more dividends, as business expands.
- 2) More capital can be collected.
- 3) As it can enter into share market, when the share price increases, capital gain can be obtained.
- 4) Shareholders' wealth can be minimized.
- 5) As there is the possibility to obtain debt capital, shareholders' authority can be maintained continuously.
- 6) Possibility to obtain the shares of new public company.

(4×1/2 = 02 Marks)

(b) Maintained under the provincial council, urban councils and Pradeseya sabha.

Ownership being with the respective local government authority

Necessary funds being allocated through the respective local authority or the central government

Being administrated by the local government authority.

(4×1/2 = 02 Marks)

4. (a) Ragulan can be accepted as an entrepreneur.

Because, he changes the business conducted by his father into another business which makes new production methods. He offers the products to market with new technologies. As Ragulan is interested in innovation, he can be accepted as an entrepreneur.

(02 marks)

(M)

- 1) Motivated and skilled
- 2) Effort to trial and to introduce new things to market
- 3) Behaving politely with others
- 4) Offering goods with new design and innovator
- 5) Environment friendly
- 6) Any other relevant examples

(4×1/2 = 02 marks)

5. As these businesses are labour intensive more employment opportunities are available.

Contribution in growth of the national product.

Utilizing inland resources

Minimizing the problems of urbanization as a result of the regional development.

The inequality in income distribution being minimized.

The supplement of raw materials and finished goods required for the large scale businesses.

Engaging in business affairs which are not performed by large scale businesses.

(4×1= 04 Marks)

Question No 03

1. (a)

Demand Deposit	Fixed Deposit
<ol style="list-style-type: none"> 1. Cheque book provided 2. Ability to issue cheque 3. Bank overdraft facility 4. No interest on deposit 5. Accepted by commercial banks 	<ol style="list-style-type: none"> 1. Deposit certificate provided 2. Cannot 3. Loan facility 4. Interest on account balances 5. Not only commercial banks other financial institutions also can accept.

(2×1= 02 Marks)

(19) **Currency**

Notes and coins issued on the orders of the financial authority are known as currency. Currency is identified as valid money and it has a 100% liquidity. Examples: Coins and notes

Near money

Nevertheless of having a 100% liquidity as currency these are the assets that function as a store (accumulation) of value and could be converted to cash easily. Example: Time deposits and savings deposits owned by the public in commercial banks. Treasury Bills Commercial Papers

(01 Marks)

2. (a) **Contracted savings institutions**

- 1) Insurance companies
- 2) Employee Provident Fund
- 3) Employee Trust Fund
- 4) Approved Pension and Provident Funds
- 5) State service Provident Funds

(4×1/2 = 02 Marks)

(b) **The agency activities of the Central Bank**

- 1) Management of state loans.
- 2) Foreign exchange control.
- 3) To work as the primary institution concerned with rural loan schemes for small scale finance institutions.
- 4) Management of the Employees Provident Fund.

(4×1/2 = 02 Marks)

3. (a) Purchase and sales of securities.

Putting standing orders into effect.
Payment of water bills and electricity bills.

- 1) Collection and settlements of credit tools
(Cheque and bill of exchange)

(4×1/2 = 02 Marks)

(b) **The necessity to ‘cross’ a cheque.**

- This gives on additional safety for the cheque.
- To ensure that the ‘payee’ stated on the cheque will receive its value.
- To prevent paying to the cheque at the bank counter.

(2×1 = 02 Marks)

4. (a) The risk of life insurance is certain whereas the risk of other insurances is uncertain.

- Indemnity principle is not relevant to life insurance whereas this principle is relevant to other insurances.
- Life insurance is equal to a saving but the compensation for other insurances can only be obtained when a loss is occurred
- Life insurance policy cannot be transferred whereas other insurance policies can be transferred.

(4×1/2 = 02 Marks)

(a) Full insurance

Third party fire and theft insurance
Third party insurance

(2×1 = 02 Marks)

5. (a)

Internal communication	External communication
1) Communication between various divisions in an organization	1) Communication with other organizations and persons
2) Number of frequency is high.	2) Limited number of frequencies
3) Limited distance between sender and receiver	3) High distance between sender and receiver

(2×1 = 02 Marks)

(b) Use of modern communication equipment.

Imposing rules and regulations regarding communication

Setting up communication towers.

Use of digital technology

Compilation of new rules and regulations on the misuse of communication methods,

(4×1/2 = 02 Marks)

Question No 04

1. (a) No.

Efficiency of transportation cannot be increased only by setting up roads in modern pattern. Developing roads in urban areas is not sufficient. They should be developed all over the country. Traffic congestions and time consumption and fuel consumption are high. Transportation with minimum time and minimum cost with high security is called efficient transportation.

Way is an element of transportation and other elements such as power, terminal and medium should be developed.

(Give 2 marks for the answer with above explanation)

(c) **The importance of transport for the businessman**

- 1) To obtain raw materials at the required time
- 2) To make finished goods available at the time it is required
- 3) To get the staff to attend to work on time
- 4) To maintain business connections
- 5) For the expansion of the market

(4×1/2 = 02 Marks)

2. (a) The following facts have to be considered when locating a warehouse

- 1) Layout and flow of the building
- 2) Zoning and intensity of use
- 3) Proximity to major linkages
- 4) Material Handling Capabilities
- 5) Nature of stocked materials.
- 6) Cost

(4×1/2 = 02 Marks)

(b) The warehouse is well organized.

Safety of the stocked products and employees.

Contributed effort and saves time

Save space of the warehouse

(2×1 = 02 Marks)

3. (a) **Advantages**

- Accumulating different types of goods from different manufactures or suppliers in a convenient location and making them available for consumers when necessary.
- Introducing new goods and services being convenient.
- Ability of obtaining market information easily through relevant parties.
- The process of exchange will be simple

(4×1/2 = 02 Marks)

(b) Provision of the required goods in adequate quantities when necessary.

- Make credit sales. o Introducing new products and providing instructions when necessary.
- Providing various types of goods based on customer requirements.
- Providing various facilities to the consumer (E.g. : transport facilities , electronic payment methods)

(2×1 = 02 Marks)

4. (a) A free trade zone in which few countries work together with co-operation in accordance to a treaty in connection with tariff, duties and trade is known as a trade block. (02 Marks)

- 1) European union (EU)
- 2) Association of South East Asian Nations (ASEAN)
- 3) Group of 8 (G8).

(2×1 = 02 Marks)

5. (a) Meeting of buyers and sellers through the internet.
Organizing of the trade transaction.
Conducting of buying and selling affairs.
Settling the payment relevant to the transaction.

(02 Marks)

(b) **Limitations of e-business**

- 1) Security limitation / web frauds
- 2) Difficulties for users, as software changes time to time
- 3) Software usage may not be support for all countries.
- 4) Cost for internet connection
- 5) Language difficulties in software usage

Part 11

Question No 05

1. (a) Dynamic business environment

Institution and organization

Goals and objectives

Business resources

Effectiveness

Efficiency

Productivity

Process

(4×1/4 = 01Marks)

(b) **The steps of decision making are mentioned below.**

Identifying the problem clearly.

Analyzing the problem.

Formation of alternative solutions.

Evaluating alternative solutions (Analyzing).

Selecting the best alternative.

Making a plan to implement the best alternative.

Evaluation and feedback

(6×1/2 = 03 Marks)

2. **The factors that should be included when preparing a mission statement.**

- 1) Target customers

- 2) Nature of the business
- 3) Market
- 4) Expected growth, survival
- 5) Values, beliefs and philosophies
- 6) Significance of the business (significance that distinguishes it from other businesses)
- 7) Public image
- 8) Social and environmental friendliness
- 9) Employees
- 10) Technology in use

(8×1/2 = 04 Marks)

3. (a)

- 1) Unity of Command
- 2) Chain of Command
- 3) Span of Control
- 4) Centralization or decentralization
- 5) Job Specialization
- 6) Rules and Procedures
- 7) Co-ordination
- 8) Job Hierarchy

(4×1/2 = 02 Marks)

(b) Establishment of standards

- Measure the Performance
- Recognize deviations
- Take corrective actions

(4×1/2 = 02 Marks)

4. (a) The number of units of Break Even Units=

$$\begin{aligned}
 & \frac{\text{Fixed Cost}}{\text{Contribution per}} \\
 & = \frac{15000}{150} \longrightarrow 01 \text{ Marks} \\
 & = 100 \text{ Units} \longrightarrow 01 \text{ Marks}
 \end{aligned}$$

(b) Product specification

- Quality of materials
- Price
- Speed in supply and the continues availability
- Trustworthiness of suppliers
- Lead time
- Terms of payment

(4×1/2 = 02 Marks)

5. (a) **The necessity of stock control**

- 1) To continue the production and marketing activities.
- 2) To reduce the cost of holding the excess or the insufficient stocks.
- 3) To get the maximum use of resources such as machinery, labour etc.
- 4) To face unexpected situations of demand.

(4×1/2 = 02 Marks)

(b) Expenses of preparing the order, purchase price, expenses of checking the materials and the transport expenses of materials are example for ordering cost.

- Purchase cost of inventory
- Order preparation cost

Goods testing cost

Carriage inwards cost

(4×1/2 = 02 Marks)

Question no 06

1. (a) **Methods through which the productivity can be improved**

- 1) Increasing outputs while having a fixed input.
- 2) Decreasing inputs while having a fixed output.
- 3) Increasing outputs and decreasing inputs.
- 4) Decreasing outputs at a speed less than the speed of decreasing inputs.
- 5) Increasing outputs at a speed higher than increasing inputs

(4×1/2 = 02 Marks)

(b) Favorable Characteristics of Job production

- 1) Producing on the need and want of a customer
- 2) High level consumer satisfaction can be maintained
- 3) No risk since production is done to an order

(2×1 = 02 Marks)

2. Yes

Importance of marketing should be explained.

(4 marks for 4 importance with explanation)

(04 Marks)

3. (a)

- 1) Measurable
- 2) Substantial
- 3) Accessible
- 4) Differentiable
- 5) Actionable

(4×1/2 = 02 Marks)

(b) Give marks according to the brand name given by students

(02 Marks)

4. (a) Objectives of pricing are given below.

- 1) Survival in the market
- 2) Maximizing current profit
- 3) Maximizing market share
- 4) Maximizing market skimming
- 5) Product quality leadership

(4×1/2 = 02 Marks)

(b) Convenience Goods

Shopping Goods

Specialty Goods

Unsought Goods

(4×1/2 = 02 Marks)

5. (a) Investment decisions

Financial decisions

(2×1 = 02 Marks)

Capital Budget

The planning for the investing the current fund of an organization in most effective, long term assets or long term projects by aiming to earn benefits in the future is known as capital budgeting.

Question No 07

1. Returns on investment

Risk of the investment

Liquidity

Environment factors

Uncertainty

Policies of the organization

Cost of the investment

Legal conditions

Influence on operations.

(8×1/2 = 04 Marks)

2. (a) **Advantages of external sources of funds.**

1) Ability to obtain a large amount of funds

2) Ability to expand the ownership of the business Example :- Issuing ordinary shares.

(2×1/2 = 01 Marks)

Limitations of external sources of fund

1) Cost of obtaining being high.

2) Obtaining funds not being easy

3) Need of collaterals Example : - Bank loans

4) Liability of the business being increased.

(2×1/2 = 01 Marks)

(b) Capital Gain

If an investor sells the shares higher than their buying price, he receives a capital gain through that. (01 Marks)

For example if a person, who has bought a share at Re.10 sells it for Rs.20 he has obtained a profit of Rs.10 per share. The most attractive benefit that investors, transact in the share market, receive is this capital gain. (01 Marks)

3. (a) Termination of service

Warning verbally and in written form

Extending the probationary period

Transferring to another department

(4×1/2 = 02 Marks)

(b) Apprenticeship training

On the job training

Job rotation

Role play

Training and development programs

Simulation

Sensitivity Training

(4×1/2 = 02 Marks)

4. Listening about the grievance carefully.

Collecting the accurate information of the grievance and the related employee.

Discussing the relevant matters with the employee.

Listening to the employee carefully

Accepting the matters said by employee if they are true.

Build trust in the employee.

(04 Marks)

5. (a) Performing employee duties properly

- Working eagerly towards the development of the business
- Not revealing business secrets to outsiders
- Protecting the goodwill of the business and developing it.

(4×1/2 = 02 Marks)

(b) Block for promotion
Dissatisfaction in job

Low level employee performance, No salary and other payments
Facing disciplinary actions sometimes.

(4×1/2 = 02 Marks)

Question no 08

1.

Data

- Data is an input
- Data cannot be used directly to make decision
- Data are of no value until they are in the form of data.
- Raw material
(Give marks for the answer with above comparison based explanation)

Information

Information is an output
Information can be used directly to make decisions.
A value contains in information

Finished goods

(04 Marks)

2. (a) Decision Support Systems (DSS)

(01Marks)

Example:-

Structured decisions – Calculating of the EOQ according to the formula.
Semi-Structured decisions – Investment evaluating decisions.

(2×1/2 = 01 Marks)

(b) Computing Technology
Communication Technology
Information Management Technology

(2 marks for three points, 1 mark for two points, ½ mark for one point)

3. (a) E-mail facilities

- Watching of web pages
- Internet chatting
- Telephone facilities
- Transaction of files
- facilities to watch e-conferences, televisions and to listen to radio and e-news.
- Facilities for e-magazines, e-library
- E-channeling service

(4×1/2 = 02 Marks)

(b) News group

A facility provided for receiving information and exchanging views among the groups with same desire. When the membership is obtain in a news group preferred by oneself, new trends, knowledge and information of that field will be received automatically through the Internet.

(01 Marks)

Tele Computing

Facilitating the use of another computer connecting to the internet and using a computer located one place is known as tele computing. Through this one can use the computer in his office by accessing through the home computer.

(01 Marks)

4. (a) Focus
Customers
Target/goal
Financial resources (4×1/2 = 02 Marks)
- (b) Existing competition.
Competitors and their strengths.
Entrepreneur's strengths and weaknesses to face the competition.
Barriers to access the market such as cost, time, technology, patent rights (2×1 = 02 Marks)
5. (a) Ability to have a comprehension about the future operations beforehand
Ability to improve the quality of the product.
Ability to minimize the possible wastages and delay in the process of manufacturing.
Ability to determine the cost of the production unit beforehand. (2×1 = 02 Marks)
- (b) Total cost of fixed assets.
Preliminary operational expenses
Total working capital (2×1 = 02 Marks)