EXAMINATIONS COUNCIL OF ESWATINI

CONFIDENTIAL
SPECIMEN PAPER 2019

JUNIOR CERTIFICATE EXAMINATION

BUSINESS STUDIES PAPER 2

MARKING SCHEME

MAXIMUM MARK 100

QUESTION 1

(a) (i) Explain two aims of the events management business.

- **More Profit [1]** – products are sold at prices above cost so that the owners get a reward for investing in the business. [1]
- **Added value [1]** – difference between selling price and price of bought materials. [1]
- **Growth or expansion [1]** – to own larger businesses that have a potential of making high profits. [1]
- **Surviving [1]** – the events business must continue to exist for a long time and fight competition. [1]
- **Providing customer service [1]** – should be able to meet the expectations of its clients and satisfy them. [1]

2K, 2 An **[4 marks]**

(ii) Explain three reasons for Musa wanting his business to grow.

- **Increased market share [1]** – sell to more people [1]
- **More profit [1]** – to be able to decrease average costs and get higher rewards[1]
- **To meet demand [1]** – to increase its turnover by selling what consumers [1]
- **Specialisation [1]** – large businesses are able to concentrate on what they can produce best [1]
- **Employment [1]** – large businesses are able to hire a lot of people [1]

3 K, 3 An **[6 marks]**

(b) (i) Define the meaning of the term 'choice'.

This is when businesses and individuals decide what to have **[1]** and what not to have as they cannot have everything they want. [1] **[2 marks]**

(ii) Illustrate the concept of opportunity cost in the events management business by giving an example.

- Example: the business can decide to take a wedding project instead of a birthday party project because they do not have the resources to handle both. **2 App** **[2 marks]**

(ii) Outline three differences between a command economy and the mixed

economy to Musa.

Command Economy	Mixed Economy
• All productive resources owned by government	resources owned by both the the govt and individuals
• Full government intervention	freedom of enterprise
• Price control	price mechanism
• No freedom of choice	freedom of choice
• Only one sector of the economy	two economic sectors

3 App, 3Ev **[6 marks]**

[Total: 20 marks]

QUESTION 2

(a) (i) **Explain two disadvantages of barter trade to Musa.**

- **Double coincidence of wants [1]** – one must have what the next person wants and want what the other person has [1]
- **Dividing bulky items [1]** – it is difficult to break down large items [1]
- **Wastage [1]** – lack of proper storage can lead to items being spoilt [1]
- **Deciding value [1]** – difficult to tell how much of an item must be exchanged for another item [1]
- **Lack of mobility [1]** – difficult to transport some products [1]
- **Time consuming [1]** – a lot of time is spent trying to figure out the rate of exchange [1]
- **Limited markets [1]** – finding the perfect match could be difficult [1]

2 K, 2 An Any two points [4 marks]

(ii) **Explain three functions of money to Musa.**

- **Medium of exchange [1]** – helps the transfer of the services [1]
- **Unit of account [1]** – allows the events firm to place prices on the services[1]
- **Store of value [1]** – it must not lose its value over time [1]
- **Standard for deferred payments [1]** – the clients should be able to use the events management services and pay later. [1]

3 K, 3 An Any three points [6 marks]

(b) (i) **Distinguish between Central Bank of Eswatini and Perfect National Bank (PNB).**

Central Bank	Perfect National Bank
• Independent public body	Owned by private individuals
• Provides essential services	Profit oriented
• Prints notes and coins	Distributes notes and coins
• Only one Central Bank	Several commercial banks
• Keeps foreign currency	Circulates foreign currency
• Sets interest rates	Implements the interest rate
• Provides cheque clearing	Issues cheques to clients
• Manages the national debt	Manages clients accounts
• Advisor to the government	Advisor to clients

2 App, 2 Ev Any two differences [4 marks]

(ii) Explain the following means of payment that could be used by Musa's clients.

- **Credit Card** – a plastic card that allows clients to make payments for their events using credit [1] given by the credit card company[1], without going to the bank or carrying large sums of money.[1]

- **Money Gram** - an efficient system that allows a fast and reliable means of sending money abroad especially overseas countries.[2] The credentials of both the sender and receiver are captured[1] and the receiver must have a reference number to withdraw the cash.[1]

- **Cheque** – instruction to the bank [1] to pay a specified amount of money to a specified person.[1]

3 App, 3 An [6 marks]

[Total: 20 marks]

<u>QUESTION 3</u>

(a) (i) Explain the following barriers to effective communication to Musa.

- **Perceptual Barriers** – people of different walks of life [1] perceive issues differently [1]
- **Physiological Barriers** – any form of discomfort that may interfere [1] with the way in which a message is received and understood. [1]

2An, 2 App **[4 marks]**

(ii) Suggest three ways that could be used by the Exquisite Events Management to overcome communication barriers.

- **Face to face communication [1]** – communicate one on one **[**1]
- **Beware of communication barriers [1]** – understand different kinds of barriers that might exist [1]
- **Be sensitive to individuals' differences [1]** – appreciate that people in the organisation are not the same [1]
- **Avoid projecting your background or culture onto others [1]** – do not impose your beliefs on other people [1]
- **Use simple language [1]** – avoid ambiguous language that might confuse other people [1]
- **Repeat message to avoid any misunderstandings [1]** – say the message again [1]
- **Avoid subjective and emotional language [1]** – avoid tones and language that is offensive to others [1]
- **Establish relations of trust [1]** – build links that are based on trust and honesty [1]
- **Be flexible and open to suggestions [1]** – accommodate other people's views and **suggestions [1]**
- **Avoid being defensive**
- **Be a good listener**
- **Give full attention to what is being said**

3 k, 2 An **Any three points** **[6 marks]**

(b) (i) Identify the communication tool or explained system in the table

below:

Explanation	Tool/System
1. A message sent from one internet enabled gadget to another, for example a computer.	**e-mail [1]**
2. Machine used for sending and receiving documents.	**Fax [1]**
3. It allows people in different places to hold face to face discussions as if they are in the same room.	**Video-conferencing [1]**
4. It transmits voice messages through cables.	**Telephone [1]**

[4 marks]

(ii) Explain three advantages of the internet enjoyed by Musa's business.

- **Fast to use [1]** – messages can be sent rapidly through it [1]
- **Cost effective [1]** – it is cheaper to use it than using old methods [1]
- **Could be used to advertise [1]** – it reaches a wide range of customers [1]
- **It is available 24 hrs [1]** – the internet does not close shop, it is always available [1]
- **Wide range of information [1]** – allows users to access a lot of information[1]
- **Allows users to store information [1]** – important information can be stored in cloud files. [1]

3 K, 3 An **Any three points** **[6 marks]**

[Total: 20 marks]

QUESTION 4

(a) (i) Explain what is meant by the phrase demand schedule.

- It shows the relationship between the number of units of a product that buyers are willing to buy at various prices over a given period of time.
  2 K **[2 marks]**

(ii) Explain the law of demand and supply to Musa.

- **Law of demand** - with all other things remaining unchanged, the higher the price the lower the quantity demanded [1] and the lower the price, the higher the quantity demanded. [1]
- **Law of supply** – the higher the price, the higher the quantity supplied [1] and the lower the price the lower the quantity supplied. [1]

2 K, 2 An (both explanations should be given for 2 marks each)
[4 marks]

(iii) Explain the difference between a movement along and a shift of a demand curve.

- A movement along a demand curve is as a result of a change in the price of the good, not other factors.[1] Quantity demanded drops or rises from one point to another without the curve shifting to the right or left. [1] The movement occurs in one curve. [1] **Whereas,**
- A shift of a demand curve is as a result of changes in the determinants of demand [1] and not as a result of a change in price. [1] The whole curve shifts either to the right or left. [1] A shit affects more than one curve. [1]
  2 App, 2 Ev **[4 marks]**

(b) Would you recommend that Musa pays his workers using the piece rate system? Use information from Appendix 1 to support your answer.

Advantages of the Piece Rate	**Disadvantages**
• Workers efficiency is increased	Poor quality products.
• It is easy to calculate the wage.	Workers pressured.
• Needs less supervision.	Difficult to make budgets.
• Time is saved.	Difficult to calculate.
• High output.	Needs quality control supervisors.

Or compare with Time Rate

Advantages of the Time Rate	**Disadvantages**
• Easy to calculate.	Sometimes not motivating.
• Quality maintained.	Lack of initiative in workers.
• Promotes peace in the work place.	High labour costs.
• Easy access to salary information.	Ignores efficiency.
• Guaranteed salary.	

Marks allocation

3 positive analysis – explained points (2 points) [2 marks + 1 mark]

3 negative analysis - explained points (2 points) [2 marks + 1 mark]

2 Application

2 Evaluation (1 mark if point not explained)

Allow 1 mark for each analysis point stated but no marks for evaluation and application.

[10 marks]

[Total: 20 marks]

QUESTION 5

(a) (i) Explain to two differences between debt and equity capital to Musa.

- **Debt capital** is money owed by the events business to individuals and financial institutions. [1] It was used to start or expand the business and must be paid back with interest. [1] **Whereas,**

- **Equity capital** is money invested in the business by the sole trader. **[1]** It is not owed to anyone thus does not need to be paid back [1] and it bears no interest. [1]

  2 App, 2 Ev **[4 marks]**

(ii) Explain the two main documents that the Exquisite Events Management Needs to submit to the Registrar of companies when applying to register the change to a private limited company.

- **Articles of Association [1]** – document that contains rules and regulations that govern the company within its internal management structure.[1] It contains amongst other things the rights and duties of the directors, criteria for electing directors, rights of shareholders.[1]

- **Memorandum of Association [1]** – contains rules and regulations that govern the company within its external management structure. **[1]** It contains amongst other things, the name of the company, objectives of the company, amount of authorised share capital, location of registered office.[1]

  2 K, 2 App, 2 An **[6 marks]**

(b) Do you agree that changing to a private limited company could bring ore benefits to the business? Justify your answer.

Advantages of a private ltd company	**Disadvantages**
• Separate legal entity	shares sold privately
• Limited liability	shares not freely transferable
• More capital raised	increased operational costs
• Continuity	many legal formalities
• Founders retain control	takes time to diversify

Or compare with sole traders

Advantages of a sole trader	**Disadvantages**
• Close to customers	unable to specialise
• Personal service	limited capital
• Grants credit to customers	no continuity
• Easy to start	unlimited liability
• Enjoys all profits	no time off
• Easy to start	no separate legal entity
• Quick decision making	

Marks allocation

3 positive analysis – explained points (2 points) [2 marks + 1 mark]

3 negative analysis - explained points (2 points) [2 marks + 1 mark]

2 Application

2 Evaluation (1 mark if point not explained)

Allow 1 mark for each analysis point stated but no marks for evaluation and application.

[10 marks]

[Total: 20 marks]