

## G.C.E. (A/L) Examination – 2021 (2022)

### 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

$(i) \quad \frac{4}{5} \quad + \quad (ii) \quad \frac{3}{5} \quad + \quad (iii) \quad \frac{3}{5} \quad = \quad \square \frac{10}{15}$

### 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.

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Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka Department of Examinations, Sri Lanka  
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අධ්‍යයන පොදු සහතික පත්‍ර (උසස් පෙළ) විභාගය, 2021(2022)  
கல்விப் பொதுத் தராதரப் பத்திர (உயர் தர)ப் பரீட்சை, 2021 (2022)  
General Certificate of Education (Adv. Level) Examination, 2021 (2022)

ව්‍යාපාර අධ්‍යයනය I  
வணிகக் கல்வி I  
Business Studies I

32 E I

පැය දෙකයි  
இரண்டு மணித்தியாலம்  
Two hours

### Instructions:

- \* Answer *all* questions on this question paper itself.
- \* Write your *Index Number* clearly in the space provided above.
- \* Select the correct answers for questions from 1-30 and write its number on the dotted line given.
- \* Write short answers for questions from 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	
TOTAL		Chief	
		E.M.F.	

1. Through every good and service, consumers'

- (1) needs are fulfilled.
- (2) wants are fulfilled.
- (3) needs and wants are fulfilled.
- (4) needs are fulfilled using scarce resources.
- (5) wants are fulfilled using scarce resources.

(.....)

2. Primary products mean

- (1) by-products.
- (2) unprocessed raw materials.
- (3) supportive services.
- (4) partly finished goods.
- (5) finished goods.

(.....)

3. 'Value added' for a product means, the

- (1) cost of raw materials.
- (2) cost of production.
- (3) sum of the production cost and profit.
- (4) difference between production cost and sales price.
- (5) value increment at every stage of production.

(.....)

4. The input - output process of an organization is reflected through the

- (1) financial process.
- (2) production process.
- (3) purchasing process.
- (4) marketing process.
- (5) information management process.

(.....)

5. A force of a business's task environment would be

- (1) consumers
- (2) managers
- (3) employees
- (4) organizational structures
- (5) owners

(.....)



6. By engaging in community welfare services, businesses fulfill social responsibilities for the  
 (1) government (2) society  
 (3) country (4) customers  
 (5) owners (.....)
7. When buying goods from a supermarket, a consumer can  
 (1) get employees' direct attention.  
 (2) obtain any service.  
 (3) buy goods on credit.  
 (4) choose from a range of products.  
 (5) bargain on the price of the goods. (.....)

8. The following table provides the 4R concept of waste management and examples related to them.

Concepts	Examples
(i) Recycle	A - Reading letters on the computer screen instead of printing.
(ii) Replace	B - Use of waste paper to make short notes.
(iii) Reduce	C - Producing Olympic medals using discarded mobile phone parts.
(iv) Reuse	D - Producing organic fertilizer using waste fruits and vegetables.

Based on the order of the concepts stated above, which option correctly matches with the examples?

- (1) A, D, B, C (2) B, C, A, D (3) B, D, C, A  
 (4) D, A, C, B (5) D, C, A, B (.....)
9. The following table provides business objectives and activities used to achieve them.

Objectives	Activities
(i) Increase sales revenue	A - Enhancing inter-relations between departments.
(ii) Increase cashflow	B - Improving the quality of goods.
(iii) Increase consumer satisfaction	C - Providing insurance facilities.
(iv) Enhance employees' skills	D - Offering trade discounts.
(v) Increase employee welfare	E - Minimizing the debt turnover period.

Based on the order of the objectives given above, which of the option correctly matches with the activities?

- (1) A, D, E, C, B (2) B, E, C, A, D (3) B, C, D, E, A  
 (4) D, B, A, E, C (5) D, E, B, A, C (.....)
10. In tax computation, when a company sells a fixed asset, the amount received in excess of the cost is considered as a  
 (1) profit (2) capital gain (3) revenue  
 (4) capital reserve (5) revenue gain (.....)
11. Section 24 of the Partnership Ordinance indicates  
 (1) partners should be paid an interest on capital.  
 (2) partners are entitled for a 5% interest for the additional capital invested.  
 (3) a salary should be paid for the services rendered by partners.  
 (4) a new partner should be admitted with the consent of one partner.  
 (5) profits or losses should be shared according to the ratio of capital invested by partners. (.....)

12. When comparing with ordinary shareholders, preference shareholders are

	voting rights	priority of refunding investment in liquidation	priority for dividends
(1)	entitled	entitled	entitled
(2)	entitled	entitled	not entitled
(3)	not entitled	not entitled	not entitled
(4)	not entitled	entitled	entitled
(5)	not entitled	not entitled	entitled

(.....)

13. Entrepreneurs always

- (1) expect financial gains only.
- (2) expect a higher social status.
- (3) invest resources in new business ventures.
- (4) involved in the ongoing business as it is.
- (5) allow managers to make all decisions.

(.....)

14. Online transactions are performed without

- (1) institutional involvement.
- (2) financial involvement.
- (3) electronic equipment involvement.
- (4) supplier involvement.
- (5) intermediary involvement.

(.....)

15. Life insurance

- (1) is equivalent to a saving.
- (2) is based on indemnity principle.
- (3) can be transferred to someone else.
- (4) is not bounded by a specific risk.
- (5) should be renewed annually.

(.....)

16. Following are some of the employee motivation methods.

- |  |                            |
|--|----------------------------|
| A - promotion                                  | F - training               |
| B - share ownership                            | G - bonuses                |
| C - awards                                     | H - performance evaluation |
| D - loan facilities                            | I - allowances             |
| E - providing products at concessionary prices |                            |

Out of the above, what is the option which contains only financial motivation methods?

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

(.....)

17. The following table provides messages and some communication methods.

Messages	Communication Methods
(i) Publishing the list of student names who have passed an examination in a school	A - letter
(ii) Communicating a quick order to an international supplier verbally	B - email
(iii) Informing an employee appointment by post.	C - notice board
(iv) Quickly sending a detailed road map which shows how to reach an organization	D - conference
(v) Conducting an awareness program on economic status of a country	E - telephone call

Which option correctly matches the given order of messages with the communication methods stated above?

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

(.....)



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- 4 -

18. Following are some of the attributes of a logistics system.

- |                                 |  |
|---------------------------------|--|
| A - Ordering goods              | F - Ensuring quality                                     |
| B - Receiving stocks            | G - Inspecting goods                                     |
| C - Connecting with customers   | H - Ensuring accuracy                                    |
| D - Promoting sales             | I - Maintaining an equilibrium between demand and supply |
| E - Retrieving stocks for issue | J - Involving in research and development activities     |

Out of the above, what is the option which relates only to attributes of warehousing?

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

19. The following table provides products and some channels of distribution.

Products	Channels of distribution
(i) Vegetables of Nuwara Eliya	A- Producer → Retailer → Consumer
(ii) Imported milk powder	B- Producer → Wholesaler → Retailer → Consumer
(iii) Wedding cake	C- Producer → Consumer
(iv) Small scale home grown fruits	D- Producer → Agent → Wholesaler → Retailer → Consumer

What is the option that correctly matches the given order of products with the relevant channels of distribution?

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

20. Managers with human skills

- (1) are sensitive to employees' needs.
- (2) always provide leadership for employees.
- (3) value only the employee skills.
- (4) are important for top management only.
- (5) are important for middle management only. (.....)

21. A business vision indicates

- (1) the ability to influence employees in reaching specific goals.
- (2) direction of the business should move towards and compresses the entire affairs of the organization.
- (3) sharing managers' objectives with employees and motivate them.
- (4) that the business is flexible, adaptable and efficient.
- (5) the ability of identifying proper strategies for problem-solving. (.....)

22. A service providing organisation is distinguished from a manufacturing organisation based on

- |                          |                                       |
|--------------------------|---------------------------------------|
| (1) labour cost.         | (2) material cost.                    |
| (3) capital cost.        | (4) the direct customer relationship. |
| (5) the product quality. | (.....)                               |

23. **Statement A** : 'Quality control' means a process of inspecting products to assure that the production is free from any defect.

**Statement B** : Since the product does not contain any defects through quality control, every product unit is of high quality.

Out of the above two statements,

- (1) **A** is correct and **B** is incorrect.
- (2) **A** is incorrect while **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**. (.....)

24. Annual fixed cost of a production firm is Rs. 92 000 while raw material and labour cost per unit is Rs. 5. If the selling price of a unit is Rs. 9, the profit earned by producing 25 000 units would be,  
 (1) Rs. 8 000 (2) Rs. 33 000 (3) Rs. 125 000  
 (4) Rs. 133 000 (5) Rs. 225 000 (.....)
25. Following are some of the activities a business can implement to increase sales  
 A - providing sponsorships E - issuing loyalty points  
 B - improving efficiency F - advertising  
 C - distributing samples G - delivering for free  
 D - reducing prices H - providing coupons  
 Out of the above, what is the option that belongs only to sales promotion?  
 (1) A, B, E, F, G (2) A, D, E, G, H (3) B, D, E, G, F  
 (4) C, D, E, G, H (5) C, E, F, G, H (.....)
26. The liquidity ratio of a business was 3:1 in 2019 and 1:1 in 2020. This indicates,  
**Statement A** : Liquidity has been improved.  
**Statement B** : Short-term loans could be easily settled.  
 Out of the above two statements,  
 (1) **A** is correct while **B** is incorrect.  
 (2) **A** is incorrect while **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**. (.....)
27. Out of the following, select the most relevant statement connected to human resource management.  
 (1) Training of technical employees is orientation.  
 (2) Employee movement is employee promotions.  
 (3) Measuring employee work and results is performance evaluation.  
 (4) Training of employees is on-the-job training.  
 (5) The training to enhance job performance is employee development. (.....)
28. Out of following which one is **not** included in the category of specialized financial institutions?  
 (1) Unit trusts. (2) Stocks brokers.  
 (3) Venture capital companies (4) Primary dealers.  
 (5) Insurance companies. (.....)
29. Some of the data and information of a business are given below.  
 A - Timetables F - Quantity sold  
 B - Weight per unit G - Names of employees  
 C - Student record books H - Cash receipts  
 D - Price of products I - Tax codes  
 E - Payment vouchers  
 Out of the above, what is the option which contains only data?  
 (1) A, C, F, G, H (2) B, D, F, G, I (3) B, D, E, G, I  
 (4) C, D, E, G, H (5) C, E, F, H, I (.....)
30. Fixed cost of a biscuit manufacturing company is Rs. 2 000. Variable labour cost per unit is Rs. 5. Average cost of producing 1000 units would be  
 (1) Rs. 2 (2) Rs. 3.50 (3) Rs. 7 (4) Rs. 10 (5) Rs. 12 (.....)



- Answer Question No. 31 to 40, by filling in the blanks with a **suitable word / words**.

31. (a) Based on physical existence, a computer is an example for a ..... good and a computer software is an example for an ..... good.  
 (b) Conducting all types of business activities via the internet is electronic ..... and it is a sub-set of electronic .....
32. (a) The process of splitting the target market is called as market ..... and creating a positive attitude in consumers' mind for a brand is called as market .....  
 (b) While traders create a ..... brand, a national brand is created by .....
33. (a) A toothpaste tube is a ..... package and the box it contains is a ..... package.  
 (b) While ordinary shares belong to ..... capital, preference shares belong to ..... capital.
34. State the functions of money relating to the examples given below.

Examples	Function
1. Buying a watch for Rs. 8 000	1. ....
2. Saving Rs.25 000	2. ....
3. Buying goods on credit and paying after 6 months	3. ....
4. Pricing a mobile phone for Rs. 30 000	4. ....

35. (a) Non-store ..... means a trade which is conducted without a ..... store.  
 (b) B2G is a business model which trades goods, services and information via internet from ..... to .....
36. (a) The Standing Rate Corridor of the Central Bank of Sri Lanka consists of standing ..... facility rate and standing ..... facility rate.  
 (b) Chief Executive Officer (CEO) belongs to the ..... management and sales manager belongs to the ..... management.
37. (a) Indo - Lanka trade agreement is a ..... lateral agreement where as North American Free Trade Agreement (NAFTA) is a ..... lateral agreement.  
 (b) ISO ..... is relevant for environmental management and ISO 22000 is relevant for ..... security management.
38. (a) Personnel connected with information systems are called as ..... whereas permanently stored software of a device is called as .....  
 (b) Resignation from employment is an act of an ..... whereas termination from employment is an act of an .....

39. (a) Job vacancies of an organization can be filled by ..... as well as ..... personnel.

(b) Payments made for employees for normal working hours are ..... and payments made for additional working hours are .....

40. (a) Payment for suppliers of a cashflow statement is considered as an ..... activity and purchasing of fixed assets is considered as an ..... activity.

(b) The Central Depository Systems (Private) Limited is a wholly owned subsidiary of the Colombo Stock Exchange which functions as a market ..... and ..... house.

- Answer question No. 41 - 50, writing the **suitable answers** in the space provided.

41. State **four** ways how the government support and direction for businesses would be important for a businessman.

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

42. Write **four** characteristics of a business which comes under the purview of a local authority.

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

43. Name **four** main resources required for a business.

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

44. State **two** listed and non-listed businesses for each based on ownership.

Listed	Non-Listed
(1) .....	(1) .....
(2) .....	(2) .....

45. State **four** types of factors that differentiate small and medium scale businesses from large scale businesses.

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

46. Name **four** types of computer network systems which can be used for a business.

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

47. Based on the statements given below, name the most relevant stakeholder of a business.

Statement	Stakeholder
1. Return on investment is higher than the previous year	1. ....
2. When compared to the other companies, this company provides a greater value for the products purchased.	2. ....
3. It is important to pay more attention for product pricing and marketing tools.	3. ....
4. This company has ensured employee job security.	4. ....

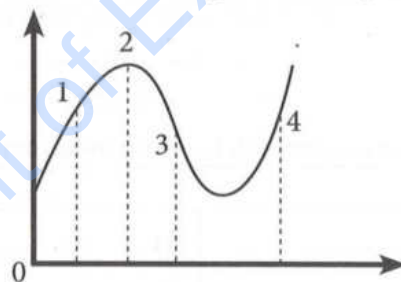
48. Write **two** pros and cons of a wider span of control, when compared to a narrower span of control.

pros	cons
(1) .....	(1) .....
(2) .....	(2) .....

49. Write an opportunity and a threat which can occur through electronic marketing to businessman and consumer.

	Businessman	Consumer
<b>Opportunity</b>	.....	.....
<b>Threat</b>	.....	.....

50. Name the stages indicated by 1, 2, 3 and 4 of the product life cycle shown below.



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

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இலங்கைப் பரீட்சைத் திணைக்களம்  
අ.පො.ස. (උ.පෙළ) විභාගය/ க.பொ.த. (உயர் தர)ப் பரீட்சை 2021 (2022)

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

❖ විශේෂ උපදෙස්/ விசேட அறிவுறுத்தல் :

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

මුළු ලකුණු/மொத்தப் புள்ளிகள் = 02 x 30 = 60

- 
31. (a) Tangible  
Intangible
- (b) Business  
Trade / Commerce
32. (a) Market Segmentation  
Positioning
- (b) Private  
Producer
33. (a) Primary  
Secondary
- (b) Equity  
Debt
34. (a) 1. Medium of exchange  
2. Store of value  
3. Deferred payment method  
4. Measure of value
35. (a) Retailing  
Physical
- (b) Business  
Government
36. (a) Deposit  
Lending
- (b) Top, Middle
37. (a) Bi  
Multi
- (b) 14001  
Food
38. (a) Liveware  
Firmware
- (b) Employee  
Employer
39. (a) Internal                      OR                      External  
External                      Internal
- (b) Wages/salaries, Overtime

- 32 - Business Studies (Marking Scheme) G.C.E. (A/L) Examination – 2021(2022) / Amendments to be included.



45.

1. Amount of capital invested
2. No. of employees
3. Energy used
4. Annual Turnover
5. Organization Structure
6. Technology used
7. Nature of the market
8. Business ownership

- 46.
- LAN                      -              Local Area Network
  - PAN                      -              Personal Area Network
  - WAN                      -              Wide Area Network
  - MAN                      -              Metropolitan Area Network
  - WLAN                    -              Wireless Local Area Network
  - VPN                      -              Virtual Private Network

- 47.
- Owner or Investor
  - Customers / Consumers
  - Managers
  - Employees

48.

Advantages	Disadvantages
1. Quick decision making	1. Less opportunities for employee promotion
2. Easy supervision	2. Poor discipline due to more autonomy
3. Reduce cost	3. Difficult in employee evaluation
4. Easy Communication	4. Inefficient resource utilization
5. Easy coordination	

49.

Opportunities for businessmen	Opportunities for Consumers
1. Expansion of market globally	24 hours transaction
2. Reduction of cost due to elimination of middleman	Quick and easy ordering
3. Ability to obtain market information easily	Greater choices
4. Increase in sales	Comparatively low prices

Threats for businessmen	Threats for Consumers
1. High competition	Frauds and corruption
2. Less technological facilities	Security issues
3. Negative reviews	Payment issues
4. -	Misleading information

50.

1. Growth
2. Maturity
3. Decline
4. Re-growth

### Part I

1. Automobile Company Limited assembles and sells zero-emission motor vehicles in Sri Lanka. Although a large number of employees work in the company, an employee performs only a single task. In addition, the company offers after-sales-services for customers. Moreover, the company began to produce spare parts this year. The company pays a large sum of income tax to the government and contributes to regional infrastructure development.

(i) (a) Name the **two** products that the company offers for customers with examples.

Goods :-      Motor Vehicles  
                  Spare Parts

Services:- after-sales service  
Sales/marketing

(1 mark for 2 points)

(1 mark for example)

(b) State **four** ways how the company has contributed to sustain the economy.

1. Contribution for national production
2. Creating employment opportunities
3. Increase in government tax revenue
4. Regional infrastructure development
5. Innovation

(2 marks for 4 points)

(ii) (a) Based on the above case, name **four** forces that influence the business of the company.

1. Owners
2. Employees
3. Customers
4. Government
5. Natural Environment
6. Suppliers

(2 marks for 4 points)

(b) Explain **two** reasons why businesses should aim for profits.

1. Business development / re – investment / Continuity of business
2. Returns for investors
3. Returns for employees

(2 marks for 2 points with explanation)

(iii) (a) In addition to the after-sales-services, briefly describe **two** other services that can be offered by the company for customers.

1. Insurance facilities
2. Finance/credit facilities
3. Transport facilities

(2 marks for 2 points with explanation)



(b) Explain what is meant by “an employee performs only a single task” and state **two** advantages the company can obtain from it.

- Division of labour

(1 mark)

**Advantages**

1. Job Specialization
2. Reduction in unit cost
3. Increase in production volume
4. Promoting innovation

(2 marks for 2 points)

(iv) Explain **three** benefits the business could accomplish by fulfilling social responsibilities.

1. Assure continuity of the business
2. Increase goodwill of the business
3. Ensure trust on business
4. Increase customer satisfaction
5. Easy to achieve business goals and objectives
6. Expansion of markets
7. Ability to face competition
8. Ability to secure investments

(3 marks for 3 points)

(v) Explain **four** ways in which motor vehicle manufacturers could contribute to environmental sustainable development.

1. Formulating environmentally friendly policies
2. Producing electrical vehicles
3. Producing light vehicles/ fuel-efficiency
4. Managing waste and raw material / re – using and recycling raw materials
5. Producing vehicles operated by renewable energy sources  
(Example: Use of solar power)

(4 marks for 4 points)

2. Below are some opinions shared by Mrs. Shalika about her apparel production business.

“Although the business which I have started by investing a small amount of money is challenging, it is subjected to a few rules and regulations in operations. All the decisions and responsibilities about the business are undertaken by myself. Eventhough, I intend to convert this business into a partnership, my accountant stated that it is appropriate to register as a private limited company.”

- (i) (a) Indicate the type of the above business based on ownership.

- Private

(1 mark)

- (b) Using the above scenario, state **three** reasons for classifying the business as above in (a).

1. Only owner has invested money in the business
2. Owner makes decisions on her own
3. Owner take sole responsibility / face risks alone
4. Owner enjoys the returns alone

(3 marks for 3 points)

- (ii) (a) Describe the procedure to be followed if Shalika intends to register her business as ‘Viana Textiles’.

1. Obtain the application for registration from the area's Divisional Secretariat
2. Obtain the business registration report form the respective Grama Niladhari officers
3. Make the payment at the respective D.S. office by submitting the report obtained from the G.N. and the filled application form
4. D.S. will issue the business registration certificate after verifying the documents

(2 marks for 4 points)

- (b) Name **one** internal and **one** external sources of funding Shalika's business can use and state an advantage of each.

Internal: Retained profit, Provisions for depreciation, sale of surplus assets

(1/2 mark for 1 point)

Advantages: 1. Less cost  
2. Quick access  
3. No repayment

4. No increase of liabilities
5. Not subjected to special conditions

(1/2 mark for 1 point)

External :- Bank loan, lease, over draft, hire purchase

(1/2 mark for 1 point)

- Advantage:-
1. Can obtain a larger amount
  2. Easy / quick access
  3. Ability to obtain tax relief

(1/2 mark for 1 point)

(iii) (a) State **four** limitations of Shalika's business.

1. Unlimited liability of the owners
2. Difficulty in finding capital
3. No legal personality for business
4. As the owner makes decisions alone there can be, chances for failures
5. Ensuring continuity of business is problematic
6. Difficulty in controlling, when the business expands
7. Bear losses alone

(2 marks for 4 points)

(b) If Shalika expects to establish a sales outlet to sell her products, name the type of business combination it belongs to and explain it briefly.

Vertical Integration / forward integration

(1 mark)

- Vertical integration allows the business to move from manufacturing to sales stages

Apparel manufacturing



Apparel sales

(1 mark)

(iv) State **four** benefits Shalika can enjoy by converting her business into a partnership.

1. Can take more successful decisions
2. Can collect more capital
3. Can share responsibilities among others



4. Synergize various competencies and skills
5. Increase efficiency and motivation due to collective responsibility
6. Sharing risks

(4 marks for 4 points)

(v) (a) Write **four** advantages that can be claimed by registering a business as a private limited company compared to a partnership.

1. Can raise a relatively a large amount of capital
2. Obtain a legal personality for the business
3. Ensure continuity of business
4. Limited liability
5. Ability to attract competent / skilled personnel

(2 marks for 4 points)

(b) State **four** characteristics of a public corporation.

1. Owned by the state
2. Incorporated by a special or general act of legislature
3. Possesses a legal personality
4. Liable for the legislature
5. Managed by a government appointed board of directors
6. Can raise capital through government loans, dividends, and reinvestments
7. The main objective is to provide an efficient service for the public.

(2 marks for 4 points)

3. (i) (a) State **four** non-financial incentives the government offers to promote small and medium enterprises in Sri Lanka.

1. Advocacy
2. Entrepreneurship development programs
3. Provide research and technical services
4. Providing infrastructure facilities
5. Providing sales facilities / market facilities
6. Rewarding for excellence

(2 marks for 4 points)

(b) Indicate **four** functions of venture capital companies.

1. Advocacy for new businessmen
2. Provide seed capital for new ventures
3. Finance for expansion of business
4. Finance business acquisitions
5. Financing purchasing of businesses
6. Share underwriting
7. Loan syndication
8. Loan and financing

(2 marks for 4 points)

(ii) (a) Indicate **four** advantages businesses could gain through stabilizing the value of local currency by the Central Bank of Sri Lanka.

1. Facilitate business planning
2. Motivate investors
3. Ensure import and export activities are carried out at an optimal level
4. Stabilize pricing policies
5. Ensure turnover income at an optimal level
6. Ensure costs are maintained at an optimal level

(2 marks for 4 points)

(b) Briefly describe **two** roles of primary dealers in the capital market.

- Take part in primary auctions conducted by Ministry of Finance (Loan)
- Participate in the secondary market of treasury bills transactions

(2 marks for 2 points)

(iii) (a) State **four** advantages businessmen can obtain through the services of leasing companies.

1. Can utilize assets without paying the full cost
2. Lease instalment exempted from income – tax
3. Can avoid losses from obsolescence of assets and capital losses
4. Can enjoy a good return without a huge investment

(2 marks 4 points)

(b) Write **two** advantages and **two** disadvantages the customers can get from Autom

#### Advantages

1. Can make withdrawals using the teller card
2. Can deposit cash to the account
3. Can transfer cash between accounts
4. Can check the account balance
5. Can make utility payments
6. Can obtain service 24/7

Disadvantages

1. Technical difficulties / errors
2. Security problems
3. Less interpersonal relations
4. Unable to make large transactions
5. Will have to bear additional expenses

(1 mark for 2 points)

- (iv) (a) If you make a payment to Chathura Bandara by a cheque worth of Rs. 50 000,  
1. Show the way of crossing the cheque to ensure maximum security.

\_\_\_\_\_  
A/C Payee Only  
\_\_\_\_\_

(1 mark)

2. Indicate **two** instances where a cheque is dishonoured.

1. Insufficient balance in the account
2. Hold the payment
3. Drawer bankrupted
4. Drawer's death informed to the bank
5. Court orders
6. Writing errors / mistakes
7. Account closed
8. Expiry of the validity period of the cheque

(1 mark for 2 points)

- (b) 1. State a reason for issuing a post dated cheque.

1. Insufficient balance in the account
2. Drawer needs to delay the payment

(1 mark for 1 point)

2. State whether such a cheque can be deposited in a bank by an ordinary account holder before the given date. Give reasons for your answer.

No

(1/2 mark)

Not accepted as a transactional document until the date stated on the cheque

(1/2 mark)

- (v) Briefly describe **two** advantages and **two** disadvantages of increasing in import duty for domestic businesses. (C)

Advantages

1. Protecting domestic industries
2. Increasing competitiveness of local/domestic businesses
3. Creating demand for local products

(2 marks for 2 points)

Disadvantages

1. Price increase due to increase in cost of certain raw materials
2. Decrease sales income / sales turnover

(2 marks for 2 points)

**Part I**

4. (i) (a) Write **two** benefits employees obtain through a minimum wage stipulated by the government.

1. Assurance of a certain amount as a salary/ legal coverage
2. Sets a basis to obtain a certain amount as a salary
3. Regulate salary system
4. Similar salaries for similar occupational fields
5. Prevent room for labour exploitation and abuse

(02 marks for 2 points)

- (b) Describe **two** advantages for an exporter through a letter of credit. (02 marks)

1. Assurance of payment for goods exported
2. Inability to change conditions related to the letter of credit by the importer
3. Ability to obtain an export cash advance
4. Enhance exporter's trustworthiness

(02 marks for 2 advantages)

- (ii) (a) Write **two** dissimilarities between debit cards and credit cards.

Debit card	Credit card
1. A bank account is needed to obtain a debit card	1. No need of a bank account
2. Transactions are performed based on the account balance	2. Transactions are done on a loan basis
3. No special requirements to obtain a debit card	3. Need special requirements to qualify
4. No cost incurred on transactions (no interest charge)	4. Late payments and interests are charged

(02 marks for 2 dissimilarities)



(b) Indicate **two** advantages and **two** disadvantages of digital currency.

Advantages

1. Speedy payment
2. No need of physical money
3. Less transaction cost
4. Ensure security of money

*(1/2 marks x 2 points = 1 mark)*

Disadvantages

1. Subject to frauds
2. Volatility of money
3. Security issues (cyber-attacks)
4. Legal restrictions

*(1/2 marks x 2 points = 1 mark)*

(iii) (a) Briefly describe the procedure to be followed in selling a good using e-trade.

1. Meeting of buyers and sellers via internet
2. Organizing trade transactions
3. Trading goods
4. Making payments

*(1/2 marks x 4 points = 2 marks)*

(b) State **two** ways how new technology can be used for retailing, providing an example for each.

1. Marking price - Bar code, QR code
2. Measuring methods - Digital scale
3. Payment methods - Debit card, credit card
4. Inspection methods - CCTV camera system
5. Security - RFID (Radio Frequency Identification)

*(1/2 marks x 4 points = 2 marks)*

(iv) (a) State **two** benefits of conducting staff meetings by a manager in communicating information.

1. Provide detailed information
2. Information provider and receiver meet each other
3. Speedy dissemination of information
4. Responses given through body language
5. Can obtain responses instantly

*(1 mark x 2 points = 2 marks)*

(b) State **four** main objectives of the International Monetary Fund (IMF).

1. Promote global cooperation
2. Ensure financial stability
3. Facilitate international trade
4. Promote employment opportunities
5. Sustainable economic development
6. Reducing poverty

*(1/2 marks x 4 = 2 marks)*

(v) Explain **four** suggestions for promoting foreign trade in Sri Lanka with examples.

1. Removal of tariffs
2. Relaxation of customs rules and regulations
3. Organizing trade fairs and exhibitions
4. Promote favourable trade agreements
5. Enhance product quality to meet international markets
6. Government trade policies to promote international trade
7. Implement various incentives

*(4 marks for 4 points)*

## Part II

5. Management means 'the process of achieving business goals and objectives in a dynamic environment using limited resources in an effective and efficient manner with diverse people in a collective way.'

(i) (a) Identify **four** management concepts included in the above definition.

1. Dynamic business environment
2. Goals and objectives
3. Resources
4. Efficiency
5. Effectiveness
6. Working with diverse people
7. Process

*(1/2 marks x 4 points = 2 marks)*

(b) Explain the difference between goals and objectives of a business.

Outcomes a business expects to achieve in the long term are known as goals whereas presenting those broad goals in a more specific manner are known as objectives.

OR

Objectives are specific, measurable, achievable, realistic and time bounded whereas goals are long term oriented.

*(2 marks for any of the above differences)*

- (ii) (a) Briefly explain why technical skills are highly important for front-line managers.

Front-line managers are more involved in operational and customer-related activities while implementing the decisions taken. Therefore, they require technical skills related to a specific field in performing duties.

*(2 marks for the description)*

- (b) State **four** benefits the management of a business could enjoy by delegating authority to lower managers.

1. Motivate lower-level managers
2. Ease the workload of top managers
3. Professional development of lower-level managers
4. Ability to take better decisions
5. Easy to implement decisions
6. Empower lower-level managers

*(1/2 marks x 4 points = 2 marks)*

- (iii) (a) Describe **two** ways how effective planning becomes important for a business.

1. To face future uncertainties and the dynamic environment
2. Ensure optimal resource efficiency
3. Facilitate controlling
4. Enable managers to think about the future
5. Facilitate and coordinate other management functions
6. Ensure continuity and growth of the organization
7. Assess current and future competitiveness
8. Motivate others

*(1 mark x 2 points = 2 marks)*

- (b) Name **four** sources of power a manager is entrusted with.

1. Legitimate power
2. Expert power
3. Reward power
4. Coercive power
5. Referent power

*(1/2 marks x 4 points = 2 marks)*

(iv) Following informations provided about Thilakshi's business.

- Maximum material consumption - 200 units per day.
- Minimum material consumption - 120 units per day.
- Re-order period - minimum 10 days and maximum 12 days.
- Re-order quantity - 1600 units.

Compute the following

- (a) Re-order level
- (b) Minimum stock level
- (c) Maximum stock level
- (d) Average stock

- |               |          |
|---------------|----------|
| a. 2400 units | (1 mark) |
| b. 640 units  | (1 mark) |
| c. 2800 units | (1 mark) |
| d. 160 units  | (1 mark) |

(v) As a manager, explain the decision-making process involved in buying a computer out of five types of computers available in the market with examples.

- |                                   |  |
|-----------------------------------|--|
| 1. Identifying the problem        | Ex: Identifying the need to buy a computer   |
| 2. Analysing the problem          | Ex: Collect information about computer types |
| 3. Identifying alternatives       | Ex: Compare different computer types         |
| 4. Selecting the best alternative | Ex: Selecting the best computer              |
| 5. Implementation                 | Ex: Purchasing the computer                  |

*(Including points 1 and 6, 4 marks for 4 points)*

6. (i) (a) Indicate **four** criteria to be considered in selecting a production method.

1. Quantity/demand of the product
2. Product range
3. Flexibility of the process
4. Production for order? or stocks?

*(1/2 marks x 4 points = 2 marks)*

(b) State **four** reasons for the suitability of Computer Aided Manufacturing (CAM) system in the process production.

1. Minimise defects
2. Minimise wastage
3. Maintain uniformity of the products
4. Update products easily



5. Reduce costs
6. Ability to directly connect information from research and development to the production
7. Ensure high quality
8. Develop a database for the product

*(1/2 marks x 4 points = 2 marks)*

- (ii) (a) Define 'labour productivity' and describe **two** methods that an organization can adopt to improve it.

The ratio between labour input and output of an organization during a given period of time.

**OR**

$$\text{Labour productivity} = \frac{\text{Output}}{\text{No. of employees/ Labour hours}}$$

*(1 mark)*

Methods

1. Use skilled labour
2. Train employees
3. Financial and non-financial incentives
4. Good employee relationships

*(1/2 marks x 2 points = 2 marks)*

- (b) Describe two ethics a manufacturer should consider when manufacturing goods.

1. Supply quality goods
2. Ensure value for money
3. Offer safe products
4. Being conscious about the environment/ green products

*(2 marks for describing 2 points)*

- (iii) (a) State **four** benefits a business could obtain through effective communication.

1. Facilitate exchange of ideas between related parties in performing transactions
2. Maintain employer-employee relationships
3. Manage human and physical resources
4. Promotional activities

*(1/2 marks x 4 points = 2 marks)*

(b) Write **four** limitations of electronic communication.

1. Less interpersonal relationship
2. Lack of trust
3. External barriers in using communication equipment
4. Attitudes of the users
5. Lack of knowledge of users
6. Lack of technological infrastructure facilities

*(1/2 marks x 4 points = 2 marks)*

(iv) (a) Why a manager is considered as an entrepreneur in Mintzberg's managerial role of decision making?

Entrepreneurs make/initiate changes in the organization to match with the changes of the dynamic environment

*(1 mark)*

(b) State **three** benefits that an organization and employees can obtain through motivation.

Organization	Employees
1. Increase labour productivity	1. Increase income for employees
2. Increase output	2. Increase employee satisfaction
3. Satisfied employees	3. Easiness of doing tasks
4. Less absenteeism	4. Strengthen firm loyalty
5. Less labour turnover	5. Enhance employee commitment

*(1/2 x 3 points = 1 1/2 marks)*

*(1/2 x 3 points = 1 1/2 marks)*

(v) Explain how a green entrepreneur is important for an economy with **two** examples.

1. Reduce resource wastage by producing environmentally friendly products
2. Safeguard natural resources in producing green products
3. Creating green jobs
4. Introducing green production methods

*(2 marks x 2 points = 4 marks)*

7. A soap manufacturing firm produces and sells products for different customer groups under diverse trade names. Prior to introducing a new product, the firm conducts market research.

- (i) (a) Describe why the firm produces products for different customer groups.  
 (b) Indicate with reasons whether the firm adopts a customer concept or a selling concept.

1(a)

1. Existence of various income levels in consumer groups
2. Change of consumer preferences
3. To diversify markets
4. To minimize risks towards self-markets

*(01 mark for one point, Total 02 marks)*

b). Customer Concept (01 mark)

Producing as per the needs of the customers (01 mark)

(ii) (a) What is the consumer product category that this product belongs to?

(b) Describe **three** advantages that can be obtained by a firm by conducting market research prior to introducing new products.

(ii) a. Convenience goods

(01 mark)

b) Advantages

1. Ability to identify consumer preferences
2. Ability to determine consumer demand
3. Ability to know the information about the products and competitive products
4. Ability to search on distribution methods
5. Ability to comprehend on target price
6. Ability to search on promotional methods
7. Ability to collect information on production planning of new products

*(Total 03 marks for three points)*

(iii) Write **four** strategies that can be adopted to extend a Product's Life Cycle (PLC) when it reaches the maturity stage.

1. Adding new features/accessories
2. Changing promotional methods
3. Introducing different methods of use
4. Modification of product
5. Product diversification

*(Total 04 marks for 04 points)*

- (iv) (a) State **four** benefits that a firm can obtain by preparing a financial budget.  
(b) Write **four** examples for capital investment decisions.

1. If there is a future cash surplus, it can be identified in advance and then be able to invest effectively.
2. If there is a future cash deficit, it can be identified in advance and then be able to meet it.
3. Easy to control and plan finances by identifying actual and budgeted cash
4. Help to obtain business loans and secure future financial status of the business

*(1/2 a mark for one point, Total 02 marks for 04 points)*

b)

1. Decisions on business modernization
2. Decisions on reinstallation
3. Decisions on business improvement
4. Decisions on business diversification

*(1/2 a mark for one point, Total 02 marks for 04 points)*

- (v) (a) State what is 'operating ratios' and write **two** advantages of it.  
(b) Explain what is meant by 'inter-bank call money market'.

(a) Ratios that depict the association between investment in assets and earnings from them.

(1 Mark)

#### Advantages

1. Ability to comprehend on benefits of investment
2. Ability to comprehend on debtors turnover
3. Ability to comprehend on stock turnover

*(1/2 a mark for one point, Total 02 marks for 01 points)*

- b) The inter-bank call money market is an overnight market (short-term) that mainly assists commercial banks in meeting their immediate liquidity requirements by facilitating lending and borrowing among banks.

*(2 marks with the word underlined)*



8. (i) (a) Indicate **four** advantages that an organization can realize by recruiting employees externally.

1. Ability to attract personnel with updated/new knowledge
2. Ability to obtain new ideas and attitudes
3. Ability to select more suitable personnel
4. By recruiting skilled personnel, the organization will be able to save cost on training and development
5. Diverse workforce

*(1/2 marks x 4 points = 2 marks)*

- (b) Explain **two** disadvantages that can occur through 'on the job training'.

1. Bad practices of the current employee/trainer can be passed on to the trainee
2. New scientific methods may not be shared
3. Superior's efficiency may suffer due to greater workload
4. Can be stressful for the trainee
5. Reduction in production
6. Scarcity of employees with diverse competencies

*(2 marks for 2 disadvantages)*

- (ii) (a) Describe **two** ways how performance evaluation is important for an organization

1. To identify training needs
2. To decide on promotions and demotions
3. To decide on compensation (remuneration)
4. Identifying competent personnel
5. Ability to change the recruitment process in the future based on evaluation data

*(2 marks for describing)*

- (b) Explain **two** methods an organization can adopt in selecting the most suitable job candidate with examples.

1. Interviews
2. IQ test
3. Personality test
4. Practical test
5. Medical test
6. Background test

*(2 marks given for 2 methods with examples)*

(iii) (a) Indicate **four** functions of an effective information system.

1. Communicate accurate information for the relevant parties
2. Help to enhance the quality of the products produced
3. Reduce costs involved
4. Ability to meet the competition successfully
5. Ability to ensure success of managerial functions performed
6. Ability to provide information to relevant parties at any time required

*(1/2 marks x 4 points = 2 marks)*

(b) Write **two** advantages and **two** disadvantages for a business when exchanging information through the internet.

Advantages

1. Reduction of cost
2. Easy to promote products globally
3. Ability to attract employees
4. Easy to explore new markets
5. Easy to communicate
6. Accelerate speed and reduction of time

*(1 mark for 2 advantages)*

Disadvantages

1. Require technical knowledge
2. Need proper infrastructure
3. Incur a larger investment/cost initially/at the beginning
4. Need to train employees at an extra cost
5. Technology changes frequently/ technology becomes obsolete very fast

*(1 mark for 2 disadvantages)*

(iv) (a) State **two** reasons which reflect the importance of a business plan.

1. Ability to direct business activities
2. Ability for stakeholders to get a sound understanding about the business
3. Ability to obtain financial assistance for the business
4. To identify and solve business issues
5. Ability to attract potential investors

*(1 mark for 2 reasons)*

(b) Briefly explain **three** instances where preparation of a business plan is required.

1. When establishing a new business
2. When expanding a business
3. When consolidating a business
4. When modernizing an existing business
5. When purchasing a business

*(3 marks for 3 instances)*

- (v) The total cost of production is Rs 25 million where Rs 15 million is fixed. The total income of the business is Rs 20 million. Sales forecasts reported that there will be a high demand for this product in future. The production manager of the firm suggested to discontinue the product, where as, the sales manager suggested to continue with it. Mentioning your decision whether to continue or discontinue the product, explain **three** reasons for your answer.

Continue the business

*(1 mark)*

Reasons to continue

1. Demand tends to increase in future
2. Income increases in future due to increased demand for the product
3. If discontinued, other related products can be affected
4. Not being able to recoup/recover the investment done so far
5. Forgo/give up other investment opportunities

*(3 marks for 3 points)*

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