



OLD

Department of Examinations - Sri Lanka
G.C.E. (A/L) Examination - 2020

32- Business Studies Old Syllabus

Marking Scheme



This document has been prepared for the use of Marking Examiners. Some changes would be made according to the views presented at the Chief Examiners' meeting.

Amendments to be included

G.C.E. [A/L] Examination - 2020

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	=	<u>20</u>
			<u>100</u>

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
Total Marks 05 X 20	=	100 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 \triangle and write the final marks of each question as a rational number in a \square with the question number. Use the column assigned for Examiners to write down marks.

Example: Question No. 03

(i)	✓	$\triangle \frac{4}{5}$
		
		
(ii)	✓	$\triangle \frac{3}{5}$
		
		
(iii)	✓	$\triangle \frac{3}{5}$
		
		

03	(i)	$\frac{4}{5}$	+	(ii)	$\frac{3}{5}$	+	(iii)	$\frac{3}{5}$	=	$\square \frac{10}{15}$
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MCQ answer scripts: (Template)

1. Marking templates 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 'v' 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 essay 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 write the relevant details. For the subject 51 Art, marks for Papers 01, 02 and 03 should be entered numerically in the mark sheets.

සියලු ම හිමිකම් ඇවිරිණි / முழுப் பதிப்புரிமையுடையது / All Rights Reserved

පැරණි නිර්දේශ/பழைய பாடத்திட்டம்/Old Syllabus

OLD

இலங்கைப் பரீட்சைத் துறை/இலங்கைப் பரீட்சைத் துறை

Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2020

கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2020

General Certificate of Education (Adv. Level) Examination, 2020

ව්‍යාපාර අධ්‍යයනය I
வணிகக் கல்வி I
Business Studies I

32 E I

දෙය දෙකයි
இரண்டு மணித்தியாலம்
Two hours

Instructions:

- * Answer all the questions on this question paper itself.
- * Write your Index Number clearly in the space provided above.
- * Select the correct answers for questions No. 1-30 and write its number on the dotted line given.
- * Write short answers for questions No. 31-50 on the dotted line given.
- * Each question carries two marks.

Index No. :

For Examiner's Use Only

For paper I		Signature	Code No.
Q. Nos.	Marks	1st Examiner	
01 - 30		2nd Examiner	
31 - 50		Addl. Chief	
		Chief	
TOTAL		E.M.F.	

1. A business is
 - (1) a group of people motivated by profit.
 - (2) any economic activity based on services.
 - (3) an organized effort of individuals for selling goods.
 - (4) an organized effort of individuals for producing goods.
 - (5) any economic activity which fulfills individual needs and wants. (.....)
2. As per the classification of Gross Domestic Product of Sri Lanka, an economic activity which belongs to the industrial sector is
 - (1) recycling.
 - (2) legal advocacy.
 - (3) insurance.
 - (4) sale of vegetable seeds.
 - (5) forestry. (.....)
3. What is the direct action that can be taken by an enterprise to generate a fair earning for the owners?
 - (1) managing waste
 - (2) fulfilling social welfare
 - (3) assuring job security of employees
 - (4) investing money in productive ventures
 - (5) setting a fair price for goods and services (.....)
4. The growth of financial ability of a business and creating a new market for its products, for the business are respectively
 - (1) a strength and an opportunity.
 - (2) a Strength and a threat.
 - (3) an opportunity and a weakness.
 - (4) an opportunity and a threat.
 - (5) an opportunity and strength. (.....)
5. What is the most prevalent business establishment type in Sri Lanka?
 - (1) partnerships
 - (2) co-operatives
 - (3) public limited companies
 - (4) sole proprietorships
 - (5) franchise businesses (.....)

6. Following are some of the forces which influence an organization.

- A - Organizational culture B - Suppliers C - Customers
D - Competitors E - Managers F - Employees
G - Natural resources H - Organization structure

From the above, select the group that contains forces of the internal environment of the organization?

- (1) A, B, D, F (2) A, E, F, H (3) C, D, F, G (4) C, E, F, G (5) D, F, G, H (.....)

7. A business contributes to ensure economic sustainability through

- (1) creating infrastructure facilities.
(2) importing goods.
(3) creating employment.
(4) maintaining an equitable distribution of income.
(5) maintaining the internal price stability. (.....)

8. What is the immediate effect to the turnover and profit of a business when the production is reduced while the price of common goods is increased ?

	Turnover	Profit
(1)	Decrease	Increase
(2)	Increase	Decrease
(3)	No change	No change
(4)	Decrease	Decrease
(5)	Increase	Increase

(.....)

9. The following table provides monetary policy instruments used by the Central Bank of Sri Lanka and descriptions related to them.

Instruments	Descriptions
(i) Standing deposit facility rate	A - Buying and selling of government securities by the Central Bank on permanent or temporary basis.
(ii) Open market operations	B - An interest rate imposed by the Central Bank in granting advances for achieving temporary liquidity purposes in commercial banks.
(iii) Statutory reserve rate	C - The interest rate charged by the Central Bank when commercial banks obtain funds by pledging government securities.
(iv) Standing lending facility rate	D - The amount of deposit that commercial banks are required to maintain at the Central Bank from their deposits.
(v) Bank interest rate	E - The interest rate paid by the Central Bank when commercial banks invest their surplus funds in government securities.

What is the option that correctly matches the given order of instruments with the descriptions stated above?

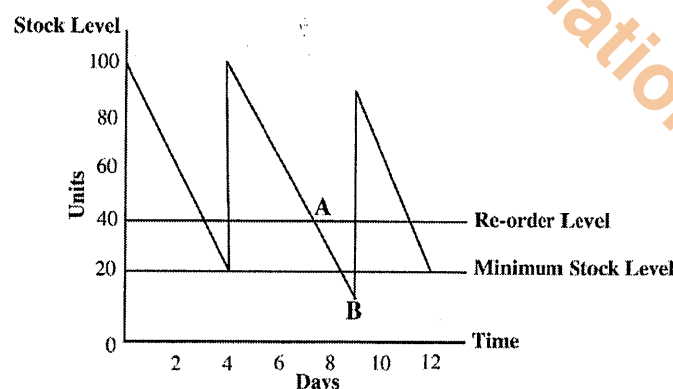
- (1) A, C, D, E, B (2) C, D, A, B, E (3) C, D, A, E, B
(4) E, A, D, B, C (5) E, A, D, C, B (.....)

10. From a franchise business, the franchisee,

- (1) earns a constant profit.
(2) is able to get management training.
(3) gets full autonomy.
(4) has no risk about investment.
(5) does not need to incur a huge cost. (.....)

11. An individual benefit create through entrepreneurship is
 (1) increasing living standards of the public.
 (2) generating income opportunities.
 (3) generating employment opportunities.
 (4) getting better results through higher commitments.
 (5) producing opportunities to consume new goods and services. (.....)
12. An entrepreneur uses a budget for
 (1) minimizing the financial requirements.
 (2) providing financial information to employees.
 (3) monitoring operations of the business.
 (4) monitoring financial performance of the business.
 (5) identifying the output level at the break-even point. (.....)
13. **Statement A:** Public Service Provident Fund is applicable for all permanent employees in the government sector.
Statement B : Employees Provident Fund is applicable for all private sector employees.
 Out of the above two statements,
 (1) A is correct and B is incorrect.
 (2) A is incorrect and B is correct.
 (3) Both A and B are incorrect.
 (4) While both A and B are correct, A is elaborated through B.
 (5) While both A and B are correct, A is not elaborated through B. (.....)
14. When a retailer is selling his goods via online, first he should
 (1) maintain more inventories. (2) build trust among customers.
 (3) establish a permanent customer base. (4) create sound customer attraction.
 (5) be prepared to market in any country. (.....)
15. The agent who buys or sells goods under his personal name on behalf of the principal is called
 (1) factor. (2) broker.
 (3) commission agent. (4) del credere agent.
 (5) auctioneer. (.....)
16. Following are some of the tools that can be used for marketing promotion mix.
 A - Web sites B - Sales meetings C - Exhibitions
 D - Catalogues E - Telephone calls F - Samples
 G - Social media H - Incentive programmes
 From the above, what is the group that contains tools that can be used only for direct marketing?
 (1) A, D, E, F (2) A, D, E, G (3) B, C, F, G (4) C, D, E, G (5) C, F, G, H (.....)
17. Select the option which correctly states the two sub-roles according to the order of the two management tasks of hospital management given below.
 A - Make hospital employees aware of preventive measures of diseases
 B - Ensure sufficient treatment facilities and procure protective medical equipment
 (1) Leader and Liaison officer
 (2) Disseminator and Disturbance handler
 (3) Entrepreneur and Liaison officer
 (4) Liaison officer and Disseminator
 (5) Disturbance handler and Monitor (.....)

18. A business facilitates its employees to work from home via online mode in a crisis situation. This statement illustrates more on
 (1) importance of planning
 (2) adaptation to dynamic environment
 (3) avoid organizational weaknesses.
 (4) coordination of managerial functions
 (5) need of technological knowledge. (.....)
19. Planning is more important to an organization for
 (1) becoming flexible.
 (2) focus on future targets.
 (3) creating competitions among departments.
 (4) minimising risk.
 (5) increasing employee enthusiasm. (.....)
20. Select the option that correctly states the leadership styles as per the order of the two decisions given below.
A : Employees are given full freedom and control to carry out their tasks.
B : Obtain employee participation through decentralization of authority.
 (1) Autocratic and Democratic
 (2) Democratic and Laissez-Faire
 (3) Democratic and Autocratic
 (4) Autocratic and Laissez-Faire
 (5) Laissez-Faire and Democratic (.....)
21. Select the answer which contains only the functions of operations management.
 (1) production engineering, inventory control, production control, and production planning
 (2) material purchasing, setting standards, measuring performance, and production control
 (3) production engineering, production planning, material purchasing and production control
 (4) production engineering, internal audit, inventory control, and production control
 (5) setting standards, measuring performance, identifying variance, and research and development (.....)
22. Points A and B of the following diagram show



- (1) a decrease of consumer demand and an increase of cycle time.
 (2) an increase of consumer demand and a decrease of cycle time.
 (3) an increase of consumer demand and lead time.
 (4) an increase of re-order quantity and lead time.
 (5) a decrease of minimum stock level and an increase of cycle time. (.....)

23. A technique that can be used in quality control is,
 (1) statistical process control. (2) stock level control.
 (3) operating cost control (4) business environment control
 (5) raw material cost control. (.....)
24. 'Market positioning' for a product or service means,
 (1) increasing sales in the market.
 (2) increasing the market share.
 (3) establishing in the market in the long-run.
 (4) increasing the monopolistic power of the businessman.
 (5) building-up a favourable attitude in consumer's mind. (.....)
25. In the last year, the current ratio and quick ratio of a company were 3:1 and 2:1 respectively. While current ratio remains unchanged in the current year, the quick ratio is 1:1. This indicates comparably,
 (1) an increase of company's liquidity. (2) an increase of closing stock value.
 (3) a decrease of closing stock value. (4) a decrease of company's liquidity.
 (5) an increase of company's total liabilities. (.....)
26. Following are several types of financial markets.
 A - Inter bank call money market B - Corporate bond market
 C - Commercial paper market D - Foreign exchange market
 E - Share market F - Treasury bond market
 From the above, what is the group which belongs only to the capital market?
 (1) A, B, F (2) B, D, F (3) B, E, F (4) C, D, F (5) C, E, F (.....)
27. The following table shows types of selection methods of applicants and some measures relating to them.
- | Methods | Measures |
|----------------------------|--|
| (i) Application assessment | A - Ability to control emotions |
| (ii) IQ tests | B - Ability to accomplish the task of the relevant job |
| (iii) Practical tests | C - Suitability of candidates' qualifications |
| (iv) Personality tests | D - Ability of logical thinking |
- What is the option that correctly matches the measures as per the order of methods given above?
 (1) B, A, C, D (2) B, C, D, A (3) C, D, A, B (4) C, D, B, A (5) D, C, A, B (.....)
28. The immediate result of providing financial benefits on employee performance is
 (1) increasing employee motivation. (2) increasing employee productivity.
 (3) increasing employee attraction. (4) minimizing employee absenteeism.
 (5) improving employer-employee consensus. (.....)
29. A criterion that can be used to assess the success of human resource management functions is employee
 (1) training. (2) mobility. (3) absenteeism.
 (4) induction. (5) benefits. (.....)
30. Several steps used in the management process are given below.
 A - Co-ordination B - Tasks identification
 C - Problem identification D - Delegation of work
 E - Departmentalization F - Employee training
 G - Resource analysis H - Inter-departmental communication
 Out of the above, steps related only to organizing include,
 (1) A, B, D, E (2) A, D, E, G (3) B, E, F, H (4) D, E, G, F (5) D, E, F, H (.....)

- Answer questions from 31 to 40, by filling in the blanks with **suitable word / words**.
31. (a) Core objectives of the Central Bank of Sri Lanka are to maintain the economic and stability and system stability.
- (b) Collective of partners is unlimited and therefore, making process in such businesses requires a longer time than sole proprietorship.
32. (a) Near money is an that can be converted into cash easily and it also functions as an accumulation of
- (b) The of bank money is comparatively lower than currency, and a deposit is an example for bank money.
33. (a) The main function of the Co-operative Rural Bank is to collect from people residing in rural areas and to provide strong institutional support for rural
- (b) The two categories of institutions that are eligible to be authorised as primary dealers are commercial banks and primary dealer companies.
34. (a) Electronic banking system facilitates customers to access their and perform financial
- (b) The institution established to provide government information to the public in Sri Lanka is and its telephone number is
35. (a) A document issued by an authorized institution of the exporting country confirming the suitability of consumption of export-agro products is certificate and a document issued by a shipping line to the exporter indicating that the goods have been accepted for shipping is
- (b) To boost revenue and to local industries, the Government imposes on imports.
36. (a) Division of labour creates and thereby employee will increase.
- (b) The printing of advertisements is an example for production method and tailoring garments for an individual is an example of production method.
37. (a) ISO standard is relevant to environmental management and ISO 9001 is relevant to management.
- (b) All physical components of an information system is and computer programs used for data processing is

38. (a) The that a consumer receives from consumption of goods and services is the of it.
- (b) A collective effort of all employees in an organization to provide a better service for is known as marketing.
39. (a) While a fixed rate of is payable for debentures, a varied rate of is payable for ordinary shares.
- (b) While employee enhances current job performance, employee focuses on the future performance of the organisation.
40. (a) When ascertaining the production cost, salary of finance manager is categorized as cost, and salaries of production employees are categorized as cost.
- (b) The organizational depicts the inter-relationships between various divisions and positions within an organization and they can be summarized through organizational
- For questions from 41 to 50, write the **specific answers** in the space provided.
41. State **four** ways that businesses fulfill human wants.
- (1)
- (2)
- (3)
- (4)
42. List **four** points as to how adherence to business ethics would be important for a business.
- (1)
- (2)
- (3)
- (4)
43. State **four** main objectives that a business expects to accomplish.
- (1)
- (2)
- (3)
- (4)
44. Write **four** limitations of private limited companies.
- (1)
- (2)
- (3)
- (4)

45. Write **four** ways how foreign companies contribute for economic development in Sri Lanka.

- (1)
 (2)
 (3)
 (4)

46. Write **four** advantages that a business firm can obtain by using 'containers' in foreign trade.

- (1)
 (2)
 (3)
 (4)

47. Complete the following table with respect to financing sources used by public limited companies.

Internal source	External source
1.	1.
2.	2.





48. Write **four** ways of using the internet for business activities.

- (1)
 (2)
 (3)
 (4)

49. Write **four** points that should be considered when preparing a business plan.

- (1)
 (2)
 (3)
 (4)

50. Write the meaning of each of the following symbols given below, related to online purchasing process.

- (1) 
- (2) 
- (3) 
- (4) 

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පැරණි නිර්දේශය පහත පාලන ක්‍රියාමාර්ගය / Old Syllabus

OLD Department of Examinations, Sri Lanka

අධ්‍යයන පොදු සහතික පත්‍ර (පසස් පෙළ) විභාග, 2020

கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2020

General Certificate of Education (Adv. Level) Examination, 2020

ව්‍යාපාර අධ්‍යයනය II
வணிகக் கல்வி II
Business Studies II

32 E II

පැය තුනයි
மூன்று மணித்தியாலம்
Three hours

අමතර කියවීමේ කාලය - මිනිත්තු 10 යි
மேலதிக வாசிப்பு நேரம் - 10 நிமிடங்கள்
Additional Reading Time - 10 minutes

Use additional reading time to go through the question paper, select the questions you will answer and decide which of them you will prioritise.

Instructions:

* Answer five questions selecting at least two questions from each part.

Part I

1. After completing a professional course, Asha commenced a beauty salon named 'Amasha' and appointed Amara as its manager. Asha invested Rs. 500 000 obtained through a loan and Rs. 200 000 from her savings in this business. She bought a building worth of Rs. 600 000 and the balance was spent to import modern equipment for the business to deliver a high quality service. She and her trained staff are ready to provide service at any time by either visiting customers' homes or at the beauty salon, considering the convenience of the customers.
 - (i) Classify this business according to the following criteria:
 - (a) Ownership :
 - (b) Objective :
 - (c) Scale :
 - (d) Production sector : (04 marks)
 - (ii) (a) Briefly describe whether Asha's business fulfills a need or a want of a person. (02 marks)
 - (b) Name and describe **two** tactics except the price that Asha has adopted to increase the demand of the customers. (02 marks)
 - (iii) (a) List **two** strengths and **two** weaknesses of this business. (02 marks)
 - (b) Describe **two** ways the industry to which Asha's business belongs to contributes for the economic development. (02 marks)
 - (iv) (a) Mention **four** limitations that can be seen in these types of businesses. (02 marks)
 - (b) Write **four** resources, with examples in addition to entrepreneurship, employed by Asha's business. (02 marks)
 - (v) Explain **four** ways that Asha can further improve entrepreneurial characteristics and skills. (04 marks)
- (Total 20 marks)

2. (i) (a) Name **four** institutions established in Sri Lanka to which you can make complains regarding trade malpractices. (02 marks)
 (b) Briefly describe **two** trade malpractices committed by traders. (02 marks)
- (ii) (a) Describe what is meant by a 'formal organization'. (02 marks)
 (b) Mention **four** characteristics of public limited companies. (02 marks)
- (iii) (a) Define 'franchise businesses'. (02 marks)
 (b) Describe how a listed public company differs from an unlisted public company. (02 marks)
- (iv) Keerthi runs an exporting company by purchasing fish from local suppliers. Due to the COVID-19 pandemic, the export price of fish declined from U.S. \$ 16 to \$ 06 per kg. Therefore, Keerthi decided to close down the business but employees and residents in the area were agitated over this decision.
 (a) What is meant by 'social responsibility' of this business? (01 marks)
 (b) Name **three** parties who are interested in the above business and state **one** reason for each party to show interest in it. (03 marks)
- (v) Explain **four** reasons with examples why a business is concerned towards its interested parties. (04 marks)
 (Total 20 marks)
3. (i) (a) State **four** duties discharged by partners of a partnership. (02 marks)
 (b) State **four** instances where partnerships can be dissolved with examples. (02 marks)
- (ii) (a) Write **four** advantages that a businessman can obtain from leasing companies. (02 marks)
 (b) State **four** agency activities of the Central Bank of Sri Lanka. (02 marks)
- (iii) (a) Describe **two** differences between licensed commercial banks and licensed financial companies. (02 marks)
 (b) Describe the **two** main settlement systems of 'Lanka Settle' system. (02 marks)
- (iv) (a) Describe the importance of air transportation for the economy giving **two** reasons. (02 marks)
 (b) Describe **two** current trends in the road transport sector in Sri Lanka with **two** examples. (02 marks)
- (v) Describe the ways that small business contributes to economic development of a country, giving **four** facts. (04 marks)
 (Total 20 marks)
4. (i) (a) What is meant by a 'Letter of Credit' ? (02 marks)
 (b) State **two** advantages and **two** disadvantages for a business when transacting by credit cards. (02 marks)
- (ii) (a) Name the parties that should contribute to the Employee Provident Fund (EPF) and mention what are their minimum percentages of contribution they should make. (02 marks)
 (b) State **four** ways of identifying **non-insurable** risks. (02 marks)
- (iii) (a) State **four** points that should be considered when writing a cheque. (02 marks)
 (b) Briefly explain to, the importance of restricted endorsement giving **two** reasons. (02 marks)

- (iv) (a) What is meant by 'general liability insurance'? (01 marks)
 (b) Explain the importance of communication for business affairs giving **three** reasons. (03 marks)
 (v) Explain why 'barcodes' are important for a business using **four** reasons. (04 marks)
 (Total 20 marks)

Part II

5. (i) (a) Describe what is 'an organization'. (02 marks)
 (b) Explain the relationship between 'effectiveness' and 'efficiency'. (02 marks)
 (ii) (a) Write **two** advantages and **two** disadvantages of decentralizing an organization. (02 marks)
 (b) State **four** reasons on the importance of control process. (02 marks)
 (iii) (a) What is 'value added' of a product? (02 marks)
 (b) Briefly describe 'product layout' with an example. (02 marks)
 (iv) (a) Name **two** sources of receiving power to a manager. (01 marks)
 (b) Explain why conceptual skills are more important for top managers giving **two** reasons. (03 marks)
 (v) The actual and forecasted information of Saravanas Shoe Manufacturing Company are given in the table below.

Description	2020 (Actual)	2021 (Forecasted)
Pair of shoes (units)	500	1 000
Fixed costs	Rs. 212 000	increased by 50%
Variable cost (per pair)	Rs. 200	Rs. 200
Selling price (per pair)	Rs. 730	Rs. 730

Calculate the following for the year 2021.

- (a) Total production cost
 (b) Production cost of a pair of shoes
 (c) Break-even point in quantity
 (d) Difference of break-even quantity compared to 2020 (04 marks)
 (Total 20 marks)
6. (i) (a) State **four** issues that a business may face when using new technology. (02 marks)
 (b) Explain how shopping goods differ from speciality goods with an example. (02 marks)
 (ii) A merchant sets the prices of his goods 20% less than the competitors' price.
 (a) What is the prime objective of the above pricing method? (01 marks)
 (b) Briefly explain the effect to gross profit of the merchant when using such a pricing method. (03 marks)
 (iii) (a) State **four** benefits that can be claimed to a business through trade promotion. (02 marks)
 (b) 'Channel of distribution will vary based on the nature of consumer goods.' Explain this statement giving **two** examples. (02 marks)
 (iv) (a) List **four** objectives of financial management. (02 marks)
 (b) Describe **two** advantages that shareholders can obtain through effective financial management. (02 marks)
 (v) Explain **four** benefits that a businessman can gain through market segmentation. (04 marks)
 (Total 20 marks)

7. (i) Using the given information, calculate each of the following ratios.

	Rs.
Net profit (before tax)	60 000
Preferred dividend	15 000
Preference shares	200 000
Ordinary shares	300 000
Sales	100 000
Income tax payable	10 000
Loan interest	5 000

- (a) Net profit ratio.
- (b) Return on equity ratio.
- (c) Debt equity ratio.
- (d) Interest coverage ratio. (04 marks)
- (ii) (a) What is 'capitalization of reserves'? (02 marks)
- (b) State **four** advantages of investing in government securities for an investor. (02 marks)
- (iii) (a) Mention the importance of share price indices to investor giving **four** reasons. (02 marks)
- (b) Describe **two** advantages that a business can obtain through recruiting employees on a temporary basis. (02 marks)
- (iv) (a) List **four** possible ways in which employee mobility can be done after performance evaluation. (02 marks)
- (b) Differentiate between employee absenteeism and employee turnover. (02 marks)
- (v) Explain **four** factors that can influence human resource demand of a firm. (04 marks)
- (Total 20 marks)
8. (i) (a) List **two** advantages and **two** disadvantages of internet banking service for a businessman. (02 marks)
- (b) Identify 'computer security threats' and name **two** such threats. (02 marks)
- (ii) (a) Mention **four** functions expected to be accomplished through an effective information system. (02 marks)
- (b) Describe for which purpose do employees use knowledge level information system. (02 marks)
- (iii) (a) Describe the importance of a finance plan for a business using **two** facts. (02 marks)
- (b) Briefly describe **four** reasons as to how an estimated cash flow is important for an entrepreneur. (02 marks)
- (iv) (a) Write **two** ways of increasing the working capital of a business. (01 marks)
- (b) State **two** reasons for delisting a listed company from Colombo Stock Exchange and explain them. (03 marks)
- (v) A person intends to invest a part of his money in either stock market or make a fixed deposit in a commercial bank. Explain **two** advantages and **two** disadvantages of each alternative investment method. (04 marks)
- (Total 20 marks)

* * *

ශ්‍රී ලංකා විභාග දෙපාර්තමේන්තුව
இலங்கைப் பரீட்சைத் திணைக்களம்
අ.පො.ස. (උ.පෙළ) විභාගය/ ක.පො.த. (உயர் தர)ப் பரீட்சை - 2020
පැරණි නිර්දේශය/பழைய பாடத்திட்டம்

විෂය අංකය
பாட இலக்கம்

32

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

❖ විශේෂ උපදෙස්/ விசேட அறிவுறுத்தல் :

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

මුළු ලකුණු/மொத்தப் புள்ளிகள் 2 × 30 = 60

31. (a) Price , Financial
(b) Responsibility , Decision
32. (a) Asset , Value
(b) Liquidity , Demand / Current account
33. (a) Deposits , Economy
(b) Licensed , Registered
34. (a) Accounts , Transactions
(b) Government/ State Information Centre , 1919
35. (a) Sanitary / health , bill of lading (BL)
(b) Protect, Duties
36. (a) Specialization , Productivity
(b) Batch , Job
37. (a) 14001 , quality
(b) Hardware , Software
38. (a) Satisfaction , Value
(b) Customer , Internal
39. (a) Interest , dividend
(b) Training , Development
40. (a) Indirect / Overhead , Direct / Primary
(b) Structure , Chart
41. 1. by production of goods and services
2. by exchanging goods and services
3. by storing goods / warehousing
4. by transportation / distribution

42. 1. Enhance Customer trust and loyalty
2. To face competition successfully.
3. Confirmation of trust through eliminating financial irregularities and misconduct
4. Good human management due to non-discrimination of employee
5. Create a positive working environment
6. Enhance people / customer satisfaction
7. Goodwill enhancement / enhance company reputation
8. Avoid / minimize legal problems
9. Enhance investor attraction
43. 1. Survival in the market
2. Profit maximization
3. Sales maximization
4. Increasing market share
5. Increasing consumer satisfaction
6. Maximizing the market value of shares
7. Personal satisfaction of businessmen
8. Social and community welfare
9. Employee welfare
44. 1. Shareholders cannot sell or transfer their shares without offering them first to existing shareholders.
2. Shareholders cannot offer their shares to the general public over a stock exchange.
3. The number of shareholders cannot exceed 50
4. Difficulty in accessing external financial support compared to public companies
5. Majority of the companies are family owned

-
45. 1. Increase employment
2. Provide finance
3. provide technology
4. Increasing export
5. Improve capital flow
6. Creation of competitive market
7. Development of backward areas / Undeveloped areas
8. Exchange rate stability
46. 1. high cargo security
2. low cost
3. speed transportation
4. easy transshipment
5. can use as a warehouse
6. Reduce spoilage / losses / wastages
7. Easy to handle
47. **Internal sources**
1. Retained profits
2. Provision of depreciation
3. Selling of extra assets
4. Control of working capital
- External sources**
1. Share issues
2. debenture issues
3. Bank loans

-
4. Bank overdraft
 5. by mortgaging
 6. Hire purchasing
 7. Commercial papers
 8. Trade loans
 9. Leasing
-
48.
 1. For e- commerce affairs
 2. Ability to advertise goods and services
 3. Ability to obtain necessary information of one's competitors
 4. Minimize communication cost
 5. For expanding one's market all over the world / globally
 6. For obtaining information easily and faster
 7. For conducting business affairs using social websites.
-
49.
 1. Focus
 2. Customers
 3. Goals
 4. Required financial resources
-
50.
 1. Shopping cart / Online shop / Add to cart/ Selection
 2. Accept orders / Ordering / Payment
 3. Order processing / Packing
 4. Delivering / Shipping

1. After completing a professional course, Asha commenced a beauty salon named 'Amasha' and appointed Amara as its manager. Asha invested Rs. 500 000 obtained through a loan and Rs. 200 000 from her savings in this business. She bought a building worth of Rs. 600 000 and the balance was spent to import modern equipment for the business to deliver a high quality service. She and her trained staff are ready to provide service at any time by either visiting customers' homes or at the beauty salon, considering the convenience of the customers.

(i) Classify this business according to the following criteria:

- (a) Ownership :
 (b) Objective :
 (c) Scale :
 (d) Production sector : (04 marks)

- (a) Ownership - Private
 (b) Objective - Profit
 (c) Scale - Small and medium / Small
 (d) Production sector - Service

(1 X 4 = 4)

- (ii) (a) Briefly describe whether Asha's business fulfills a need or a want of a person. (02 marks)

A want (01 Mark)

not essential for existence (01 Mark)

- (b) Name and describe **two** tactics except the price that Asha has adopted to increase the demand of the customers. (02 marks)

- High quality - modern equipment
 Convenience - Visiting customer's homes
 - Providing services at any time

Factors (1/2 X 2 = 1)

Description (1/2 X 2 = 1)

- (iii) (a) List **two** strengths and **two** weaknesses of this business. (02 marks)

Strengths

- Asha completing a professional course
- Trained staff
- Using modern equipment

(1/2 X 2 = 1 marks)

Weaknesses

- Increased debt capital
- Lack of working capital

(1/2 X 2 = 1 marks)

- (b) Describe **two** ways the industry to which Asha's business belongs to contributes for the economic development. (02 marks)

- Contribution to employment creation
- Contribution to Gross National Product
- Fulfilling complex wants
- Increase tax income

(1/2 X 2 = 1 marks)

- (iv) (a) Mention **four** limitations that can be seen in these types of businesses. (02 marks)

1. The unlimited liability of the owner
2. Problems / difficulties will increase when additional capital is required
3. Possibility of the decisions made by the owner himself being unsuccessful
4. Not a legal entity

5. No continuity
6. Management being inconvenient with the expansion of the business
7. Bearing losses alone

(1/2 X 4 = 2 marks)

- (b) Write **four** resources, with examples in addition to entrepreneurship, employed by Asha's business. (02 marks)

- | | | |
|-------------|---|--|
| Land | - | location of the building |
| Labour | - | employees |
| Capital | - | building, beauty salon equipment money |
| Knowledge | - | employee skill |
| | - | management knowledge |
| Time | - | employee working hours |
| | - | working hours of equipments |
| | - | time taken to make decisions |
| Information | - | information on consumer taste / styles |
| | - | new technological information |
| | - | market information |

Naming resource (1 Mark)

Example (1Mark)

- (v) Explain **four** ways that Asha can further improve entrepreneurial characteristics and skills. (04 marks)
(Total 20 marks)

1) Self evaluation

Identify one's own entrepreneurial skills and identify skills needed to be developed further

2) Training

Participating in various training programs to develop entrepreneurial competencies

3) Education

Education on entrepreneurship

4) Profiting from experiences

The experience gained through working at other enterprises or one's own enterprise

Naming (1/2 X 4 = 2Marks)

Explanation (1/2 X 4 = 2Marks)

2. (i) (a) Name **four** institutions established in Sri Lanka to which you can make complains regarding trade malpractices. (02 marks)

- 1) Consumer Affairs Authority
- 2) Sri Lanka Standards Institution
- 3) Measurement Units, Standards and Services Department
- 4) Central Environmental Authority
- 5) Office of the divisional medical officer of health
- 6) District secretariat office

(1/2 X 4 = 2Marks)

- (b) Briefly describe **two** trade malpractices committed by traders. (02 marks)

- 1) Change prices
- 2) Sale of expired goods
- 3) Altering the expiry date
- 4) Hiding stocks
- 5) Mixing up with low/ poor quality goods/ products

- 6) False advertizing
- 7) Cheating in measuring / weighing
- 8) Cheating on balance money
- 9) Misleading customers (Not fulfilling promises)

(1/2 X 4 = 2Marks)

- (ii) (a) Describe what is meant by a 'formal organization'.

(02 marks)

A Social unit which comprises of a group of individuals in order to achieve a common goal and possesses an organizational structure is described as a formal organization.

(A complete answer including underlined terms) (2 Marks)

- (b) Mention **four** characteristics of public limited companies.

(02 marks)

- 1) The minimum number of shareholders is one and the maximum is unlimited
- 2) The minimum number of directors being two
- 3) The ability of issuing shares or securities in public
- 4) Insolvency test is required prior to distribution of dividends to shareholders.
- 5) Limited liability of shareholders
- 6) Legal entity
- 7) Continuity
- 8) Accounting and auditing are compulsory

Naming (1/2 X 4 = 2Marks)

- (iii) (a) Define 'franchise businesses'.

(02 marks)

A Particular business firm involved in providing a good or service assign the authority of selling that good or service to another business organization in a particular trade zone is known as a franchise.

Complete answer (2Marks)

(b) Describe how a listed public company differs from an unlisted public company. (02 marks)

- 1) A listed public company is registered in a stock exchange whereas an unlisted public company is not registered in a stock exchange.
- 2) Listed public companies can exchange stocks/ shares in the stock market whereas an unlisted public company cannot do so.
- 3) A listed public company's name should follow the term 'PLC' whereas an unlisted public company cannot use such term after its name.

(2Marks)

(iv) Keerthi runs an exporting company by purchasing fish from local suppliers. Due to the COVID-19 pandemic, the export price of fish declined from U.S. \$ 16 to \$ 06 per kg. Therefore, Keerthi decided to close down the business but employees and residents in the area were agitated over this decision.

(a) What is meant by 'social responsibility' of this business? (01 marks)

Social responsibility is to perform business activities to all stakeholders in an unbiased / fair manner.

(1Mark)

(b) Name **three** parties who are interested in the above business and state **one** reason for each party to show interest in it. (03 marks)

- 1) Owner
 - Reasonable return on invested capital
 - To find about the growth of the business
 - To know the market share
- 2) Employees
 - Job security
 - To obtain a higher salary
 - To obtain a bonus
 - To get promotions

- 3) Customers - To receive goods continuously
- To see if the responsibilities are fulfilled properly
- To ensure the existence of the business
- 4) Suppliers - To receive continuous orders
- To collect money back for the goods supplied
- 5) Community - To know about the environment protection
- To obtain job opportunities

Naming the points (1/2 X 3 = 1 1/2 Marks)

For reasons (1/2 X 3 = 1 1/2 Marks)

- (v) Explain **four** reasons with examples why a business is concerned towards its interested parties. (04 marks)
(Total 20 marks)

Parties

Reasons for the importance to business

1. Owners -

- To increase the investment
- To ensure the existence of the business

2. Employees -

- To improve the employees efficiency
- To retain the employees
- To get the employee attraction

3. Debtors-

- To obtain the fund continuously
- To obtain the funds at low cost

4. Government -

- To get tax reliefs
- To get infrastructure facilities
- To obtain technological knowledge

5. Customers-

- To protect the market of the relevant goods and services
- To build up consumer loyalty

(Parties $\frac{1}{2}$ X 4 =2 Marks)

(Reasons $\frac{1}{2}$ X 4 = 2 Marks)

3. (i) (a) State **four** duties discharged by partners of a partnership.

(02 marks)

1. Participating business activities actively
2. Cannot obtain personal benefits (Profits)
3. Contribute to losses
4. Not participate in competitive businesses

($\frac{1}{2}$ X 4 =2 Marks)

(b) State **four** instances where partnerships can be dissolved with examples. (02 marks)

1. End of partnership
2. The death of a partner
3. Partnership business become illegal
4. By court order

5. A partner becomes bankrupt
6. Incurring continuous losses

(½ X 4 = 2 Marks)

(ii) (a) Write **four** advantages that a businessman can obtain from leasing companies. (02 marks)

- 1) The ability to use high valued assets without paying the full value up front
- 2) Lease rent paid being free of income tax
- 3) Overcome losses and capital losses resulting from obsolescence of assets / machinery
- 4) Ability of earning higher returns without making large investments
- 5) Being able to pay leasing installments while earning an income

(1/2 X 4 = 2Marks)

(b) State **four** agency activities of the Central Bank of Sri Lanka.

(02 marks)

- 1) Management of state loans
- 2) Foreign exchange control
- 3) Act as the primary institution concerned with rural loan schemes for small scale financial institutions
- 4) Management of the Employees Providend Fund

(1/2 X 4 = 2Marks)

(iii) (a) Describe **two** differences between licensed commercial banks and licensed financial companies. (02 marks)

Licensed commercial banks

- 1) Maintain current accounts
- 2) Involve in foreign exchange transactions
- 3) Relatively a large initial capital is required
- 4) Provide agency services
- 5) State and private sector participation

- 6) Act No 30 of 1988 is applicable
- 7) Creating money
- 8) Can obtain bank overdrafts
- 9) Can issue bank drafts, letter of credit and travellers cheques etc.

(1/2 X 2 = 2)

Licensed financial companies

- 1) Do not maintain current accounts
- 2) Do not involve in foreign exchange transactions
- 3) A large initial capital is not required
- 4) Do not provide agency services
- 5) Only private sector participation
- 6) No.42 of 2011 Finance Business Act is applicable
- 7) No involvement in money creation
- 8) Cannot obtain bank overdrafts
- 9) Cannot issue bank draft, letter of credit etc.

(1/2 X 2 = 2)

(b) Describe the **two** main settlement systems of 'Lanka Settle' system.

(02 mark)

- 1) RTGS -Real Time Gross Settlement System

This is a computer system that has been set up using modern technology and standardized for the settlement of high value transfers among banks within Sri Lanka without any time delays.

(1Mark)

- 2) SSDS-Scriptless Securities Depository System

A system used to effect paper - less transactions in buying and selling securities instead of the printed security certificates. This is also known as Lanka Secure.

(1Mark)

(iv) (a) Describe the importance of air transportation for the economy giving **two** reasons. (02 marks)

- 1) For the growth of local and international tourism
- 2) Attract foreign investors and inflow of capital
- 3) Price stability and prevent scarcity through transportation
- 4) Facilitate speedy transportation
- 5) Increase tax income
- 6) Minimize wastage and spoilage
- 7) Creation of new job opportunities

(1/2 X 2 = 2)

(b) Describe **two** current trends in the road transport sector in Sri Lanka with **two** examples. (02 marks)

- 1) Construction of express ways throughout the country

Example : Southern Highway, Central highway

- 2) Construction of flyovers

Example : Paliyagoda Flyover, Nugegoda Flyover, Dehiwala Flyover

- 3) The use of tunnels

Example : Borella

- 4) Repair by-roads throughout the country

- 5) Intercity bus services

- 6) Development of bus stands with proper facilities

Example : Makumbura

(1X 2 = 2Marks)

- (v) Describe the ways that small business contributes to economic development of a country, giving **four** facts. (04 marks)
(Total 20 marks)

- 1) As these businesses are labour intensive more employment opportunities are available
- 2) Contribute to the growth of the national products
- 3) Utilizing local resources
- 4) Minimizing the problems of urbanization as a result of regional development
- 5) Minimizing inequality of income distribution
- 6) The supply of raw materials and finished goods required for large scale business
- 7) Engaging in business affairs which are not performed by large scale business

(4 X 1 = 4Marks)

4. (i) (a) What is meant by a 'Letter of Credit' ? (02 marks)

A letter of credit is a confirmation issued by the importer's bank to the exporter's bank on the request of importer as the assurance that they will pay the cost of goods supplied by the exporter on behalf of the importer.

(2Marks)

- (b) State **two** advantages and **two** disadvantages for a business when transacting by credit cards. (02 marks)

Advantages

- 1) Certainty of the receipt of money for credit sales
- 2) Increase in profit because of a higher turnover
- 3) Receiving free publicity

(1/2 X 2 = 1Marks)

Disadvantages

- 1) Commission is payable to the bank
- 2) Special machine has to be installed

(1/2 X 2 = 1Marks)

- (ii) (a) Name the parties that should contribute to the Employee Provident Fund (EPF) and mention what are their minimum percentages of contribution they should make.

(02 marks)

Employee -8% (Salary)

Employer -12% (Salary)

- (b) State **four** ways of identifying **non-insurable** risks.

(02 marks)

- 1) Risks cannot be forecasted
- 2) Risks cannot be calculated in monetary terms
- 3) Risks do not happen in a random way
- 4) Loss incurred is connected to any other insured loss
- 5) Risks occur due to natural reasons
(Ex: depreciation, wear and tear, expiry)
- 6) Risks caused by a change in design
- 7) Losses due to wrong management decisions

(1/2 X 4 = 2Marks)

- (iii) (a) State **four** points that should be considered when writing a cheque.

(02 marks)

- 1) Use of unerasable ink
- 2) Relevant details should be mentioned on the counterfoil
- 3) Errors made in writing the cheque must be struck off with a single line with the drawer's signature
- 4) Cheque should be written in only one language
- 5) The drawer's signature must be made as per the specimen given to the bank when opening the account
- 6) Pay attention to the date of the cheque and to the steps taken for its safety.
- 7) Drawer's signature must not be placed on blank cheques
- 8) Being concerned about the current account balance

(1/2 X 4 = 2Marks)

- (b) Briefly explain to, the importance of restricted endorsement giving **two** reasons. (02 marks)

- 1) Provides direction to the payer when depositing or transferring the cheque
- 2) Limits the transfer of the cheque

(1 X 2 = 2Marks)

- (iv) (a) What is meant by 'general liability insurance'? (01 marks)

A general liability insurance is an insurance coverage obtained by a relevant businessman or owners of property for the loss that may unexpectedly occur from property or from business activities

(1Marks)

- (b) Explain the importance of communication for business affairs giving **three** reasons. (03 marks)

- 1) To exchange ideas between parties in business
- 2) To maintain employer / employee relationship
- 3) To manage human and physical resources well
- 4) For marketing / promotional activities

(1 X 3 = 3Marks)

- (v) Explain why 'barcodes' are important for a business using **four** reasons. (04 marks)
(Total 20 marks)

- 1) Counting of stocks is easier
- 2) Enhance employee trust
- 3) Minimize frauds and misconduct
- 4) Minimize human errors
- 5) Does not require employee training
- 6) Being able to obtain required information

(1 X 4 = 4Marks)

5. (i) (a) Describe what is 'an organization'.

(02 marks)

A Social unit made up with a group of individuals joining together having a common goal is an organization.

Examples : School, temple, church, shop

(2Marks)

- (b) Explain the relationship between 'effectiveness' and 'efficiency'.

(02 marks)

Effectiveness explains how far the organization is achieving its expected objectives correctly, in other words, selecting the right thing or "Doing the right thing" is effectiveness. Efficiency is obtaining a maximum output using given resources without wastage in achieving goals and objectives. "Doing the things right" is efficiency.

		How to do	
		In the correct way	In the incorrect way
What has been done	The correct thing	Effective Efficient	Effective Inefficient
	The incorrect thing	Ineffective Efficient	Ineffective Ineffective

(2Marks)

- (ii) (a) Write **two** advantages and **two** disadvantages of decentralizing an organization. (02 marks)

Advantages

- 1) The duty of top management being reduced
- 2) Ability to make quality decisions
- 3) Ability to implement decisions easily
- 4) Subordinates being developed

- 5) Employees motivation being increased
- 6) Employees satisfaction being increased

(2 X ½ = 1Mark)

Disadvantages

- 1) Decision making being late
- 2) High cost
- 3) No uniformity in decisions made
- 4) Difficulties in coordination (Communication)

(2 X ½ = 1Marks)

(b) State **four** reasons on the importance of control process.

(02 marks)

- 1) Ability to protect the quality of the product
- 2) Ability to minimize the cost
- 3) Ability to minimize errors or make it zero
- 4) Ability to match in accordance with environment changes
- 5) Ability to observe the progress of the organization and to correct faults
- 6) Ability to ascertain that the performance of the institute is carried out in an expected level

(4 X ½ = 2Marks)

(iii) (a) What is 'value added' of a product?

(02 marks)

The value of the product increases by adding a value to the inputs at each stage in the conversion process is referred to as added value.

(2Marks)

(b) Briefly describe 'product layout' with an example.

(02 marks)

Preparing the layout to flow the total productivities process from one workstation to another in way is known as a product layout

Example : Planning the layout of a firm producing motor vehicles

Complete answer (2Marks)

(iv) (a) Name **two** sources of receiving power to a manager.

(01 marks)

- 1) Legitimate power received on the post (Authority power)
- 2) Expert power
- 3) Reward power
- 4) Coercive power
- 5) Referent power

(1/2 X 2 = 1Mark)

(b) Explain why conceptual skills are more important for top managers giving **two** reasons.

(03 marks)

- 1) To enhance a holistic view of the organization
- 2) To understand and solve problems
- 3) Promote visionary thinking
- 4) To take long term strategic decisions
- 5) Can analyze new ideas emerging from complex situations

(2 X 1 ½ = 3Marks)

- (v) The actual and forecasted information of Saravanas Shoe Manufacturing Company are given in the table below.

Description	2020 (Actual)	2021 (Forecasted)
Pair of shoes (units)	500	1 000
Fixed costs	Rs. 212 000	increased by 50%
Variable cost (per pair)	Rs. 200	Rs. 200
Selling price (per pair)	Rs. 730	Rs. 730

Calculate the following for the year 2021.

- (a) Total production cost
 (b) Production cost of a pair of shoes
 (c) Break-even point in quantity
 (d) Difference of break-even quantity compared to 2020

(04 marks)
 (Total 20 marks)

(a)

$$\begin{aligned}
 \text{Total production cost} &= \text{Fixed cost} + \text{Variable cost} \\
 &= 318000 + 200000 \\
 &= \text{Rs.518000}
 \end{aligned}$$

(1Mark)

(b) Production cost
 of a
 Pair of shoes

$$\begin{aligned}
 &= \frac{\text{Total cost}}{\text{Total unit}} \\
 &= \frac{518000}{1000} \\
 &= \text{Rs.518}
 \end{aligned}$$

(1Mark)

(c) Break - even point

$$\begin{aligned}
 &= \frac{\text{Fixed cost}}{\text{Contribution per unit}} \\
 &= \frac{318000}{530} \\
 &= \text{Unit 600}
 \end{aligned}$$

(1Mark)

Contribution per unit

$$\begin{aligned}
 &= \text{Selling price per unit} - \text{Variable cost} \\
 &= 730 - 200 \\
 &= 530
 \end{aligned}$$

(d) Differences of break - even quantity to 2020

$$\begin{aligned}
 &= \frac{FC}{C} \\
 &= \frac{212000}{530} \\
 \text{Unit} &= 400 \\
 \text{Difference} &= 600 - 400 = \text{Unit } 200
 \end{aligned}$$

(Allocate marks only for the answers) (1Mark)

6. (i) (a) State **four** issues that a business may face when using new technology. (02 marks)

- 1) Rapid change of technology
- 2) A large investment being required
- 3) Problems arising from environment pollution
- 4) Interruption for the whole production process due to sudden technological failure and defects
- 5) Lack of trained labors

(4 X ½ = 2Marks)

(b) Explain how shopping goods differ from speciality goods with an example. (02 marks)

If a special attempt is made to purchase a product, it is a speciality good. Goods which are bought after comparing the price and the quality of products are known as shopping goods.

- High demand in shopping goods
- Comparatively price is less and high sale capacity
- More selling places available in the shopping goods

Example : Electric appliances, clothing, footwear, furniture

(2Marks)

(ii) A merchant sets the prices of his goods 20% less than the competitors' price.

(a) What is the prime objective of the above pricing method? (01 marks)

Profit growth through maximizing market share

(1Mark)

- (b) Briefly explain the effect to gross profit of the merchant when using such a pricing method. (03 marks)

- 1) Decrease cost of sales
- 2) Increase sales income
- 3) Increase gross profit

(3Marks)

- (iii) (a) State **four** benefits that can be claimed to a business through trade promotion. (02 marks)

- 1) To introduce new products to consumers
- 2) To increase the sale of existing products
- 3) To inform the target customers by communicating various information about the products
- 4) To face the competition with other competitive products
- 5) The success of other variables of the marketing mix depends on the success of promotion
- 6) To enhance the image of the firm
- 7) To increase the potential demand

(4 X ½ = 2Marks)

- (b) 'Channel of distribution will vary based on the nature of consumer goods.'
Explain this statement giving **two** examples. (02 marks)

- Direct distribution or sole distribution methods are most suitable for non - durable goods
Example : Vegetable, fish, fruits etc.
- Indirect distribution or double distribution methods applicable for durable goods.
Example : Sugar, rice, flour, etc.

(2Marks)

- (iv) (a) List **four** objectives of financial management. (02 marks)

- 1) To increase the wealth of a business owners
- 2) Profit maximization
- 3) Maximizing earning per share

- 4) Establishment of long term financial stability
- 5) Maintaining the liquidity at an optimum level

(4 X ½ = 2Marks)

(b) Describe **two** advantages that shareholders can obtain through effective financial management. (02 marks)

- 1) Can obtain high dividends
- 2) Increase share value
- 3) Ensure the investments safety

Explain 2 factors (2Marks)

(v) Explain **four** benefits that a businessman can gain through market segmentation. (04 marks)
(Total 20 marks)

- 1) Can obtain a better understanding of the overall market
- 2) Ability of recognizing the appropriate and periodic market opportunities
- 3) Ability of utilizing the limited resources available in the firm efficiently and effectively
- 4) The firm is able to minimize the market risk
- 5) Ability to launch marketing programs more successfully

4 Points (4Marks)

7. (i) Using the given information, calculate each of the following ratios.

	Rs.
Net profit (before tax)	60 000
Preferred dividend	15 000
Preference shares	200 000
Ordinary shares	300 000
Sales	100 000
Income tax payable	10 000
Loan interest	5 000

(a) Net profit ratio.

(b) Return on equity ratio.

(c) Debt equity ratio.

(d) Interest coverage ratio.

(04 marks)

$$\begin{aligned}
 \text{(a) Net profit ratio} &= \frac{\text{Net profit before Tax}}{\text{Sales}} \times 100 \\
 &= \frac{60000}{100000} \times 100 \\
 &= 60\%
 \end{aligned}$$

$$\begin{aligned}
 \text{(b) Return on equity ratio} &= \frac{\text{Net profit after tax - Dividends on preference shares}}{\text{Equity capital}} \times 100 \\
 &= \frac{50000 - 15000}{300000} \times 100 \\
 &= \frac{35000}{300000} \times 100 \\
 &= 11.66\%
 \end{aligned}$$

$$\begin{aligned}
 \text{(c) Debt equity ratio} &= \frac{\text{Capital payable on a fixed interest}}{\text{Equity capital}} \times 100 \\
 &= \frac{200000}{300000} \times 100 \\
 &= 66.6\%
 \end{aligned}$$

$$\begin{aligned}
 \text{(d) Interest coverage ratio} &= \frac{\text{Profit before interest and tax}}{\text{Interest}} \\
 &= \frac{65000}{5000} \\
 &= 13 \text{ Turns}
 \end{aligned}$$

(1 X 4 = 4Marks)

(ii) (a) What is 'capitalization of reserves'?

(02 marks)

The reserves of the company are converted into share capital. The existing ordinary shareholders receive these new shares according to a certain ratio. When capitalizing the reserves, the declared capital of the company will be increased.

(2Marks)

(b) State **four** advantages of investing in government securities for an investor. (02 marks)

- 1) Can obtain high and fixed interest or benefits
- 2) Can obtain government assurance
- 3) Availability along and short term investment opportunities
- 4) Low risk
- 5) High liquidity
- 6) Can discount before maturity
- 7) Can obtain tax concessions
- 8) Can use as a security when obtaining loans

(1 X 4 = 2Marks)

(iii) (a) Mention the importance of share price indices to investor giving **four** reasons.

(02 marks)

- 1) Ability to gain some knowledge about the performance of the economy
- 2) Ability to gain some knowledge about the functioning of companies
- 3) Facilitate investment decisions
- 4) Ability to compare the share market conditions with other countries

(1/2 X 4 = 2Marks)

(b) Describe **two** advantages that a business can obtain through recruiting employees on a temporary basis. (02 marks)

- 1) Less employee cost
- 2) Ability to dismiss employees any time
- 3) Ability to obtain new competencies
- 4) No long relationship is maintained with employees
- 5) Ability to recruit most suitable employees
- 6) Employees professional ethics will have a positive impact on the company
- 7) Can save money

(1 X 2 = 2Marks)

(iv) (a) List **four** possible ways in which employee mobility can be done after performance evaluation. (02 marks)

- 1) Promotions
- 2) Transfers
- 3) Dismissal
- 4) Termination

(1/2 X 4 = 2Marks)

(b) Differentiate between employee absenteeism and employee turnover. (02 marks)

Employees getting absent from work or being present without performing their duties can be known as employee absenteeism and the rate at which employees leave the firm during a particular period is employee turnover.

Complete answer (2Marks)

(v) Explain **four** factors that can influence human resource demand of a firm. (04 marks)
(Total 20 marks)

- 1) Demand for the particular goods and services
- 2) Objectives of the firm
- 3) Production method
- 4) Future retirements of the employees
- 5) Number of employees to be resigned
- 6) Number of employees getting promotions

- 7) Future Project
- 8) Termination of services
- 9) The present and future financial situation of the firm
- 10) Economic, social, legal and political situation of the country

Explain (1 X 4 = 4Marks)

8. (i) (a) List **two** advantages and **two** disadvantages of internet banking service for a businessman. (02 marks)

Advantages

1. Convenient and fast
2. Allows to perform transactions at any time of the day
3. Less cost
4. Save time
5. Minimize the risk of carrying money
6. Obtain information about the bank transaction at any time

(1/2 X 2 =1)

Disadvantages

1. Confidentiality of bank data not being secured and thus increase risks
2. Need to be computer literate
3. Need to possess computing facilities
4. Frauds can occur during transaction
5. Technological disruptions

(1/2 X 2 =1)

- (b) Identify 'computer security threats' and name **two** such threats. (02 marks)

The security risk caused to a computer system and its structure

(2Marks)

Examples :

1. impact of viruses
2. Hacking
3. Staling data
4. Stealing of computers
5. Unauthorized access to the computer system

(1 X 2 = 2)

- (ii) (a) Mention **four** functions expected to be accomplished through an effective information system. (02 marks)

- 1) Communicate information to relevant parties accurately
- 2) Assisting upliftment of the quality of the product
- 3) Assisting in minimizing the cost of the institute
- 4) Ability to face competition successfully
- 5) Assuring the success of managerial functions
- 6) Providing relevant information for required parties at any required time

(1 X 2 = 2)

- (b) Describe for which purpose do employees use knowledge level information system. (02 marks)

Discovering, organizing and integrating new knowledge

(2Marks)

- (iii) (a) Describe the importance of a finance plan for a business using **two** facts. (02 marks)

1. Determine and generate the required financial capital
2. To identify investment opportunities for the business
3. Identify financial deficits and take corrective measures
4. Identify financial surpluses and utilize those effectively

(1 X 2 =2)

- (b) Briefly describe **four** reasons as to how an estimated cash flow is important for an entrepreneur. (02 marks)

1. Forecast future cash inflows and outflows
2. Forecast / estimate the cash balance at the end of a particular period
3. Identify cash inflow and outflow trends and patterns early
4. Ability to plan ways of generating and investing money

(1/2 X 4 =2)

(iv) (a) Write **two** ways of increasing the working capital of a business.

(01 marks)

1. Increase of additional income
2. Increase cash sales
3. Obtaining more long-term loans
4. Converting short term liabilities into long term ones
5. Sale of long term assests
6. Sale of shares (On cash basis)

(1 1/2 X 2 =3)

(b) State **two** reasons for delisting a listed company from Colombo Stock Exchange and explain them.

(03 marks)

1. Insufficient capitalization of shares
2. Low price of shares
3. Bankruptcy of a company
4. Non-payment of dues
5. Failing to adhere to the requirement of the stock exchange
6. Unethical trading practices
7. Company mergers and acquisitions

(1 1/2 X 2 =3)

(v) A person intends to invest a part of his money in either stock market or make a fixed deposit in a commercial bank. Explain **two** advantages and **two** disadvantages of each alternative investment method.

(04 marks)

(Total 20 marks)

(v) Stock market

Advantages

1. Receiving high terurns
2. Receiving capital gains
3. Receiving dividend income
4. Ordinary shareholders enjoy voting rights
5. Capital gains are exempted from tax

Disadvantages

1. Possibility of a fall in share price
2. Not receiving dividends when company is making a losses
3. High risk
4. Tax on dividend income

Fixed deposit**Advantages**

1. Less risk
2. Receiving a fixed interest
3. Higher liquidity
4. Can obtain loan by using the deposit as a collateral

Disadvantages

1. If money obtained prior to maturity, interest income decreases
2. No other benefits other than the interest

(4Marks)