



DEPARTMENT OF
EDUCATION

LOWER SECONDARY
SCHOOL CERTIFICATE
EXAMINATIONS

BUSINESS STUDIES

Wednesday

05 October 2011

Time allowed:

3 hours

Candidates are advised to fully
utilise the allocated time

BS

INSTRUCTIONS TO CANDIDATES:

(To be read out by the external invigilator before the start of the examination)

There are 50 questions in this paper. Attempt ALL questions even if you are not so sure of some of the answers.

The Examination is divided into three parts:

PART A: Multiple-Choice (Questions 1 to 25)

PART B: Short-Answer (Questions 26 to 45)

PART C: Extended Response (Question 46)

The Answer Sheet is part of the Examination Booklet. Take out the middle pages and remove the Answer Sheet by tearing along the perforation. You may use the blank sheet for rough work.

For each question in **PART A (Questions 1 to 25)** choose the best answer by writing the letter A or B or C or D in the space provided on the **ANSWER SHEET**.

For each question in **PART B (Questions 26 to 45)** work out the answer and write the answer in the space provided on the **ANSWER SHEET**.

For the question in **PART C (Question 46-50)** write your answer in a short paragraph in the space provided on the **ANSWER SHEET**.

If you find a question very difficult, do not spend too much time thinking about it. Leave the question out and go on with the rest of the paper. If you have time in the end, return to the difficult questions and think about them more carefully.

Write your answers in **BLUE** or **BLACK** (pen or biro).

If you decide to change an answer, make your correction as shown below so that it is clearer to the markers what your final answer is. Do **NOT** use correction fluid on your answer sheet.



Hand in **BOTH** the Answer Sheet and the papers used for rough work at the end of the examination.

Extra time will NOT be allowed to complete the examination under any circumstances.

Penalty for cheating or assisting to cheat in national examinations is non-certification.

**DO NOT TURN OVER THIS PAGE AND DO NOT
WRITE UNTIL YOU ARE TOLD TO START.**

PART A: MULTIPLE CHOICE (QUESTIONS 1-25)

Choose the **best** answer by writing A or B or C or D in the space provided on your Answer Sheet.

QUESTION 1

Which of these laws would protect a consumer when buying faulty goods?

- | | |
|-------------------------|----------------------|
| A. Labour Laws | B. The Goods Act |
| C. Licensing Regulation | D. The Companies Act |

QUESTION 2

The Central Bank of Papua New Guinea is also called

- | | |
|------------------------|-------------------------------|
| A. PNG Micro Bank. | B. Bank of Papua New Guinea. |
| C. Bank South Pacific. | D. National Development Bank. |

QUESTION 3

The reward for _____ is profit.

- | | |
|------------|---------------------|
| A. land | B. labour |
| C. capital | D. entrepreneurship |

QUESTION 4

Mary has just built a house in Rabaul. She is planning to insure her property against any risk. What is the **payment** she will have to make to take out insurance cover?

- | | |
|-----------------|------------|
| A. Claim | B. Price |
| C. Compensation | D. Premium |

QUESTION 5

Which of the following financial institution does **not** accept deposits and withdrawals from the general public?

- A. Bank South Pacific
- B. Bank of Papua New Guinea
- C. Finance Corporation Limited
- D. Teachers Savings and Loan Society

QUESTION 6

The people of Kefamo produce a lot of kaukau. They want knives and axes. This means that they must produce

- A. more axes and knives.
- B. surplus kaukau.
- C. another good to exchange or sell.
- D. steel to make axes and knives.

QUESTION 7

A statement showing the future expenditure of an income is called a

- A. budget.
- B. proposal.
- B. cash flow.
- D. business plan.

QUESTION 8

Which of the following would be the **most** cheapest and simplest method of going into business?

- A. Starting own business
- B. Buying an existing business
- C. Entering into a franchise agreement
- D. Taking over a family business

QUESTION 9

John bought a tin of fish at a local supermarket in town. He discovered that there were worms in the can of fish. Which of the following organisation should the matter be reported to?

- A. Transparency International
- B. Internal Revenue Commission
- C. Investment Promotion Authority
- D. Independent Consumer & Competition Commission

QUESTION 10

Which **column** of the cashbook will show the amount of money used to purchase goods?

- A. Details
- B. Receipts
- C. Payments
- D. Balance

QUESTION 11

The **most** important thing a person should consider when going into business is/are

- A. market demand.
- B. terms of loan of a company.
- C. wages for labour.
- D. friendliness of the wantoks.

QUESTION 12

A class teacher requests permission from the head teacher of the school to release a student to attend a funeral service. This is an example of _____ communication.

- A. top/down
- B. bottom up
- C. horizontal
- D. diagonal

QUESTION 13

Joe goes to ANZ bank for loan assistance to set up his new PMV business. Which of the following is a requirement by the bank to assess Joe's request for a loan?

- A. Budget
- B. Cash flow statement
- C. Business plan
- D. Business schedule

QUESTION 14

RD Tuna Limited is a firm located in Madang and produces tinned fish, while JD Hayes Limited is a construction company in Port Moresby.

Which sector of production would these businesses be classified under?

- A. Primary
- B. Direct
- C. Tertiary
- D. Secondary

QUESTION 15

If the price of the product is high, the demand will be _____ and the quantity supplied will _____.

- A. high, decrease
- B. high, increase
- C. low, remain the same
- D. low, increase

QUESTION 16

Stationary expenses are classified as _____ costs.

- A. direct
- B. overhead
- C. fixed
- D. material

QUESTION 17

A franchisor is a

- A. franchise license holder.
- B. business that pays a franchise fee.
- C. firm operating under the mother company's name.
- D. business controlling some operations of another business.

QUESTION 18

Kekeni is a shareholder in a large public company in Papua New Guinea. What is the **income** she will get for investing in this company?

- A. Royalty
 B. Dividend
 C. Profit
 D. Interest

QUESTION 19

Which of the following shows the **correct** order of events in a business transaction?

- (i) Cheque (ii) Receipt (iii) Order form (iv) Invoice
- A. (i), (iii), (ii), (iv)
 B. (ii), (iv), (iii), (i)
 C. (iii), (iv), (i), (ii)
 D. (iv), (ii), (i), (iii)

QUESTION 20

Market research helps a person to establish a

- A. market force.
 B. market plan.
 C. viable market type.
 D. detailed research plan.

QUESTION 21

What is the **correct** formula for calculating mark up?

- A. $\frac{\text{running cost of business}}{\text{total cost of goods}} \times 100$
 B. $\frac{\text{total interest}}{\text{total cost of goods}} \times 100$
 C. $\frac{\text{running cost of business}}{\text{total interest}} \times 100$
 D. $\frac{\text{total cost of goods}}{\text{running cost of business}} \times 100$

QUESTION 22

Which of the following is **not** an economic characteristic to consider before selecting a particular area for setting up a business?

- A. Loan repayments
 B. Local rates and taxes
 C. Development plans for the area
 D. Location of competitors

QUESTION 23

Profit is calculated as _____ less _____.

- A. capital, assets
 B. revenue, expenses
 C. creditors, debtors
 D. assets, revenue

QUESTION 24

Which of the following is **NOT** a requirement in preparing a bank reconciliation statement?

- A. Balance as per bank statement B. Balance as per own bank record
C. Total of deposits not yet credited D. Total of deposits already credited

QUESTION 25

Which of these is **NOT** an advantage of starting a new business of an existing type?

- A. The owner decides what product or service to produce or sell.
B. The owner prefers the layout of the business premises.
C. The owner takes time to create a good image for the business.
D. The owner decides the pricing policy with less consultation.

PART B: SHORT ANSWER QUESTIONS (QUESTIONS 26 – 45)

Write your answer(s) for each question in the space provided on the Answer Sheet.

QUESTION 26

What is the name given to a person who organises and directs all other factors of production?

Refer to the information below to answer Questions 27 and 28.

Total receipts	K7, 500
Total purchases	K1, 320
Other expenses	K120
Stock at start	K150
Stock at end	K850

QUESTION 27

Calculate the **cost of goods sold**.

QUESTION 28

Calculate the **net profit**.

QUESTION 29

Who is responsible to insure cargo carried by ship?

Refer to the information provided below to answer Questions 30 to 32.

CASH BOOK OF JOE TAU FOR THE MONTH OF AUGUST 2010

Date	Details	Receipts (K)	Expenses (K)	Balance
1/08/10	Opening balance			1 200
2/08/10	Purchases		750	
3/08/10	Sales	850		
15/08/10	Purchases		600	
18/08/10	Purchases		400	
22/08/10	Sales	700		
26/08/10	Sales	500		
29/08/10	Purchases		600	

QUESTION 30

What is the **total** expenditure for the month of August?

QUESTION 31

Calculate the **balance** as at 22nd August, 2010.

QUESTION 32

Find the balance at the end of the month.

QUESTION 33

A businessman keeps a bank account. It shows the balance of K245.00 at the end of the month. He collects a statement from the bank and it shows debits for bank fees and cheque book. The amounts are K5 and K6.50 respectively. He did not record these transactions in his bank account previously.

What will be the **new balance** after he records these items?

Refer to the word list below to answer Questions 34 to 37.

WORD LIST

distribution,	break even	specification,	durable,	portable,	loss leader,
segmentation,	marketing mix,	discount,			

QUESTION 34

The practice of dividing a market into smaller sections according to specific characteristics is known as _____.

QUESTION 35

The _____ is made up of 4 Ps. They are product, price, promotion and place.

QUESTION 36

When price is reduced to attract customers or to sell goods quickly, it is known as _____ price.

QUESTION 37

Goods that can last for a long time are known to be _____.

QUESTION 38

Advertising is part of marketing. Name **one** type of advertising.

Refer to the cash flow plan below to answer Questions 39 and 40.

	January	February	March	April	May
Cash receipts (K)	2000	2500	3000	4000	4500
Cash payments (K)	1910	1970	2510	2800	3400

QUESTION 39

How is the business performing in terms of its sales?

QUESTION 40

When did the business make a **maximum** profit?

Refer to the article below to answer Questions 41 and 42.

The National Government signed a US\$10 billion (K38 billion) Liquefied Natural Gas (LNG) project agreement with a consortium that includes one of the world's largest companies Exxon Mobil, placing PNG on the global commercial scene.

The project will underpin the PNG economy for the next 40-50 years as it has the potential to earn more than K30 billion for the government and the landowners over 30 year period, once the LNG export begins.

The National Newspaper, 23 May 2008

QUESTION 41

According to the article, Papua New Guinea will experience a/an _____ in employment.

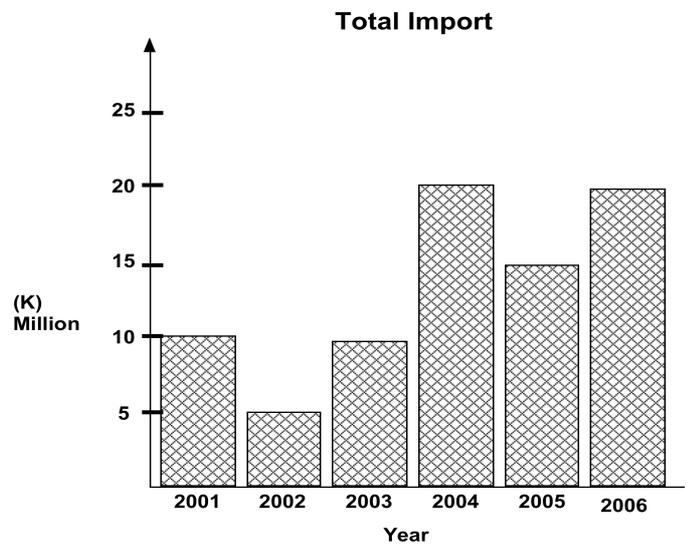
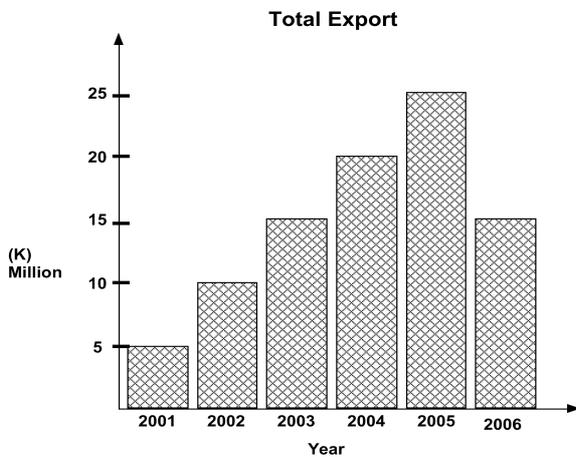
QUESTION 42

What will happen to the level of production of goods and services?

QUESTION 43

What is **balance of trade**?

Refer to the graphs below to answer Questions 44 and 45.



QUESTION 44

Calculate the **balance of payments** for the year 2005.

QUESTION 45

Was the balance of payments for 2005 a deficit or a surplus?

PART C: EXTENDED RESPONSE (QUESTION 46)

Write your answer(s) in the space provided on the Answer Sheet.

Read the passage below and answer Question 46, (i, ii, iii, iv and v).

Case Study: PIPS

Simon and John left school at sixteen without jobs. After six months of being unemployed and with little chance of finding suitable employment, they decided to have a go at setting up their own business. They had learnt a bit about printing at school and with the help of an interest-free loan from Simon's dad, they managed to buy a second hand printing press, together with letters and plates. They called their business 'Personalised Ink Printing Services', or PIPS, for short.

At first they did quite well with orders from friends and relatives. Before Christmas, they had great difficulty keeping up with all the orders – they even had to turn some customers away because they would be unable to complete orders intended as Christmas presents.

Despite being very busy, Simon and John discovered that they had made very little money from their work before Christmas. Simon's dad suggested that they had not charged enough for their work and that they needed a bigger 'mark up' in order to increase their profits. So, Simon and John increased their prices. Things went from bad to worse, though. Now they had trouble getting orders. They were told that it is cheaper to get work done by Express Printers, a large organisation in the city. Simon and John knew that Express Printers handles huge number of orders and has the most up-to-date printing equipment, but they were still puzzled by their low prices. Express Printers needs to rent a large building for their work and to pay a large number of workers. Then, a friend of John's dad who works at Express Printers told them that the company he works for buys its papers at almost half the price in which Simon and John can afford.

- (i) Where did Simon and John learn the skills to set up this business?
- (ii) How did the boys obtain capital to establish this business?
- (iii) What is the name of the business set up by the boys?
- (iv) Why did Simon and John refuse to accept orders from customers prior to Christmas?
- (v) Name the competitor of Simon and John's business.

END OF EXAMINATION