

**MINISTRY OF EDUCATION AND HIGHER EDUCATION**

**FORM FOUR EXAMS, 2011**

# **BUSINESS**



**P/LAND NATIONAL EXAMINATION BOARD**

Name .....

School .....

Roll Number.....

**Puntland State of Somalia**

**Ministry of Education**

**Puntland National Examination Board**

**Form 4**

**BUSINESS STUDIES EXAMINATION**

**2011**

**Time 2 hours**

Plus 10 minutes before the exam for reading through the paper

**TOTAL TIME 2 hours 10 minutes**

**INSTRUCTIONS TO CANDIDATES**

This paper consists of 15 printed pages.

Count them now. Inform the invigilator if there are any missing.

PART 1: ( 10 Multiple choice questions): 10 marks

PART 2:( 9 Structured questions): 90 marks

TOTAL 100 marks

- Answer ALL questions.
- All answers and working must be written on this paper in the spaces provided immediately after each question.
- Rough work can be done on page 2 and 3. This will not be marked
- If you make a mistake cross out the incorrect answer clearly and write your correct answer.





**PART 1 (A): Answer ALL multiple choice questions. 10 marks. Circle the correct answers.**

1. Which of the following is usually true about poor quality products?
  - A. They are in demand
  - B. They fail to meet customer expectations
  - C. They are cheap
  - D. They are expensive
  
2. The minimum number of share holders to register a business as a company is
  - A. 3
  - B. 7
  - C. 10
  - D. 2
  
3. How would a drug company stop rivals from copying a new drug?
  - A. Register a patent
  - B. Use branding
  - C. Use advertising
  - D. Informing the police.
  
4. What do economies of scale result in?
  - A. Lower unit costs
  - B. Unchanged unit costs
  - C. Higher unit costs
  - D. Lack of cash flow problems
  
5. Which of the following best describes finance?
  - A. Funds for a business
  - B. Customers for a business
  - C. Profits for a business
  - D. Stakeholders for a business
  
6. How do you reduce the risk of starting a new business?
  - A. Advertising
  - B. Planning
  - C. Promotion
  - D. Investment



7. When a small change in price has relatively large effect on the quantity demanded, then the demand is
- |    |                   |    |                     |
|----|-------------------|----|---------------------|
| A. | Inelastic         | B. | Elastic             |
| C. | Perfectly elastic | D. | Perfectly inelastic |
8. The main reason why people may start business is
- |    |                   |    |                  |
|----|-------------------|----|------------------|
| A. | Wanting easy life | B. | Extra work       |
| C. | Independence      | D. | Earning a profit |
9. How can an entrepreneur create a competitive advantage?
- |    |  |
|----|--|
| A. | By selling the same products as rivals |
| B. | By opening many hours                  |
| C. | By improving customer service          |
| D. | By launching a new business            |
10. Staff demand a 5% pay increase. Which stakeholder is most likely to be affected?
- |    |           |    |                 |
|----|-----------|----|-----------------|
| A. | Owners    | B. | Consumers       |
| C. | Suppliers | D. | Local community |

**PART 2: STRUCTURED QUESTIONS. 90 MARKS**

**QUESTION ONE ( 10 Marks)**

1 (a) When someone sets up their own business for the first time they often decide to operate as a sole trader.

(i) State and explain two features of a sole trader business.

- a) .....
- .....
- .....
- b) .....
- .....
- .....
- .....[4 marks]

(ii) Give three reasons why people may set up their own business.

- a) .....
- .....
- b) .....
- .....
- c) .....
- .....[3 marks]

iii) Fill in the blank spaces

**Trading account**

Sales revenue		40,000 sh.so
Opening stock.	5,000 sh.so	
Purchase	15,000 sh.so	
Closing stock	2,000 sh.so	
Cost of sales		.....
Gross profit		.....

[ 3 marks]



**QUESTION TWO ( 12 Marks)**

a) Outline two features of an effective communication system in a business.

- i) .....
- .....
- ii) .....
- .....

[2 marks]

(b) State and explain two functions of the management of a business.

- i). .....
- .....
- ii).....
- .....

[ 4 marks]

c) Match the budget types in Column 1 with the explanations in Column 2 by placing the letter of the correct explanation under the relevant number below.

Column 1: Budget Type	Column 2: Explanation
1. Balanced Budget	A. Income is greater than Expenditure
2. Budget Surplus	B. Income is less than Expenditure
3. Budget Deficit	C. Income equals Expenditure

1	2	3

[3 marks]

d) Buying food is essential spending. Give three other examples of essential spending.

- i) .....
- ii) .....
- iii) .....

[3 marks]



**QUESTION THREE (9 Marks)**

(a) State two factors that influence the demand for a product

- i).....
- ii) ..... [ 4 marks]

b) What is product promotion?

.....  
..... [2 marks]

(c) The following were extracted from the books of a Garowe Trading Company on  
30<sup>th</sup> March 2010.

<u>Balances</u>	<u>Sh.so</u>
Creditors	21,000
Stock	15,200
Cash in hand	5,700
Debtors	3,610
Equipment	12,000
Capital	7,950
Bank overdraft	7,560

Prepare the balance sheet of the business as at March 30<sup>th</sup> 2010. [ 3 marks]





**QUESTION FOUR ( 8 Marks)**

a) An engineering company is opening a new factory in Burtinle.

i) Give one advantage that the new factory might bring to the town.

.....(1 mark)

ii) Give one possible disadvantage that the new factory might bring to the town.

.....(1 mark)







b) Complete the following sentence:

Closing Stock means: .....

.....

..... ( 1 Mark)

c). Which three of the following are examples of fixed costs paid by a coffee shop in Burtinle?

<p>Monthly payment for coffee making machine.</p> 	<p>Bill for electricity to power the coffee making machines.</p> 
<p>Payment of business rates on premises.</p> 	<p>Cost of ingredients.</p> 
<p>Value Added Tax paid to the Government.</p> 	<p>Rent for shop.</p> 

i) .....

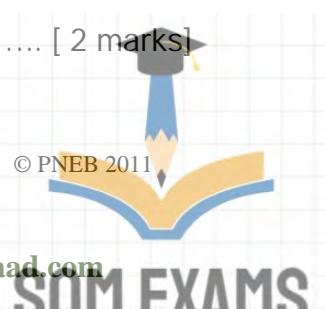
ii) .....

iii) ..... [ 3marks]

d) Explain two reasons why Puntland imports goods.

i) .....

ii) ..... [ 2 marks]



**QUESTION FIVE ( 10 Marks)**

a) Asha is a fruit retailer in Galkayo. She buys her stock from a market wholesaler.

(i) State and explain two factors that Asha should consider before deciding the prices to charge her customers.

.....  
.....  
.....  
.....  
..... [4marks]

(ii) Apart from advertising, suggest a promotion method that Asha can use to increase her sales. Justify your answer.

.....  
.....  
.....  
..... [2 marks]

b) Asha knows that advertising can help to increase her sales.

(i) Explain why advertising can increase sales.

.....  
.....  
..... [2 marks]

(ii) Advertising is not always successful. Explain why.

.....  
.....  
..... [2 marks]



**QUESTION SIX ( 11 Marks)**

a) Define each of the following terms.

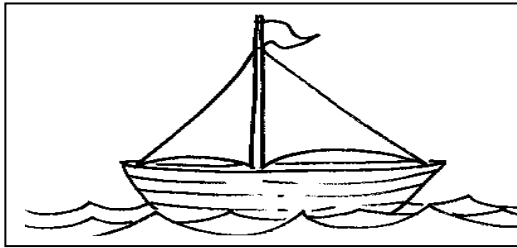
i). Fixed cost: .....

.....

ii). Variable cost: .....

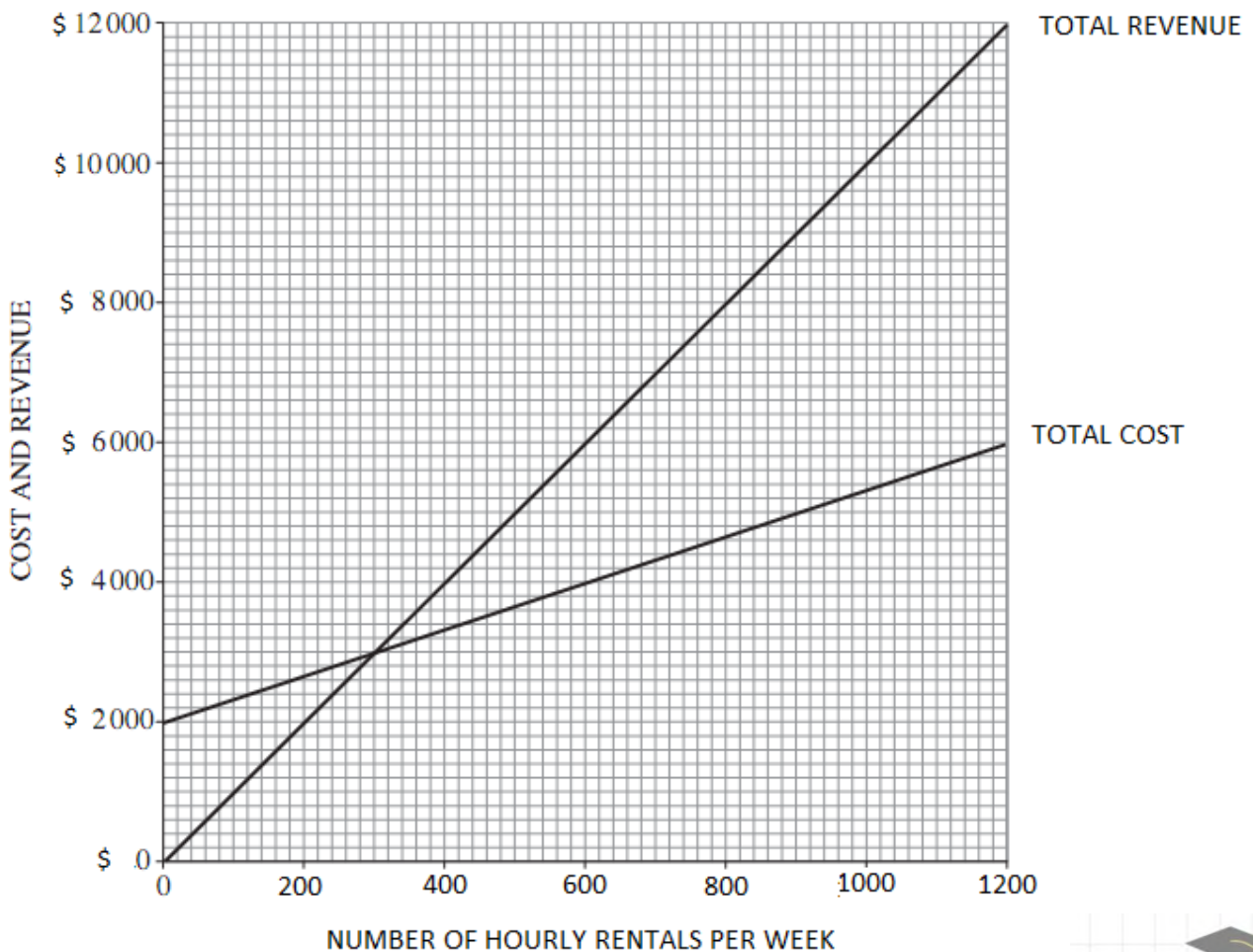
..... [ 4 marks]

b)



Hassan has 20 boats and his business is open for 60 hours per week in Bosaso. He charges \$10 an hour for the use of his boats.

Below is a break-even chart for each week that Hassan operates his business.



(c) Use the graph to identify each of the following:

(i) Hassan's weekly fixed costs

.....  
..... [1 mark]

(ii) Hassan's total revenue when he breaks-even

.....  
..... [1mark]

(iii) Hassan's profit if he rents out boats for a total of 600 hours in a week.

.....  
..... [2 marks]

d). What is opportunity cost? Give two examples of opportunity costs

.....  
..... [3 marks]

**QUESTION SEVEN ( 11 Marks)**

a) State two reasons why Puntland farmers should keep farm accounts.

i) .....  
.....  
ii) .....  
..... [2 marks]

b) Explain the terms

i) Dividend Paid

.....  
..... [ 1 Mark]

ii) Limited Liability

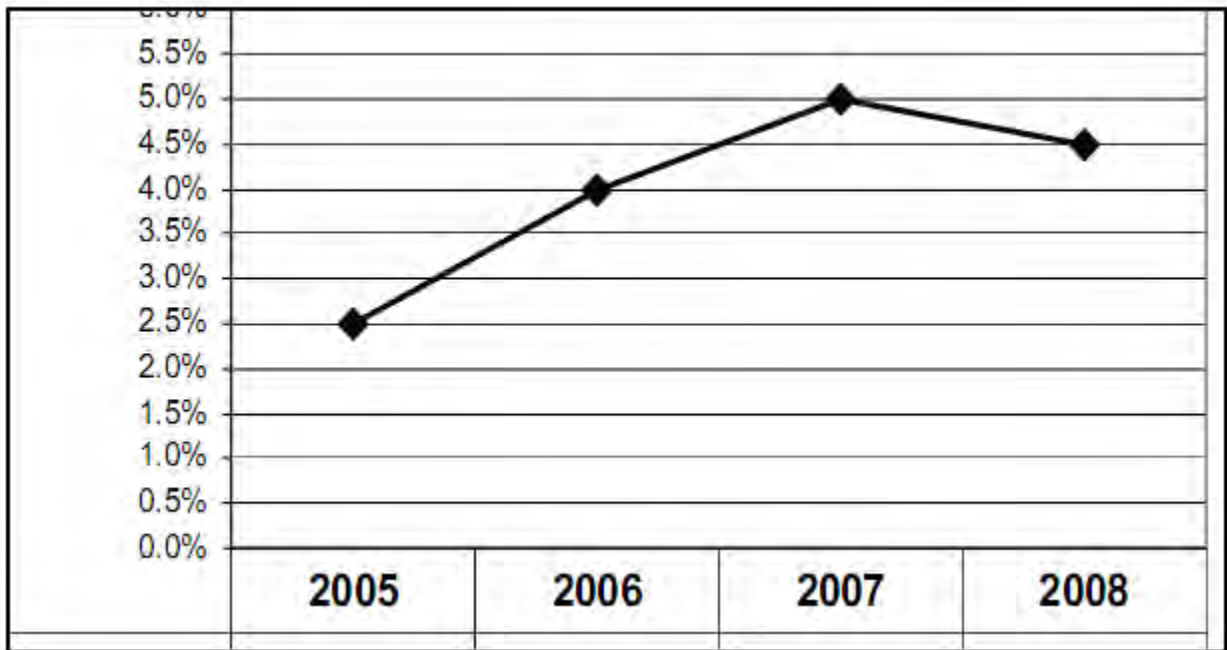
.....  
..... [ 1 Mark]



iii) Inflation

.....  
..... [ 1 Mark]

c) The following chart shows the rate of inflation in Puntland for the years 2005-2008:



(i) Identify the year that had the highest rate of inflation.

.....[1 mark]

(ii) Identify the year that had the lowest rate of inflation.

.....[1 mark]

(iii) Calculate the average rate of inflation over the four years.

.....  
.....  
.....[2 marks]

(iv) If your pocket money was \$20 per week in 2006, calculate how much you would need to receive per week in 2007 to keep up with inflation. Show your answer and workings.

.....  
.....  
.....[2 marks]



**QUESTION EIGHT ( 9 Marks)**

a) In each space below, write the most appropriate document name from the following list:

**INVOICE    QUOTATION    ORDER    STATEMENT    DELIVERY NOTE**

(Two of the documents above do not refer to any of the explanations below.)

DOCUMENT	EXPLANATION
i)	This gives advance information on the price of the goods and the terms of sale.
ii)	This is a summary of a month's transactions sent by a seller to a customer.
iii)	This shows the quantity, description, price and total cost of the goods purchased.

[ 3 marks]

b) Name the 4 stages in the life cycle of a product

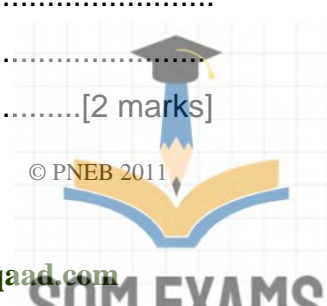
.....  
 .....  
 .....  
 ..... [2 marks]

c) Discuss the points that a memorandum of Association outlines

.....  
 .....  
 .....  
 ..... [2 marks]

d) What is the main difference between trading account and profit and loss accounts?

.....  
 .....  
 .....  
 ..... [2 marks]



**QUESTION NINE ( 10 Marks)**

The following trial balance relates to Gardo Enterprises for the year ended 31/12/2010

**Gardo Enterprises  
Trial balance  
As at 31/12/2010**

	Dr	Cr
Purchases	23,100	
Stock 1/01/2009	10,000	
Sale	.....	49,000
Rent	2,500	
Machinery	30,000	
Creditors	.....	36,000
Salaries	12,000	
Lighting expenses	1,500	
Debtors	7,000	
Bank overdraft	.....	13,500
Returns out	.....	2,000
Cash	5,000	
Bank	18,000	
Return in	3,200	
Drawings	15,000	
Capital	.....	26,800
	127,300	127,000

More information

Closing stock	6,500	sh.so
Debtor	14,100	sh.so

Prepare

- i) The trading account of Gardo Enterprise at 31/12/2010
- ii) Profit and loss account of Gardo Enterprise as at 31/12/2010



