

**G.C.E (A/L) Supporting Seminar – 2016**  
**Business studies I**  
**Answer guide**

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

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

31. (a) Owners / Customer  
(b) Internal / Opportunities and threats
32. (a) Capital expenses and current expenses / Tax and non-tax  
(b) Strengths weaknesses
33. (a) Consumer affairs council  
(b) March 15 and January 26
34. (a) Co-operative / state company  
(b) Public limited company
35. (a) Foreign exchange  
(b) Permanent and Temporary (Order is not important)
36. (a) Robert L Kertz / F W Tayler  
(b) Lead time
37. (a) Re-order level  
(b) Selling concept
38. (a) Industrial dispute  
(b) Background evaluation / IQ test
39. (a) High gearing  
(b) Debentures, Bank loans and preference shares
40. (a) Local Area Network / Wide Area Network  
(b) Executive summary

**(From question number 31 to 40 section “a” is given with one mark section “b” is given with one mark)**

41.
  1. Mining and quarrying
  2. Manufacturing
  3. Construction
  4. Electricity, gas and water

**(2 marks for 4 points)**
42.
  1. Good
  2. Based on usage
  3. Direct services
  4. Industrial goods

**(2 marks for 4 points)**
43.
 

★ Based on motive	★ Based on ownership
★ Based on liability	★ Based on legality
★ Based on continuity	

**(2 marks for 4 points)**
44.
  - ★ Critical awareness
  - ★ Active participation
  - ★ Concern on society
  - ★ Concern on environment
  - ★ Solidarity

**(2 marks for 4 points)**

45. ★ Low cost  
★ High security  
★ Can send one mail to many receivers  
★ Can store the mails  
★ Can earn assurance on mail delivering  
★ High speed  
★ Can be implemented at any time  
★ High availability **(2 marks for 4 points)**
46. ★ Breakeven analysis  
★ Financial auditing  
★ Budget controlling  
★ Ratio analysis **(2 marks for 4 points)**
47. ★ Establishing standards  
★ Measure actual performances  
★ Identify the variance  
★ Correct the deviation **(2 marks for 4 points)**
48. ★ Based on goals and objectives  
★ Practicability  
★ Flexibility  
★ Understandability  
★ Related to a time period  
★ Participating and dedication **(2 marks for 4 points)**
49. ★ Labour turnover  
★ Employee absentees  
★ Labour productivity  
★ Industrial relations **(2 marks for 4 points)**
50. ★ Gross profit ratio  
★ Net profit ratio  
★ Return on investment  
★ Return on equity **(2 marks for 4 points)**

**Marks  $2 \times 20 = 40$**

**Paper 1 total marks  $60 + 40 = 100$**

**G.C.E (A/L) Supporting Seminar – 2016**  
**Business studies II**  
**Answer guide**

**Part I**

- 1.(i) (a) ★ Sufficient financial strength  
 ★ Maintaining a motivated staff  
 ★ Ownership of an attractive business name  
 ★ Good location  
 ★ Maintaining a stable market  
 ★ Customer centered production  
 ★ Correct leadership  
 ★ Work according to a code of ethics

**(2 marks for 4 points)**

- (b) ★ High competition  
 ★ High cost  
 ★ High employee influences  
 ★ Consumers have organized  
 ★ Adapting to dynamic technological changes

**(2 marks for 4 points)**

- (ii) (a) Goods are mainly used to provide services  
 E.g. A doctor uses medicine and medical equipment to provide his medical service

**(Answer with an example 2 marks)**

Goods	Services
<ul style="list-style-type: none"> <li>● Tangible</li> <li>● Can be stored</li> <li>● Can be separated from the producer</li> <li>● Production and consumption don't occur at the same time</li> <li>● They are homogeneous</li> </ul>	<ul style="list-style-type: none"> <li>● Intangible</li> <li>● Cannot be stored</li> <li>● Can be separated from the producers</li> <li>● Production and consumption occur at the same time</li> <li>● They are varied</li> </ul>

**(2 marks for 4 differences)**

- (iii)(a) Owners, customers, Employees, loan providers and government

**(2 marks for 4 points)**

- (b) ★ Owners – To ensure the existence  
 ★ Employee – To increase employee productivity / to increase employee satisfaction  
 ★ Customers – To secure the market for good or service produced  
 ★ Loan providers – To obtain loans continuously  
 ★ Government – To obtain special subsidies / Infrastructure

**(2 marks for 2 points)**

- (iv)(a) When businesses implement their social responsibilities they use their businesses' name, brand or trademark therefore it is a hidden advertising method.

E.g. Businesses give sponsorships in school sport meets

**(2 marks for 4 points)**

- (b) ★ Investors
  - ★ Customers
  - ★ Employees
  - ★ Environment
- (2 marks for 4 points)**

- (v) (a) ★ Transportation and road network
  - ★ Power generation
  - ★ Water supply
  - ★ Building construction
  - ★ Communication service
  - ★ Disposing garbage
  - ★ Real estate developments
- (2 marks for 4 points)**

- (b) ★ Sustainable economic growth and development
  - ★ Economic stability
  - ★ Favorable international trade
  - ★ Full employment
  - ★ Fair income distribution
- (2 marks for 4 points)**

2. (i) (a) ★ The living standards of the people have increased
- ★ Consumers get the opportunity consumer high quality goods
  - ★ Overall economic development
  - ★ Generate a healthy population
  - ★ Consumer protection is ensured
  - ★ Wastage of resources is minimized
- (2 marks for 4 points)**

- (b) (1)★ Weights and measurement frauds
  - ★ Presenting fake documents
  - ★ Usage of fake brands
  - ★ Amending the product price
  - ★ Product quality is reduced and mixing
  - ★ Providing non available product features
- (1 marks for 2 points)**

- (2) Right to be informed **(1 mark)**

- (ii)(a) Any business that produces and distributes goods or services with profit or non-profit motive is known as a business and a group of people working together to achieve a common motive as a social entity is known as an organization. **(2 marks)**

- (b) 1. Financial strength
  - 2. Goodwill / Image
  - 3. Trustworthiness
  - 4. Business activities that are conducted currently
- (2 marks for 4 points)**

- (iii) (a) ★ Limited Companies
  - ★ Guaranteed Companies
  - ★ Unlimited Companies
  - ★ Foreign Companies
- (1 mark)**

- (b) Certificate of incorporation **(1 mark)**

- (c) **To shareholders**
- ★ Shares can be transferred to another party
  - ★ Can earn a relatively high dividend
- (1 mark)**

- To company**
- ★ Can generate a huge capital
  - ★ Availability of other financial sources
- (1 mark)**

- (iv)(a) ★ High competition ★ Non capability of making instant decisions  
 ★ Business is open only for a limited time ★ Lack of employee motivation  
 ★ Lethargic customers ★ No credit facilities for customers  
 ★ Non availability of promotions **(2 marks for 4 points)**

- (b) ★ Social entrepreneurship ★ women entrepreneurship  
 ★ intrapreneurship ★ multipreneurship  
**(2 marks)**

- (v) (a) A small businessman offers only a small volume of output to the market. His sales turnover also is relatively smaller. Further the financial performance also is low. Consequently, the impact is also smaller **(2 marks)**

- (b) ★ Weaknesses in setting plans ★ Financial difficulties  
 ★ Marketing problems ★ Threat from large scale businesses  
 ★ Inadequate incentives of the government ★ Managerial weaknesses  
 ★ Lack of infrastructure ★ Entrepreneurial deficiencies  
**(2 marks for 4 points)**

3. (i) (a) Standard Deposit Facility interest rate **(1 mark)**

- (b) 1. Rs.10 billion  
 2. Rs.05 billion **(1 mark)**

- (c) A licensed commercial bank can accept demand deposits and other deposits from the general public and can create credit and is permitted to engage with foreign currency transactions. Even though a licensed specialized bank has obtained a license under the banking act to carry out banking activities by accepting time and savings deposits, but is not permitted to accept demand deposits and is not engaged with foreign currency transactions. **(2 marks)**

- (ii)(a) Credit rating is the evaluation/rating of the financial stability and strength of the financial instruments and their issuing institutions. This tests the ability of financial institutions to honour their debt obligations. **(2 marks)**

- (b) ★ Fitch Ratings Lanka Ltd  
 ★ RAM Ratings Lanka Ltd  
 ★ S & P Ratings Lanka Ltd **(2 marks)**

- (iii)(a) Drawer, drawee, payee **(2 marks)**

- (b) 1. To the drawer **(1 mark)**  
 2. putting the complete/long signature of the drawer with the phrase “crossing is cancelled”.  
**(1 mark)**

- (iv)(a) Value of the property  
 Insured sum of value  
 The amount of the damage **(2 marks for 2 points)**

- (b) Businessmen must compensate the hazards/damages to the employees, customers, clients and general public as they conduct their business activities. We call it “liability insurance”. (1 mark)

Liability insurance policies:

1. Product liability insurance
2. Professional liability insurance
3. Public liability insurance
4. Employer liability insurance

(1 marks for 2 points)

- (v) 04 marks for any answer that contains all four components of transport system

4. (i) (a) Internal: owners, employees, managers (1 mark)  
External: suppliers, customers, government, community, investors (1 mark)

(b) **Advantages**

- ★ A problem can described in detail
  - ★ Face to face connection in between the sender and receiver
  - ★ Ability to quickly present the information
  - ★ Higher degree of confidentiality
  - ★ Ability to receive a feedback
- (1 marks for 2 points)

**Disadvantages**

- ★ Language problems
  - ★ Difficulties to share information with parties who have oral weaknesses
  - ★ There isn't any proof for the sharing of the information
- (1 marks for 2 points)

- (ii) (a) 1. Manufacturing wholesaler 2. Independent wholesaler  
3. Merchant wholesaler 4. Agent wholesaler  
5. Full service wholesaler 6. Limited service wholesaler (2 marks)

- (b) 1. Distribution 2. storing  
3. provision of market information 4. promotional activities  
5. packaging and sorting (2 marks for 2 points)

- (iii)(a) 1. Indirect production  
2. Emergence of a surplus or deficit in production  
3. Cost of production  
4. Globalization  
5. Differences in taste  
6. Promotion of products  
7. Minimization of trade barriers (2 marks for 2 points)

- (b) 1. Restricting imports  
2. Restricting exports  
3. Forbidding exporting and importing  
4. Trade agreements  
5. Rigid exchange policies (2 marks for 4 points)

- (iv) **Benefits**
1. Ability to enter in to huge markets
  2. Increase in sales and profits
  3. Economies of large scale due to extended demand and decrease in cost
  4. Promotions can be done through internet

**(2 marks for 2 points)**

**Problems**

1. Higher degree of competition
2. Increase in marketing cost
3. Increase in distribution cost
4. Must deal with trade barriers such as tariffs
5. Language and cultural problems

**(2 marks for 2 points)**

- (v) (a)
1. Imposing tariffs
  2. Issuing custom reports
  3. Controlling unpermitted exports and imports
  4. Providing advice to the government
  5. Implementing custom regulations

**(2 marks for 4 points)**

- (b) ★ European Union (EU)  
★ North American Free Trade Agreement (NAFTA)  
★ European Free Trade Association  
★ South Asian Free Trade Agreement  
★ BIMSTEC

**(2 marks)**

## **Part II**

5. (i) The answer must elaborate that technical, human relations and conceptual skills must be different at the various levels of lower, middle and top level management.

**(an answer that shows and explains this must be given with 4 marks.)**

- (ii) (a)
1. Dynamic changes in technology
  2. Economic instability
  3. Political instability
  4. Trend of employee organized movements
  5. Impacts of globalization
  6. Organized effects of customers

**(4 marks for 4 points)**

- (b)
1. Identifying the problem
  2. Developing alternative solutions
  3. Evaluating solutions
  4. Selecting the best solution
  5. Implementing the solution

**(2 marks for 4 points)**

- (iii)(a) 1. Can improve employee productivity  
 2. Can promote favorable employer-employee relationships  
 3. Can get the best use of extra-ordinary skills of brilliant employees  
 4. Can get the best use of organizational resources  
 5. Can reach organizational goals and objectives  
 6. Can develop a contended workforce **(2 marks)**

- (b) ★ Feed forward controlling  
 Examples : ● maintaining machines well  
 ● training employees **(1 marks for 2 points)**

- ★ Feedback controlling  
 Examples : ● repairing machines  
 ● inspecting the final output **(1 marks for 2 points)**

- (iv)(a) Operations management comprises of all the activities needed to transform inputs into outputs and production management covers only a small part of what is covered in operations management. **(2 marks)**

- (b) **Cost of ordering:** transport charges, stock inspection charges, brokerage fees, tariff, ordering clerk salaries **(1 marks for 2 points)**

- Cost of holding:** employee wages, insurance, electricity charges, stock depletion and waste, store rent **(1 marks for 2 points)**

- (v) (a) Q - maximum stock level  
 $Q_1$  - Re-order quantity/ EOQ  
 $Q_2$  - lead time demand  
 $Q_3$  - buffer stock  
 T - Lead time  
 $T_1$  - cycle time  
 L - Re-order level  
 S - speed of the consumption **(1/2 in to 8= 04 marks)**

6. (i) (a) 1. Work identification  
 2. Delegation of work  
 3. Departmentalization  
 4. Delegating authority and responsibilities  
 5. Developing standards and formalizations  
 6. Distributing resources  
 7. Coordination **(2 marks for 4 points)**

- (b) Responsibility is the commitment/obligation of a person to perform an assigned task to him. Accountability is the obligation to answer and report by a person to the higher level management regarding the success and failure of a task. **(2marks)**

- (ii)(a) Layout planning is the planning of job centers, materials, space, machines, equipment, and needed services to form an efficient process of production. **(2 marks)**

- (b) ★ The efficiency in the usage of machines and materials will increase
  - ★ Space can be utilized to the maximum level
  - ★ Cost of the usage of materials can be minimized
  - ★ The barriers in moving materials can be minimized
  - ★ Accidents can be minimized
  - ★ Communication, coordination and supervision can be conveniently made
  - ★ Employee motivation can be increased

**(2 marks for 4 points)**

- (iii) (a) ★ Performances / functionality
  - ★ Durability
  - ★ Trustworthiness
  - ★ Production based on standards
  - ★ Suitability
  - ★ Security

**(2 marks for 4 points)**

(b) 1. Total Quality management means ensuring the product quality in each and every product level, product quality is protected in every stage to protect the overall product quality. **(1 mark)**

2. Statistical process controlling means that collecting data on product performances and presenting them in charts and graphs to related parties **(1 mark)**

(iv) (a) Product, exchange, market, marketer

**(2 marks for 4 points)**

(b) The party who shows a very high interest on exchanging process is marketer. If the buyer shows a high performance then the buyer is considered as marketer

E.g. Paddy marketing board purchases paddy from farmers, but considered as a salesman

**(2 marks)**

(v) (a) Holistic concept has be developed since it is much more suitable to connect all the interested parties of the marketing process together. **(2 marks)**

(b) ★ **Marketing concept**

It explains the product should be produced according to the needs and wants of the customers to maximize the customer satisfaction

★ **Customer concept**

Producing goods and services according to unique needs and wants of individual customers and maximizing their satisfaction. **(2 marks)**

7. (i) (a) It is a social and managerial process used to fulfill needs and wants of individuals and institutes

**(1 mark)**

(b) It is the process of classifying the market into groups with similar features out of the whole market that share diverse set of features. **(1 mark)**

- ★ Measurability
- ★ Attainability
- ★ Differentiability
- ★ Action-ability

**(2 marks)**

(ii) (a) It is the value that is paid by a customer to a product, and the price is an important factor that decides the demand of a product. **(2 marks)**

- (b) ★ Product cost  
★ Nature of market competition  
★ Prices of competitors  
★ Objectives of the business  
★ Price elasticity  
★ Whether the product is a new or old one **(2 marks)**

(iii) (a) Brand is a name, text, sign or symbol used by a seller or a group of sellers to identify their products in the market or to differentiate their products from the competitors. The section of the brand that can be pronounced is known as the brand name, and when a brand is registered under the give law it is considered as a trademark. **(2 marks)**

(b) **Producer**

1. High convenience is receiving customer orders
2. Can earn the protection to the brand
3. A goodwill can be earned for the business
4. Businesses' products can be differentiated from competitors' products

**Customer**

1. The product can be selected easily
2. Duplicate brands can be avoided
3. The required product can be clearly purchased
4. Can present a complaint if necessary **(2 marks)**

- (iv) (a) 1. Preparing financial plans and implementing them  
2. Cash flows of the business is controlled  
3. Making decisions related to the usage and generating excess funds  
4. Preparing budgets  
5. Recommending investments  
6. Generate funds to finance future projects for the growth of the business  
7. Maintain relationships with banks and capital markets

**(2 marks)**

(b) **Internal**

- Retain profits
- Provision for depreciation
- Selling assets

**External**

- Issuing shares
- Issuing debentures
- Bank loans
- Leasing

**(2 marks)**

(v) (a) Stock turnover ratio

$$\frac{\text{Cost of sales}}{\text{Average stocks}} = \left( \frac{110\,000}{55\,000} \right) = 2$$

**(2 marks)**

(b) Profitability ratios

$$\frac{\text{Net profits}}{\text{Invested capital}} \times 100$$

$$\begin{array}{l} \text{A} \\ \frac{60\,000}{300\,000} \times 100 \\ 20\% \end{array}$$

$$\begin{array}{l} \text{B} \\ \frac{40\,000}{120\,000} \times 100 \\ 33\frac{1}{3}\% \end{array}$$

A Ltd generates 20% return and B Ltd generates 33.3% return on capital invested, therefore B Ltd is much for successful. **(2 marks)**

8. (i) (a) Job designing, Job analysis, Man power planning, employee recruitment, employee selection, Hiring, induction **(2 marks)**

(b) It is the process of attracting job applicants with required skills and positive attitudes using computers and internet who are capable to support the organization to achieve its goals. **(1 mark)**

★ High usages to the business

★ High administrative convenience

★ Cost can be minimized

★ Documentation cost can be minimized **(1 mark)**

(ii) (a) They are reactive, active, and alive, they can control other resources, they can be motivated, they can be developed through training **(4 marks)**

(b) It's the output of an employee within a given time period

$$\text{Labour productivity} = \frac{\text{Output within the given period}}{\text{Total number of employee}} \quad \textbf{(1 mark)}$$

(c) It an agreement made by both employees and employers through a collective bargaining process they have implemented. It is a written agreement prepared by employees and employer through discussions. **(1 mark)**

(iii) (a) Prisons, Tri-forces, Police **(1 mark)**

(b) It is a combination of devices that are used to collect, process, and distribute information to facilitate the decision making activities of the business. **(1 mark)**

(iv) **Based on management level**

1. Strategic level system
2. Management level system
3. Knowledge level system
4. Operational level system

**(2 marks)**

**Based on usage**

1. Transaction processing system (TPS)
2. Knowledge work systems (KWS)
3. Office automation systems (OAS)
4. Management information systems (MIS)
5. Decision support system (DSS)
6. Executive support system (ESS)

**(2 marks)**

- (v) (a)
1. To achieve the goals and objectives of the business
  2. To earn a guidance to the business
  3. To be presented to a bank to obtain a bank loan
  4. To attract employees to main organizational positions

**(2 marks)**

- (b)
1. Break-even point analysis
  2. Estimated income statement
  3. Estimated balance sheet
  4. Estimated cash flow statement

**(2 marks)**