

**G.C.E (Advanced Level) Supporting Seminar – 2015**  
**Business studies I**  
**Answer guidance**

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

**Every correct answer is given with two marks each – Total 60 marks**

31. (a) Macro Environment  
(b) Unlimited companies
32. (a) Policy interest rate  
(b) Dishonouring
33. (a) Risk & Hazard  
(b) Central Bank of Sri Lanka
34. (a) Multiple stores  
(b) Free Trade
35. (a) SA 8000 (Social Responsibility Standard)  
(b) F. W. Taylor
36. (a) Government gazette  
(b) Centralized / De-centralized
37. (a) Completeness / Accuracy / Politeness / Summarized / Specific / Low cost / Speed / Convenience in usage  
(b)
  - ★ Evidence is available on message
  - ★ Explanations can be made through charts and figures
  - ★ Message can be presented with a prior preparation
  - ★ Important information can be highlighted
38. (a) Investment decisions / Financial decisions  
(b) Fixed capital and working capital
39. (a) Financial statements / Break-even point  
(b) Metropolitan Area Network
40. (a) Business idea  
(b) Executive summary
41. (a)
  - ★ Government policies on co-operatives are implemented
  - ★ Auditing the accounts of co-operative societies
  - ★ Registering the co-operative societies
  - ★ Investigation of public compliance on co-operatives
(b)
  - ★ Product franchise
  - ★ Manufacturing franchise
  - ★ Business format franchise
42. (a) Private limited company  
(b) A copy of the by law
43. (a) stock cycle time  
(b)
  - ★ Relationship marketing
  - ★ Integrated marketing
  - ★ Internal marketing
  - ★ Social responsibility marketing / Performance marketing

44. (a) Customer concept  
 (b) Demographic factors maintain a very high relationship with consumer needs, wants and behaviour
45. (a) Decisions on debtors, decisions on stocks  
 (b) Decisions of dividends, decisions on credit and debt capital structure
46. (a) Bear market  
 (b)
  - ★ There is a low geared capita structure
  - ★ Lack of responsibility to repay
  - ★ There should be any mortgages
  - ★ Intention of representing owners' capital
  - ★ Since debentures should be paid with a fixed cost
47. (a)
  - ★ Cash surplus can be identified before it occurs
  - ★ Cash deficit can be identified before it occurs
  - ★ Cash can be planned and controlled through comparing with actual cash usage
  - ★ Any future cash surplus can be invested effectively
  - ★ Business can be prepared for any future cash shortage before it occurs
 (b)
  - ★ Liquidity ratio
  - ★ Activity ratio
  - ★ Gearing ratio
  - ★ Profitability ratio
48. (a) To attract and to retain most suitable and satisfied labour force who gives their personal maximum commitment to achieve organizational success  
 (b)
  - ★ Government rules / Employee attitude
  - ★ Living cost / Training & Development
  - ★ Salaries in similar businesses / profitability of the business / Demand and supply for the labour
49. (a) Maximizing the wealth of the owners / Maximizing the equity capital  
 (b) Money market / capital market
50. (a)
  - ★ Strategic level
  - ★ Management level
  - ★ Knowledge level
  - ★ Operational level
 (b)
  - ★ Production plan
  - ★ Machine and equipment requirement
  - ★ Material requirement
  - ★ Production overhead cost
  - ★ Total cost and unit cost
  - ★ Factory layout plan
  - ★ Disposal of waste and environmental impact

**Marks 2 × 20 = 40**

**Total marks for Paper 1 = 60 + 40 = 100**

## Business Studies II

1. (i) (a) ★ To increase the sales of the business  
★ To increase the business capacity  
★ To increase the market price of the share  
★ To retain / survive in the market  
★ To increase the quality of products  
★ To face with the competition (1 x 2 = 2 marks)
- (b) Production, purchasing, marketing, accounting and financial activities, human resources management, research and development (1 x 2 = 2 marks)
- (ii) (a) Secondary production depends on primary production  
E.g. cultivation of fruits included under primary production and producing fruit juice, jam, cordial using those fruits included under secondary production  
(Writing the relationship 1 x 1 = 1 mark)  
(Writing a related example = 1 mark)
- (b) Age level, gender, income, job, beliefs, climate and weather, education levels  
(0.5 mark per answer, 4 points = 2 marks)
- (iii)(a) The conversion process in which resources (inputs) are converted into outputs known as production. Anything that can be purchased from the market that has the capacity to fulfil needs and wants are known as a product. (2 marks)
- (b) Service businesses (1 mark)  
Direct services are indirect services (1 mark)
- (iv) ★ Interest salary ★ tax concessions ★ savings ★ exchange rates  
★ investments ★ per capita income ★ national production  
(Explaining 4 answers = 4 marks)
- (v) (a) ★ Patience ★ Politeness ★ Cleanness  
★ Honestly ★ Discipline ★ Active (4 points = 2 marks)
- (b) ★ Foreign investments flow to the country  
★ Foreign technology flow to the country  
★ High quality products can be consumed  
★ Home and foreign trade get expanded  
★ Foreign exchange flow to the country  
★ Foreign relationships can be developed among nations  
★ New business structures can be developed  
★ Diversified set of employees can be generated (4 points = 2 marks)

2. (i) (a) Board of investments of Sri Lanka **(1 mark)**  
 Invested capital, Number of jobs generated, whether the product is presented to local or foreign markets, technology that is used, infrastructure facilities that are used, and environmental impact **(2 points = 1 mark)**
- (b) Government should provide financial, foreign exchange, marketing facilities and tax concessions to businesses and businesses should generate new jobs, foreign exchange income, contributing to the national production and environmental protection. **(2 marks)**
- (ii) (a) 1. Market is complex  
 2. High competition  
 3. Growth in free trade  
 4. Impact of globalization **(4 points = 2 marks)**
- (b) 1. Critical awareness  
 2. Active participation  
 3. Concern on society  
 4. Solidarity **(4 points = 2 marks)**
- (iii) (a) 1. Department of Examination  
 2. Department of Immigration and Emigration  
 3. Department of Registration of Persons  
 4. Central Bank of Sri Lanka  
 5. Foreign Embassy of The Related Country **(4 points = 2 marks)**
- (b) Business has to be registered if the business activities are conducted by any other name than the name of the owner. **(1 mark)**  
 Process  
 1. Obtaining an registration application from divisional secretariat  
 2. Obtaining a Grama Sevaka report on business names registration  
 3. The completed registration application should be presented to divisional secretary with Grama Sevaka report  
 4. Obtaining the business registration certificate from divisional secretary **(4 points = 1 mark)**
- (iv) (a) Suwimal  
 Sole proprietor / Sole trader **(1 mark)**  
 Sapumal  
 Partnership / Private Limited Company / Public Limited Company **(1 mark)**
- (b) Do not agree **(0.5 marks)**  
 Only the listed public limited companies function in the Colombo Stock Exchange, None listed public limited companies don't function or listed in Colombo Stock Exchange **(1.5 marks)**

- (v) (a) 1. Shops are open only for limited number of hours  
 2. Goods are not sold for credit  
 3. Lack of promotional methods used  
 4. Insufficient funds  
 5. Management problems  
 6. None existence of employee motivation methods **(4 points = 2 marks)**

- (b) 1. Financial stability  
 2. Reputation of the business  
 3. Trustworthiness  
 4. Expected sales amount **(2 marks)**

3. (i) (a) 1. Ravindra **(0.5 marks)**  
 2. Creativeness, identifying business opportunities, making innovations, risk bearing, problem solving, commitment, self-confidence & others **(3 points = 1.5 marks)**

- (b) 1. Industrial Development Board  
 - Infrastructure facilities, technical services, consultancy  
 2. Industrial technological institute  
 - Technical services, consultancy  
 3. Export development board  
 - Marketing and selling facilities  
 4. Standard institutes  
 - Consultancy **(2 institutes = 1 mark)**  
**(2 services = 1 mark)**

- (ii) (a) ★ Evaluating the financial stability of the business  
 ★ Analysing the debtors turnover  
 ★ Identifying the debenture issuing capabilities  
 ★ Studying the profitability and liquidity **(2 points = 2 marks)**

- (b) Certification given by credit rating institute **(1 mark)**  
 ★ Financial stability of the business can be identified  
 ★ Financial institutes can be compared  
 ★ Risk can be minimized **(2 points = 1 mark)**

- (iii) (a) ★ Value of the cheques issued can be identified  
 ★ Issuing date is available  
 ★ Cheque number is available  
 ★ Current account balance can be ascertained **(4 points = 2 marks)**

- (b) 1. When the word “Cash” is written instead of the name of the payee the cheque is known as Cash Cheque **(1 mark)**

2. Agree  
 There is no payee in a cash cheque, therefore it cannot be crossed **(1 mark)**

- (iv) (a) Any institute or fund operates in Sri Lankan financial system that accepts savings from the public by any nature for a certain time period is known as a contractual savings institute.

E.g. Insurance institutes, Employee provident fund, Employee trust fund

**(Explanation 1 mark, two examples 1 mark, Total 2 marks)**

- (b) ★ Level of inflation  
★ Expansion in business activities  
★ To facilitate portability of money  
★ To facilitate the usage **(2 marks)**

- (v) (a) ★ ATM machines  
★ Electronic Fund Transfer at Point of Sales  
★ Tele Banking  
★ Internet Banking **(2 marks)**

- (b) Can refuse **(1 mark)**  
According to the proximate cause principle risks that are not covered are not getting compensated **(1 mark)**

4. (i) (a) Value of the policy / Maturity period / Health of the person **(2 points = 2 marks)**

- (b) A transportation system includes Way, Mode, Power and Terminal. Roads constructions represent only the Way. Therefore renovation of roads will not facilitate the growth in a transportation system **(2 marks)**

- (ii) (a) 1. Introduction of new packaging methods  
2. Minimizing the dual transportation effect  
3. Introducing a most suitable transportation mode  
4. Educating farmers on transportation **(4 points = 2 marks)**

- (b) 1. Providing cooling facilities  
2. Usage of packages  
3. Classifying products according to nature  
4. Introducing appropriate stock quantities in receiving and issuing stocks **(4 points = 2 marks)**

- (iii) 1. Registering the business as an exporter  
2. Finding a foreign buyer  
3. Obtaining the export licenses if necessary  
4. Receiving an indent  
5. Sending the pro-forma invoice as a reply to the indent **(4 points = 4 marks)**



- (iv) (a) 1. Availability of bargaining power to buyers  
2. Fresh products can be purchased  
3. Easy access to traders  
4. Cultural representation is available  
5. Social relationships can be maintained **(4 points = 2 marks)**

- (b) ★ Electronic communication  
E-mail, Skype, Telephone  
★ Written – Letters **(2 points = 2 marks)**

- (v) (a) 1. The locations in which imported cargo is stored until the importer pays custom duty and release them **(1 mark)**

2. It's a solution for warehousing problem  
Imported products can be sorted and graded  
Imported products can be branded or labelled  
Products can be sold within the bonded warehouse  
Cargo can be released through paying duty in instalments **(2 points = 1 mark)**

- (b) ★ Bank draft  
★ Letter of credit  
★ Electronic payments  
★ Foreign payment methods (SWIFT payments)  
★ Telegraphic transfers **(4 points = 2 marks)**

5. (i) (a) Comprehensive set of knowledge developed in given a subject scope through theories, principles and concepts is known as a Science and using it practically is known as an Art **(2 marks)**

- (b) Goals and objectives included in a plan are evaluated in controlling process. Therefore planning is needed for controlling **(2 marks)**

- (ii) (a) 1. Productivity      2. Time allocation      3. Cost      4. Waste  
5. Profit      6. Revenue      7. Sales volume  
**(4 points = 2 marks)**

- (b) 1. Business can face with dynamic environmental changes  
2. Maximum utilization of scarce resources  
3. Managers are guided to think about the future  
4. Planning is necessary to manage others (other managers)  
5. To continuous growth and existence of the business **(4 points = 2 marks)**



(iii)(a) ★ **Financial motivation methods**

- Loans are provided
- Bonus payments
- Products of the business are sold at subsidised prices

★ **Non-Financial motivation methods**

- Employee training
- Promotions
- Health, housing, food, uniform and transportation facilities
- Job security
- Suitable working environment
- Organizing trips from the business
- Employees are connected to business management and decisions

(4 points, two each) = 2 marks)

(b) ★ Obtaining the support from all other parties to fulfil the vision and mission

- ★ Employees should be motivated
- ★ He should communicate with all related parties
- ★ Business activities should be controlled
- ★ Ensuring the self-confidence of followers

(4 points = 2 marks)

(iv) (a) 1. Division of work

2. Job specialization
3. Departmentalization
4. Span of control
5. Unity of command
6. Rules and regulations
7. Co-ordination
8. Hierarchy
9. Centralization and de-centralization

(4 points = 2 marks)

(b) ★ To achieve goals of the business

- ★ To implement plans effectively
- ★ To utilize resources productively
- ★ To co-ordinate work between departments and members

(4 points = 2 marks)

(v) (a) 
$$\frac{60\,000}{60 - 30}$$

(1 mark)

= 2,000 units

(1 mark)

(b) 1. It can be used as an instrument in planning activities of the business related to cost, profits and capacity

2. It can be used in production planning and setting up the product price
3. Product price, income and cost can be explained
4. Profits or loss in the different marketing stages can be presented

(4 points = 2 marks)

6. (i) (a) The base of the marketing is to fulfil needs and wants of the individuals in the society. Therefore marketing is known as human and social process **(2 marks)**
- (b) 1. ★ Product diversification can be facilitated  
 ★ Production can be expanded  
 ★ Employment can be increased  
 ★ Differences income distribution can be avoided  
 ★ Overall economic development can be facilitated **(2 points = 1 mark)**
2. ★ High satisfaction for the price that is paid  
 ★ Customer awareness increases as product information is given to the market  
 ★ High availability of goods and services in the market  
 ★ Goods can be purchased with high convenience  
 ★ Living standard of the customer can be increased through purchasing different product types **(2 points = 1 marks)**
- (ii) (a) ★ Measurable  
 ★ Attainable  
 ★ Substantial  
 ★ Differentiable  
 ★ Actionable **(4 points = 2 marks)**
- (b) Goods only provide the direct support to any service providing business to offer their service to the customer.  
 ★ Trading institute uses equipment, furniture and electric scales to provide their service  
 ★ A restaurant provide their service using food and furniture  
 ★ A medical institute provide their service using medicine, beds, chairs and other medical instruments **(one example is sufficient, 2 marks)**
- (iii) (a) ★ Good marketing mix  
 \* Product mix - Product variety, quality, package, brand, sizes warranty  
 \* Price mix - listed price, Discount, allowances, repayment period, credit terms  
 \* Place mix - Distribution methods, coverage, regions, inventories, transportation  
 \* Promotion - Advertising, Sales promotion, Personal selling, public relations and direct marketing
- ★ Service marketing mix  
 \* People, Processes, Physical environment  
**(Good mix – 1 mark, service mix – 1 mark = total 2 marks)**

- (b) ★ Core product / Basic benefit  
E.g. Motor vehicle for transportation
- ★ Basic product  
E.g. Chassis of a car
- ★ Augmented product  
E.g. Air condition cars
- ★ Potential product  
E.g. Cars without drivers
- (4 points = 2 marks)**

- (iv) (a) 1. It should be short and simple
2. Easy to pronounce, identify and remember
3. Nature and the usage is explained
4. Can be converted into another product
5. Should be differentiable from competitor products
6. Should represent a specific culture
- (4 points = 1 mark)**

- (b) ★ National brand – Product is introduced to the market under one brand  
E.g. Coca Cola
- ★ Private brand – A brand designed by traders after purchasing the product from the manufacturer  
E.g. Nipuna Rice
- ★ Individual brand – All the products of the given business are introduced to the market under different brands  
E.g. Soda, Necto, Ginger beer
- (2 points = 1 mark)**

- (c) Government rules, Goodwill, Income of the consumer, expected profit, expected revenue
- (2 points = 1 mark)**

(d) 1.  $4 + \frac{20\,000}{1\,000}$

$= \frac{24}{80} \times 100$

$= \text{Rs.}30.00$

**(0.5 marks)**

2.  $30 \times 1\,000 = \text{Rs. } 30\,000/-$

**(0.5 marks)**

- (v) (a) Name of the position, Age limit, Servicing terms, Educational and professional qualification, Experiences, Salary levels should be included
- (3 marks)**

- (b) Newspapers, Internet, Television, Radio, Government gazette, posters, notice boards
- (2 points = 1 mark)**

7. (i) (a) - Product specification  
 - Quality of materials  
 - Price  
 - Speed of the suppliers  
 - Supplier trustworthiness  
 - Lead time  
 - Repayment terms (4 points = 2 marks)

- (b) ★ Production cannot be conducted continuously  
 ★ Product quality will comedown  
 ★ Stock maintenance cost will increase  
 ★ Lost in the market share  
 ★ Reputation will get affected (4 points = 2 marks)

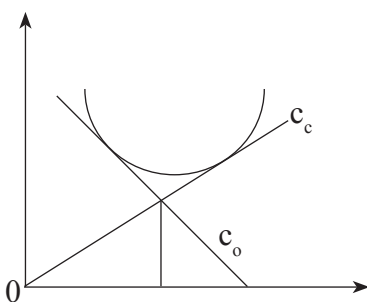
(ii) (a) 1. Job production / Order based production (1 mark)

2. ★ Production quantity  
 ★ Product  
 ★ Flexibility of the process  
 ★ Whether the production is for order for bulks (2 points = 1 mark)

- (b) 1. ★ Durability  
 ★ Performances  
 ★ Finishing (2 points = 1 mark)

2. The producers take formally to monitor every steps of the production process to verity quality of the product can be defined as quality control (1 mark)

(iii)(a) It is the process in which all the stages of the production process is controlled effectively to ensure the quality of the product (1 mark)



Total cost will come down  
 Cost of holding and cost of ordering become equal at this point  
 (Correct graph is needed)

- (b) ★ Nature of the product ★ Capacity  
 ★ Connected number of employees ★ Power source  
 ★ Time consumption on production ★ Protection (4 points = 2 marks)

- (iv) (a) Benefits to the employer
1. Quality of the product will increase
  2. Employee mistakes and wastage come down
  3. Employee performances will increase
- (2 points = 1 mark)**

Benefits to the employee

1. Employee satisfaction increases
  2. High eligibility to earn promotions
  3. Employee performances will increase
  4. The professional value of the employee increases
- (2 points = 1 mark)**

- (b) 1. Overall expected productivity of the business increases
2. Labour absenteeism will come down, production activities will flow smoothly
  3. Wastage of resources will come down
  4. Motivated staff can be generated
  5. Employee turnover will come down
- (4 points = 2 marks)**

- (v) (a) Human resources manager is authorized to promote and hire employees in his own division or department (vertical authority), and he is also authorized to promote and to transfer employees in other departments and divisions as well (horizontal authority), but other managers are not authorized to influence promotions and transfers of other departments and sections.
- (2 marks)**

- (b) Job description is the process in which tasks, duties and responsibilities related to work unit or job is identified. In job specification the qualification, experiences and talents that a person should maintain to perform the given job is identified.
- (2 marks)**

8. (i) (a) Agree **(0.5 marks)**
- Colombo Stock Exchange facilitates investor to exchange shares and debentures of listed companies, therefore transactions are made only among the investors as a result of it new capital will not flow to the company. **(1.5 marks)**

- (b) Investing the funds of an investor in different investment sources **(1 mark)**
- E.g. share market investments, treasury bills, treasury bonds, fixed deposits and etc.

- (ii) (a) Debentures

Reasons :

1. Debentures are paid with a specific interest only
2. They can be redeemed when needed
3. No influences on management (No votes)

**(For specific answer and explanation 2 marks)**

Shares

Reasons:

1. It's a solution for high gearing
2. Dividends are not compulsory
3. No obligation to redeem them
4. No need to provide securities

**(For specific answer and explanation 2 marks)**

- (b) 1. Obtaining a bank overdraft  
 2. Generating accrued payments  
 3. Delaying the payments to creditors  
 4. Obtaining funds from debtors as soon as possible **(4 points = 2 marks)**

- (iii) (a) ★ Treasury bonds                      ★ Treasury bills                      ★ Ordinary shares  
 ★ Preference shares                      ★ Share warrants                      ★ Corporate debentures  
 ★ Government credit instruments **(2 marks)**

- (b) ★ Market capitalization                      ★ Liquidity                      ★ Financial feasibility **(2 marks)**

- (iv) To businesses  
 1. Number of customers will increase  
 2. Corporate image increases  
 3. Promotions will enhanced  
 4. Revenue will increase  
 5. Profits will increase **(2 marks)**

To customers

1. Communication fees will come down  
 2. Time can be used productively  
 3. New relationships can be developed  
 4. Meeting customers with similar interests **(2 marks)**

- (v) (a) It's a document that explains the cash inflows and outflows of the business for a specific future time period. **(1 mark)**

Inflow - Capital, Loans obtained, cash sales, other income, payments from debtors **(2 points = 1 mark)**

Outflow - Purchasing assets, Insurance, electricity and salary payments, loan instalments payments and tax payments **(2 points = 1 mark)**

- (b) A business can move towards its goal through following a business plan as it creates a proper path, if there is no plan business function without a goal. Then it is similar to a boat with a broken paddle **(1 mark)**