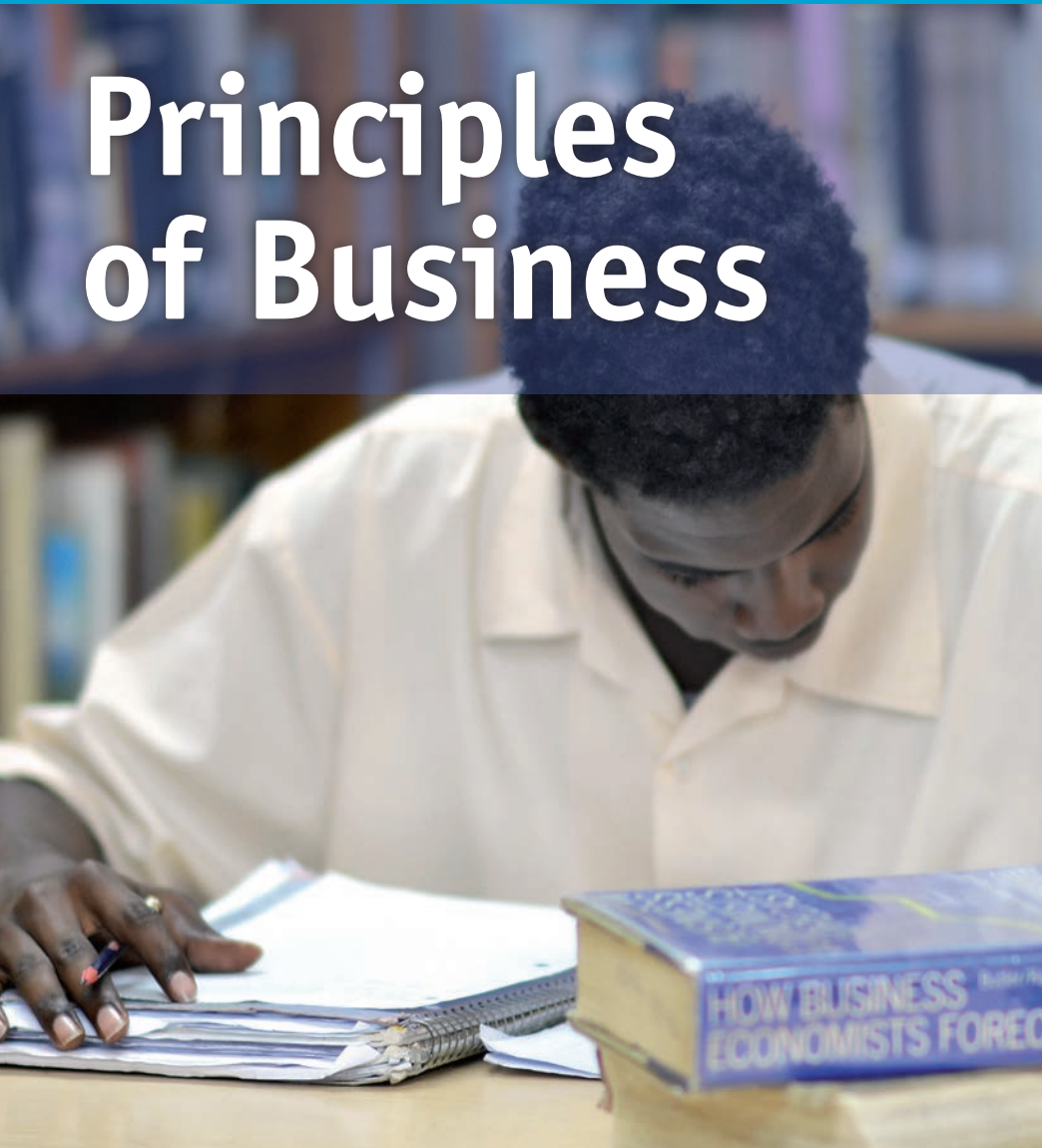




CARIBBEAN EXAMINATIONS COUNCIL

Principles of Business



CSEC[®] PAST PAPERS

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CSEC® Principles of Business Past Papers

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TEST CODE **01240020**

MAY/JUNE 2005

FORM TP 2005131

**CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 - General Proficiency

2½ hours

31 MAY 2005 (a.m.)

Answer ALL questions in Section I and THREE questions in Section II as indicated.

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01240020/F 2005

SECTION I

Answer ALL THREE questions in this section.

1. (a) Identify TWO ways by which government can regulate the setting up of businesses. (2 marks)
- (b) What is the significance of the word, 'Limited', in the name of a company? (2 marks)
- (c) State the MAIN purpose of EACH of the following documents:
- (i) Memorandum of Association
 - (ii) Articles of Association
 - (iii) Partnership Agreement (6 marks)

Total 10 marks

2. "The way capital and labour are combined determines the productivity of business".
- (a) Define 'productivity'. (2 marks)
- (b) What is meant by 'capital'? (2 marks)
- (c) Discuss THREE strategies which can be used to increase the efficiency of labour. (6 marks)

Total 10 marks

3. (a) Define the term, 'supply', in economic terms. (2 marks)
- (b) Explain THREE factors, other than price, that may cause an increase in the supply of beef. (6 marks)
- (c) Outline THREE factors, other than price, that may cause a decrease in the demand for ice-cream. (6 marks)
- (d) Discuss THREE ways in which producers or consumers may influence the price of cheese. (6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION II

Answer **THREE** questions in this section as indicated.

ORGANIZATIONAL PRINCIPLES

Answer **EITHER** Question 4 or Question 5. Do **NOT** answer both.

4. In 10 years, the Fair Deal Supermarket (FDS) Ltd. has grown from one shop to 8 branches. As a result of this expansion, management decided to introduce a Management Information System (MIS).

- (a) What is the role of a Management Information System (MIS)? (2 marks)
- (b) Explain EACH of the following functions of management:
 - (i) Planning
 - (ii) Controlling
 - (iii) Co-ordinating (6 marks)
- (c) Identify TWO problems FDS Ltd. may face, as a result of the expansion. (4 marks)
- (d) State TWO ways in which FDS Ltd. can utilize MIS in its personnel department. (4 marks)
- (e) Outline TWO benefits which FDS Ltd. can obtain from utilizing a MIS. (4 marks)

Total 20 marks

- 5.
- (a) State THREE functions of a business. (3 marks)
 - (b) Identify THREE differences between a market economy and a planned economy. (6 marks)
 - (c) Name a country which has:
 - (i) A planned economy
 - (ii) A mixed economy. (2 marks)
 - (d) List THREE methods of internal communication used in an organization. (3 marks)
 - (e)
 - (i) Evaluate the effectiveness of ONE method listed in (d) above. (2 marks)
 - (ii) Outline TWO reasons why an effective communication flow is important to an organization. (4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

PRODUCTION AND MARKETING

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. "Today there is need to diversify the economies of Caribbean territories, but the migration of skilled personnel makes this very difficult".

(a) Explain the meaning of the terms 'diversification' and 'migration'. (4 marks)

(b) State THREE reasons why skilled workers migrate. (6 marks)

(c) Suggest TWO actions that the government of your country can take to discourage the migration of skilled personnel. (4 marks)

(d) Discuss TWO ways in which the migration of skilled personnel affects diversification. (6 marks)

Total 20 marks

7. A firm is importing a new brand of disposable diapers for sale locally. There are many different brands available locally. You are asked for advice on marketing the product.

(a) Outline the purpose of a market research. (2 marks)

(b) Discuss FOUR factors that must be considered when marketing the new product. (8 marks)

(c) What is meant by 'sales promotion'?. (2 marks)

(d) Justify TWO sales promotion techniques you are likely to use for this product. (8 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

FINANCE AND INTRODUCTION TO ECONOMICS

Answer EITHER Question 8 OR Question 9. Do NOT answer both.

8. The countries of the Caribbean have been experiencing a number of economic problems. The result is a failure to achieve the desired economic growth and development.
- (a) (i) Differentiate between economic growth and economic development. (3 marks)
- (ii) Identify THREE major economic problems facing Caribbean countries. (3 marks)
- (b) Outline THREE factors that may cause your country to experience economic growth. (6 marks)
- (c) State TWO ways in which education can help in the economic development of your country. (4 marks)
- (d) Discuss TWO benefits of foreign investment to your country. (4 marks)
- Total 20 marks**

9. The following information was taken from the final accounts of Tropicalo, a country in the Caribee Isles. The figures are quoted in US (\$M).

	United States dollars
Visible trade	
Exports	24 000
Imports	26 000
Invisible (net)	
Exports	20 000
Imports	15 000

- (a) (i) Differentiate between a country's terms of trade and its balance of trade. (3 marks)
- (ii) Calculate Tropicalo's balance of trade using the figures given above. (2 marks)
- (b) Calculate Tropicalo's current account balance using the figures given above. (3 marks)
- (c) Identify TWO ways in which a country may have a surplus on its current account. (4 marks)
- (d) (i) Explain what is meant by 'balance of payment'. (2 marks)
- (ii) Discuss THREE ways by which a country would be able to finance the deficit in its balance of payments. (6 marks)

Total 20 marks

END OF TEST

01240020/F 2005

**CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 03/2 - General Proficiency

1 hour

Answer ALL the questions.

**In addition to the 1 hour, candidates are allowed
15 minutes to read through this paper. Writing
MAY begin during this time.**

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INSTRUCTIONS: This paper consists of a case study and **FOURTEEN** questions. Candidates must answer **ALL FOURTEEN** questions. All answers must be written in the space provided on the question paper.

Read the following case study and answer the questions which follow.

CASE STUDY

CASE: Ronnie's Trucking and Haulage

Thirty-seven year old Ronnie Redbress worked as a production supervisor for a large multi-national company in the industrial town of Malbook.

Recently, the company reorganized and the post of production supervisor was made redundant. This would create tremendous hardship for his family of four.

The company, however, provided tremendous support for Ronnie and fellow employees by paying for their market research into the business of their choice. The firm was also willing to pay for their training and legal requirements to start their own business, plus provide an interest free loan of up to \$1,500,000 for twenty-four months.

Having conducted research into his target market, Ronnie Redbress decided to go into haulage and trucking. The research indicated the price per load charged by other trucking firms and the specifications of different tractors and trailers with respect to fuel consumption and servicing periods. Other operating costs to Ronnie would include road tax, vehicle and goods intransit insurance, his wage, plus the wages of three other employees.

Ronnie found out that he would need additional training if he was to comply with legal restrictions on road transport.

There were already three large established trucking businesses. However, many clients were dissatisfied with their performance as they were very unreliable. While there would be slow periods, there was great demand for a wide range of loading and unloading arrangements which influenced the type of vehicle he would buy to suit the target market.

Along with a sizable amount for his redundancy, Ronnie was able to secure the maximum amount as an interest free loan from his former employers. He also received a two-year contract to truck goods for the company. Although he could have started out as a partnership with a few of his co-workers, Ronnie chose to go into a private limited company with his family. His wife had management and secretarial training skills and in two years both his sons would graduate with accounting and human resource development training.

Ronnie was also encouraged to advertise in the local newspaper. However, he had his sights on the internet and world wide web. He was also concerned that recently, the trucking business was coming under criticism and scrutiny from the government. Many haulage firms were aiding contractors in illegal quarrying and removal of sand from river basins as well as illegal dumping of waste.

Despite these concerns Ronnie Redbress was anxious to start business within three months of being redundant.

GO ON TO THE NEXT PAGE

ORGANIZATIONAL PRINCIPLES

1. State TWO advantages of a private limited company over a partnership.

(2 marks)

2. Identify FOUR job positions that are vital to Ronnie's business. Give a brief description of EACH position identified.

(4 marks)

3. State TWO advantages of a small business like Ronnie's over large firms in the same industry.

(2 marks)

4. Explain how ONE legal issue mentioned in this case would affect this new firm.

(2 marks)

GO ON TO THE NEXT PAGE

5. Identify TWO government regulations which Ronnie must satisfy in order to start his business operations.

(2 marks)

Total 12 marks

PRODUCTION AND MARKETING

6. (a) (i) Define the term 'target market'.

(1 mark)

- (ii) Give TWO examples of Ronnie's likely target market.

(2 marks)

- (b) Select TWO areas of Ronnie's market research, and state why the information gathered in EACH area would be useful to him.

(2 marks)

7. Justify TWO types of promotional activities that can boost Ronnie's business.

(4 marks)

GO ON TO THE NEXT PAGE

8. State THREE ways in which Ronnie's trucking and haulage business can contribute to the development of the economy.

(3 marks)

Total 12 marks

FINANCE AND INTRODUCTION TO ECONOMICS

9. List THREE sources from which Ronnie can obtain capital to finance his business.

(3 marks)

10. State THREE requirements that Ronnie must meet in order to raise capital to finance his business.

(3 marks)

GO ON TO THE NEXT PAGE

11. Outline TWO disadvantages to a business, of raising capital from an outside source.

(2 marks)

12. State ONE environmental issue which must be addressed by Ronnie, if he is to comply with government regulations.

(2 marks)

13. Discuss TWO types of insurance coverage that you would recommend to Ronnie.

(4 marks)

14. Identify TWO areas of the business that would have immediate demand on capital.

(2 marks)

Total 16 marks

END OF TEST

TEST CODE **01240020**

FORM TP 2006130

MAY/JUNE 2006

**CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 - General Proficiency

2½ hours

30 MAY 2006 (a.m.)

Answer ALL questions in Section I and THREE questions in Section II as indicated.

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SECTION I

Answer ALL THREE questions in this section.

1. John had just graduated from High School. John's father decided to retire and transfer the ownership of his shoe store to him. After operating the business for one year, John decided to convert the business to a Private Limited Company.
- (a) State TWO advantages John's father enjoyed as a Sole Trader. (2 marks)
 - (b) Explain TWO benefits John would enjoy by converting the business to a Private Limited Company. (4 marks)
 - (c) Outline TWO ways in which the growth of the business may affect its organizational structure. (4 marks)
- Total 10 marks**
2. (a) Outline TWO functions of an entrepreneur. (4 marks)
- (b) Explain THREE reasons why some entrepreneurs may prefer to keep their businesses small. (6 marks)
- Total 10 marks**
3. Purr Chase would like to buy goods on credit from Sales Plus Limited, a popular hardware store in her community. Nevados National Bank (NNB), the local bank, has a variety of credit plans available to assist persons like Purr Chase to make purchases.
- (a) Describe THREE types of credit methods that Nevados National Bank (NNB) can provide to enable Purr Chase to buy goods from Sales Plus Ltd. (6 marks)
 - (b) State THREE conditions that Purr Chase must satisfy in order to obtain a loan from NNB. (3 marks)
 - (c) Outline THREE methods of payment that Purr Chase could use to repay her loan at Nevados National Bank. (6 marks)
 - (d) Explain TWO ways by which the Central Bank could reduce the capacity of NNB to make loans to its customers. (4 marks)
 - (e) Identify ONE institution, that could provide Purr Chase with credit facilities similar to those provided by commercial banks. (1 mark)
- Total 20 marks**

GO ON TO THE NEXT PAGE

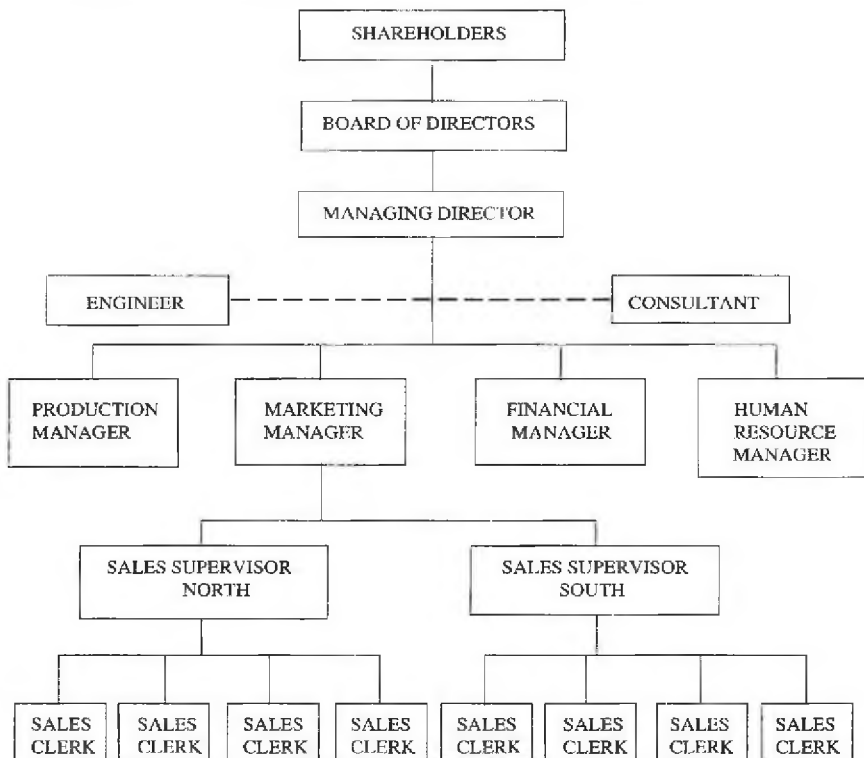
SECTION II

Answer **THREE** questions in this section as indicated.

ORGANIZATIONAL PRINCIPLES

Answer **EITHER** Question 4 or Question 5. Do **NOT** answer both.

4. PARTIAL ORGANIZATIONAL CHART OF NECTAR DRINKS LTD



- (a) State the type of organizational structure shown in the chart above. (1 mark)
- (b) Outline TWO differences between an organization and an informal group. (4 marks)
- (c) (i) Define the term, 'span of control'. (2 marks)
- (ii) Identify the span of control of the marketing manager. (2 marks)

GO ON TO THE NEXT PAGE

- (d) (i) Explain what is meant by the term, 'chain of command'. (2 marks)
- (ii) The consultant has recommended changes in the sales strategy. Identify the organizational channel/path that he must use in order to implement the changes at the level of the sales clerk. (4 marks)
- (e) (i) Explain what is meant by the term, 'informal channel of communication'. (2 marks)
- (ii) Discuss ONE way in which informal channels of communication can affect the functioning of the organization. (3 marks)

Total 20 marks

5. (a) Name THREE government departments in your country. (3 marks)
- (b) Outline TWO functions of EACH of the departments you named in (a) above. (6 marks)
- (c) Ms Mary wants to open a private nursery school in her community. Advise her on THREE government regulations she must adhere to before starting the business. (3 marks)
- (d) Give ONE reason why EACH of the regulations identified in (c) above is important. (6 marks)
- (e) Identify TWO ways in which the nursery school can contribute to the development of the community. (2 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

PRODUCTION AND MARKETING

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. The manager of a shoe factory has proposed to the owners that the expansion of the factory and the introduction of more modern equipment will result in a decrease in the cost of producing a pair of shoes. This expansion, however will require a large injection of money into the business.

- (a) Define EACH of the following terms:
- (i) 'Internal economies of scale'
 - (ii) 'Internal diseconomies of scale' (4 marks)
- (b) Identify TWO internal economies of scale. (2 marks)
- (c) Explain how TWO different internal economies of scale can lead to lower costs of production. (4 marks)
- (d) (i) Discuss ONE negative consequence to society of the introduction of modern factory equipment. (2 marks)
- (ii) Suggest TWO measures that can be used to reduce the negative social impact discussed in (d)(i) above. (4 marks)
- (e) Identify ONE disadvantage which may result from the expansion in the factory and suggest ONE way of counteracting it. (4 marks)

Total 20 marks

7. Chicken producers of two Caribbean Countries, Aquala and Boluda, sell chicken to local hotels, fast-food outlets and households. However, Aquala chicken producers import feed, medicines and hatching eggs, while Boluda chicken producers buy feed, medicines and hatching eggs from local suppliers.

- (a) Define the terms, 'backward linkages' and 'forward linkages'. (4 marks)
- (b) Identify TWO backward linkages and TWO forward linkages in chicken production. (4 marks)
- (c) Compare THREE benefits to be gained from a large and persistent increase in the demand for chicken in the economies of Aquala and Boluda. (6 marks)
- (d) (i) Suggest TWO measures that the government could use to encourage the development of linkage industries in your country. (4 marks)
- (ii) Illustrate how ONE of the measures suggested in (d)(i) above may be implemented. (2 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

FINANCE AND INTRODUCTION TO ECONOMICS

Answer EITHER Question 8 OR Question 9. Do NOT answer both.

- 8.**
- (a) Discuss THREE major economic problems facing Caribbean countries. (6 marks)
 - (b) Outline THREE ways in which the International Monetary Fund (IMF) assists Caribbean countries in solving their economic problems. (6 marks)
 - (c) Discuss THREE reasons why a country may decide to nationalize a major industry. (6 marks)
 - (d) State TWO disadvantages a country may face if it chooses to nationalize its major industries. (2 marks)
- Total 20 marks**

- 9.**
- (a) Explain what is meant by the 'National Income' (NI) of a country. (2 marks)
 - (b) Discuss THREE ways in which a country may use the National Income data in planning for its development. (6 marks)
 - (c) Describe THREE ways in which the Caribbean Development Bank (CDB) assists countries within the region in alleviating their economic problems. (6 marks)
 - (d) Suggest THREE reasons why a country engages in international trade. (6 marks)
- Total 20 marks**

END OF TEST

**CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

**PRINCIPLES OF BUSINESS
Paper 03/2 - General Proficiency**

1 hour

Answer ALL the questions.

**In addition to the 1 hour, candidates are allowed
15 minutes to read through this paper. Writing
MAY begin during this time.**

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INSTRUCTIONS: This paper consists of a case study and FOURTEEN questions. Candidates must answer ALL FOURTEEN questions. All answers must be written in the space provided on the question paper.

Read the following case study and answer the questions which follow.

CASE STUDY

CASE: **Tarbuda Airlines Ltd.**

Tarbuda Airlines Ltd. (TA Ltd.) was a local airline which had been providing travel and cargo services between two Caribbean territories for over fifteen years. This firm had initially operated two small aircraft and had remained a small private company owned and managed by family members. Over the years, the firm had made above normal profits and had developed a loyal workforce.

The firm decided to expand its involvement and enter the international airline traffic. In order to do so, TA Ltd. acquired a sizable loan from a bank. The firm also decided to 'go public' in order to secure more financing for acquiring larger aircraft to service international routes. The firm had to expand staffing and create new departments of engineering, maintenance, marketing and human resources. Professional managers had to be hired to head these departments.

The business ran fairly smoothly for about two years, then the market began to change. The competitors on the international traffic engaged Tarbuda Airlines in a price war. The price on international fares was significantly reduced. At the same time, there was an increase in the price of fuel. The losses on the international flights were huge. While TA Ltd. continued to make profits on local flights the profits were used to keep the international flights going. This situation continued for about one year and eventually the business became bankrupt. The bank stepped in and took over the business.

The company appealed to the State for assistance claiming that the tourist industry and the needs of the country would be better served by a local airline. The government of the day was not sympathetic and so the company was liquidated.

GO ON TO THE NEXT PAGE

ORGANIZATIONAL PRINCIPLES

1. State ONE difference between a private limited company and a public limited company.

(2 marks)

2. (a) Identify ONE way in which the organizational structure of TA Ltd. had to change as a result of the expansion.

(1 mark)

- (b) Explain ONE difficulty TA Ltd. may have experienced as a result of the change.

(2 marks)

3. Outline ONE way in which the management function would have changed as the company expanded.

(1 mark)

4. State TWO effects that the expansion of the business may have had on the relationship between management and workers.

(2 marks)

5. (a) Explain the term "going public".

(2 marks)

- (b) Outline TWO steps that TA Ltd. would have taken in the process of "going public".

(2 marks)

Total 12 marks

PRODUCTION AND MARKETING

6. Identify TWO reasons which suggest that the company did NOT conduct an effective marketing research.

(4 marks)

GO ON TO THE NEXT PAGE

7. Suggest and justify TWO techniques that TA Ltd. could have used to promote its services.

(4 marks)

8. List TWO factors of production that are vital for the airline industry and give ONE example of EACH factor.

(4 marks)

Total 12 marks

FINANCE AND INTRODUCTION TO ECONOMICS

9. Tarbuda Airlines borrowed from the bank as well as from the public in order to expand its operations. Indicate which of the two sources of capital would be more advantageous to the company and why.

(3 marks)

10. State TWO factors that contributed to the failure of Tarbuda Airlines Ltd. and indicate which of the TWO was more detrimental.

(3 marks)

GO ON TO THE NEXT PAGE

11. Recommend TWO types of insurance coverage that Tarbuda Airlines Ltd. should have purchased. Give ONE reason for EACH of your recommendations.

(4 marks)

12. Suggest ONE reason why the government may not have been sympathetic to the needs of this company.

(2 marks)

13. Give ONE reason to show that the government's decision to keep TA Ltd in business was justified.

(2 marks)

14. Advise the managers of TA Ltd. of TWO measures they could have taken to prevent the closure of the airline.

(2 marks)

Total 16 marks

END OF TEST

TEST CODE **01240020**

FORM TP 2007123

MAY/JUNE 2007

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 $\frac{1}{2}$ hours

29 MAY 2007 (a.m.)

Answer ALL questions in Section I and THREE questions in Section II as indicated.

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SECTION I

Answer ALL THREE questions in this section.

1. Her parents were present when Daliah's uncle promised to give her one of the most up-to-date cellphones on her eighteenth birthday. On that day, however, her uncle refused to deliver the cellphone. Daliah was so disappointed that she threatened to sue her uncle for breach of contract.

- (a) Define the term 'contract'. (2 marks)
- (b) State THREE essential features of a valid simple contract. (3 marks)
- (c) Explain the term 'breach of contract'. (2 marks)
- (d) State whether Daliah would succeed if she sues her uncle. (1 mark)
- (e) Give a reason to justify your answer in (d) above. (2 marks)

Total 10 marks

2. CARICOM has numerous small and micro enterprises.

- (a) Identify TWO criteria used to classify a firm as small in CARICOM countries. (2 marks)
- (b) Outline TWO contributions that small enterprises make to the development of an economy. (4 marks)
- (c) Explain the term 'cottage industry', giving TWO examples from your country. (4 marks)

Total 10 marks

3. (a) Define the term 'market structure'. (2 marks)
- (b) State TWO features of EACH of the following types of market structure:
- (i) Perfect competition
- (ii) Monopoly (4 marks)
- (c) Outline TWO ways in which a monopoly supplier of cellular phones can influence the price of cellular phones. (4 marks)
- (d) Discuss THREE reasons why a government may intervene in a monopoly market. (6 marks)
- (e) Discuss TWO factors that can contribute to a fall in demand for cellular phones in your country. (4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION II

Answer THREE questions in this section as indicated.

ORGANIZATIONAL PRINCIPLES

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. LFJ Ltd. manufactures and sells local fruit juices. The company is made up of several departments which carry out specific functions.

- (a) State TWO functions of EACH of the following departments of LFJ Ltd:
- (i) Production
 - (ii) Personnel
 - (iii) Finance
 - (iv) Marketing (8 marks)

- (b) The manager of the marketing department made a request for 500 more packages of fruit juices than were available in stock. The request made by the marketing department will affect the other departments.

Explain ONE way in which EACH of the departments (a) (i) - (iii) above, may be affected by the request. (6 marks)

- (c) Identify TWO ways in which a team approach could benefit LFJ Ltd. (2 marks)

- (d) State TWO ways in which a Management Information System (MIS) can be used by the production department of LFJ Ltd. (4 marks)

Total 20 marks

5. An employee of Luta's Auto Repairs, a sole proprietorship, remarked that the remuneration package and incentives were good, but the leadership style of the owner was rather domineering. The only reason he continued to work there was to satisfy his basic physiological needs.
- (a) List THREE characteristics of a sole proprietorship. (3 marks)
 - (b) Explain what is meant by the following:
 - (i) Remuneration package
 - (ii) Incentives (4 marks)
 - (c) Identify the leadership style exhibited by the sole proprietor in the scenario above, giving a reason for your answer. (3 marks)
 - (d) Outline TWO other leadership styles used by managers. (4 marks)
 - (e) List TWO examples of basic physiological needs. (2 marks)
 - (f) Identify TWO types of needs, other than physiological, that can be satisfied through work, and give ONE example of EACH type. (4 marks)

Total 20 marks

PRODUCTION AND MARKETING

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. Soft Drink industries worldwide are very competitive. Marketing managers in soft drink companies must avoid complacency and being too conservative.
- (a) Outline TWO practices of a 'customer focused' company. (4 marks)
 - (b) State ONE reason why it is important for companies to maintain a good corporate image. (2 marks)
 - (c) Explain TWO ways in which sales representatives can assist companies with market research. (4 marks)
 - (d) The advent of the internet has opened up new possibilities for business.
 - (i) Discuss TWO ways in which marketing managers can use the world wide web to enhance business. (4 marks)
 - (ii) Identify TWO services that businesses can provide to customers through the internet. (2 marks)
 - (iii) Outline TWO factors that affect e-commerce. (4 marks)

Total 20 marks

7. A production manager was invited to give a presentation to students at a local high school. In her presentation, she told the students that there were various factors of production, all of which were important to the success of the production process. She elaborated on human resources as an important factor of production.
- (a) Explain the term 'natural resources' as a factor of production. (2 marks)
 - (b) State TWO factors of production, other than human resources and give ONE example of EACH. (4 marks)
 - (c) Discuss TWO reasons why employers fail to train and develop their human resources. (4 marks)
 - (d) In talking about human resources, the production manager stated that the migration of employees impacted on the labour force of countries.
 - (i) Define the term 'labour force'. (2 marks)
 - (ii) Outline TWO effects of migration on your country. (4 marks)
 - (iii) Suggest TWO possible reasons for migration. (4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

FINANCE AND INTRODUCTION TO ECONOMICS

Answer EITHER Question 8 OR Question 9. Do NOT answer both.

8. Caribbean economies face a number of social and economic problems in their quest to move their countries toward economic growth and development. Two major economic problems are population growth and unemployment.

- (a) Discuss, with the aid of an example, how population growth affects unemployment. (3 marks)
- (b) State TWO types of unemployment that exist in your country, and give ONE possible cause of EACH. (4 marks)
- (c) Suggest THREE ways in which the government of your country can reduce EACH type of unemployment stated in (b) above. (6 marks)
- (d) Identify THREE trade agreements associated with the Caribbean. (3 marks)
- (e) Discuss how effectively any TWO of the trade agreements mentioned in (d) above have contributed to the economic development of Caribbean economies. (4 marks)

Total 20 marks

9. In recent times, the Caribbean island of Woodwater has been having problems with its financial institutions. Many customers have lost faith in the banking system and are withdrawing their money and purchasing shares on the stock market and real estate. The government, through the Central Bank, has stepped in to prevent a collapse of the commercial banking sector.

- (a) Distinguish between commercial banks and the Central Bank. (4 marks)
- (b) Outline FOUR types of services provided by commercial banks. (4 marks)
- (c) Explain ONE way in which customers may benefit from EACH of the services outlined in (b) above. (4 marks)
- (d) Outline TWO differences between purchasing shares on the stock market and saving in a commercial bank. (4 marks)
- (e) Discuss TWO ways in which the Central Bank can intervene in the banking sector to prevent a collapse. (4 marks)

Total 20 marks

END OF TEST

CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION
PRINCIPLES OF BUSINESS

Paper 03/2 – General Proficiency

1 hour

INSTRUCTIONS TO CANDIDATES

- 1. This paper consists of a case study and FOURTEEN questions.**
- 2. Answer ALL questions.**
- 3. ALL answers must be written in the space provided on the booklet.**

In addition to the 1 hour, candidates are allowed 15 minutes to read through this paper. Writing MAY begin during this time.

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INSTRUCTIONS: This paper consists of a case study and FOURTEEN questions. ALL answers must be written in the space provided on the question paper. Read the case study below and answer the questions that follow.

CASE STUDY

CREDITABLE FURNITURE LIMITED (CFL)

For the past 15 years Creditable Furniture Limited (CFL), located in Rock Jam, has manufactured quality furniture for sale to wholesale markets locally and regionally. The company started out making wooden furniture and then ventured into bedding, which accounts for seventy per cent of its sales.

The directors; Hugo Link, Lambert Link and Corey Link are extremely proud of the fact that they are loyal supporters of the 'Buy Rock Jam' and 'Build the Rock' campaign. Through diligence and consistently high quality, many large and small hotels now purchase all bedding, sofas and other soft household accessories from them. While family members provide the bulk of the capital to run the firm, they also depend on loans from commercial and merchant banks, as well as trader's credit. The firm has its sights on obtaining finance through the public issue of shares.

The family-owned enterprise also has their mother, Nicole Link, as a director, equal shareholder and a consultant in the management of the business. However, the firm is run by Lambert Link who is director of administration. Lambert has a secretary, who also carries out the function of receptionist and filing personnel data. Hugo is the director of marketing and purchasing, as well as deputy chairman of Rock Jam Manufacturers' Association (RJMA). He has three members of staff whom he supervises - an accountant who supervises a payroll clerk and purchasing clerk. Corey supervises both the production supervisor and the design supervisor who have one hundred and fifty other staff members working with them. During the busy season this figure could climb to as many as two hundred persons. The firm is proud of its well paid, skilled, flexible, highly motivated staff that produce work of extremely high quality.

CFL holds the local licence for the United States of America (USA)-based Shorter bedding manufacturers and through that relationship training is provided both locally and overseas for the staff. The firm sells furniture to well known local retail companies like Parlours Rock Jam Limited and hotel chains like Sea & Sand, Jam Grande and Super Inns, among others. CFL takes pride in its excellent turnaround time in comparison to its overseas competitors whose goods may take months to be delivered. The firm sells any size order, and services and repairs the products it manufactures. Despite competition from larger local furniture manufacturers, this firm has been able to maintain a profitable business. Over the years, the firm has received a number of awards for quality work from trade and manufacturers' associations in the island.

The firm is thinking of gaining entry into the USA and UK markets. It also wants to manufacture its own raw materials as one of the challenges it faces is having sufficient raw materials in stock. Hugo's aim is to ensure that there is a stock of at least four month's supply, as a simple shortage could mean a loss of revenue of thousands of dollars. The firm is hoping that the government in the near future will subsidise expensive factory space and with the Caribbean Single Market and Economy (CSME) coming on stream, more demand will be created for its products regionally.

GO ON TO THE NEXT PAGE

ORGANIZATIONAL PRINCIPLES

1. Identify the type of firm mentioned in the case study, giving ONE reason for your answer.

(2 marks)

2. Draw an organizational chart of CFL showing the levels and positions in the organization.

(4 marks)

3. Identify the director who would most likely be responsible for the human resource department of the firm. Give ONE reason for your choice.

(2 marks)

4. Suggest ONE reason why the staff at CFL is highly motivated.

(2 marks)

5. Identify the document that guides the relationship that exists among the shareholders and give ONE way in which it can be used.

(2 marks)

Total 12 marks

PRODUCTION AND MARKETING

6. (a) Identify the type of business relationship that exists between Shorter Ltd. and CFL.

(1 mark)

- (b) Explain the economic significance of the statement, "*The directors, Hugo Link, Lambert Link, and Corey Link are extremely proud of the fact that they are loyal supporters of the 'Buy Rock Jam' and 'Build the Rock' campaign*".

(2 marks)

- (c) Discuss ONE disadvantage of CFL selling only to the local wholesale market.

(2 marks)

7. (a) Outline ONE factor which accounts for the success of CFL despite competition.

(2 marks)

(b) Identify the type of linkage in which the firm is planning to engage and outline ONE benefit it is likely to receive.

(3 marks)

8. State ONE marketing strategy that the firm could use to appeal to the international market.

(2 marks)

Total 12 marks

FINANCE AND ECONOMICS

9. Identify TWO sources from which CFL received its finance.

(2 marks)

10. State the type of market structure in which CFL operates, giving ONE reason to support your answer.

(2 marks)

GO ON TO THE NEXT PAGE

11. Explain what is meant by 'public issue of shares' and give ONE reason why the firm would choose that option.

(4 marks)

12. Define the term "manufacturers' association."

(2 marks)

13. Explain TWO ways in which CFL can benefit from being a member of the "manufacturers' association".

(4 marks)

14. Outline ONE way in which CFL would benefit from the government-subsidised factory space.

(2 marks)

Total 16 marks

END OF TEST

TEST CODE **01240020**

FORM TP 2008029

JANUARY 2008

**CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 - General Proficiency

2½ hours

07 JANUARY 2008 (a.m.)

Answer ALL questions in Section I and THREE questions in Section II as indicated.

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01240020/JANUARY/F 2008

SECTION I

Answer ALL THREE questions in this section.

1. (a) Identify TWO government regulations that must be satisfied before starting a restaurant business. (2 marks)
- (b) State TWO reasons why government regulations should be observed when setting up a restaurant. (4 marks)
- (c) Outline TWO benefits that a sole trader would enjoy by converting his business to a private limited company. (4 marks)

Total 10 marks

2. Mr Pepito prepares pumpkin seeds in a variety of flavours for sale. He wants the name 'Pepito Pumpkin Seeds' to be printed on the package.

- (a) State TWO benefits of branding a product. (4 marks).
- (b) Describe THREE marketing strategies, other than branding, that Mr Pepito can use to promote his products. (6 marks)

Total 10 marks

3. (a) State TWO differences between savings and investment. (4 marks)
- (b) Discuss TWO factors that can influence the level of savings by consumers in your country. (6 marks)
- (c) Discuss TWO reasons why local investment may be more sustainable than foreign investment in solving **major** economic problems of Caribbean countries. (6 marks)
- (d) Outline TWO ways by which increased education and training of citizens can contribute to the development of a country. (4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION II

Answer **THREE** questions in this section as indicated.

ORGANIZATIONAL PRINCIPLES

Answer **EITHER** Question 4 or Question 5. Do **NOT** answer both.

4. When management fails to carry out its responsibilities to various stakeholders, the continued existence of the business will be threatened.
- (a) Outline **TWO** responsibilities of management to **EACH** of the following stakeholders:
- (i) Customers
 - (ii) Society (8 marks)
- (b) The shop steward of a factory gave management notice that the workers would take industrial action if their demands were not met.
- (i) Identify **TWO** reasons which might have caused the workers to plan industrial action. (4 marks)
 - (ii) List **FOUR** activities, other than striking, that can be classified as industrial action. (4 marks)
 - (iii) State **TWO** actions which management can take to prevent the planned industrial action. (4 marks)

Total 20 marks

5. Mr Mando is a very stern and serious leader. His orders are obeyed without question. Many employees are afraid of him but some think he is a good leader.
- (a) List **FOUR** characteristics of a good leader. (4 marks)
- (b) Identify the type of leadership style that is being practised by Mr Mando, giving **ONE** reason for your answer. (3 marks)
- (c) Outline **ONE** way in which Mr Mando's style of leadership can affect his organization
- (i) positively
 - (ii) negatively (4 marks)
- (d) Describe **TWO** leadership styles, other than the one identified in (b) above. (6 marks)
- (e) Recommend an appropriate leadership style for a large secondary school, giving **ONE** reason for your answer. (3 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

PRODUCTION AND MARKETING

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. A group of women, who live in a remote village called Slippery Stone, make embroidered shirts for sale. Their sales agent in Queen City has indicated that she wants to double their inventory of embroidered shirts and would like some shirts made especially for the Christmas season.
- (a) Identify THREE factors of production that are likely to be affected as the Slippery Stone women's group work to increase production and meet the sales agent's latest requests. (3 marks)
 - (b) Outline TWO ways in which the Slippery Stone community can benefit from the women's group. (4 marks)
 - (c) Describe the type of productive activity in which the women's group of Slippery Stone is involved. (4 marks)
 - (d) Identify the level of production in which the Slippery Stone women's group is involved, giving ONE reason for your answer. (3 marks)
 - (e) Discuss TWO factors that would determine the type of payment that the women's group should accept for their products. (6 marks)

Total 20 marks

7. Mr Chambers owns a souvenir shop in the tourism belt and wants to contract several cottage industries to supply him with locally made souvenirs.
- (a)
 - (i) State FOUR features of a cottage industry. (4 marks)
 - (ii) Identify TWO examples of cottage industries in your country. (2 marks)
 - (b) Discuss TWO benefits of linkage industries. (6 marks)
 - (c) Explain TWO social implications of capital intensive production. (4 marks)
 - (d) Outline TWO ways in which the tourism industry benefits from the cottage industry. (4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

FINANCE AND INTRODUCTION TO ECONOMICS

Answer EITHER Question 8 OR Question 9. Do NOT answer both.

8. The following are terms used on business financial documents:

- (i) E & OE
- (ii) a/c Payee only
- (iii) Refer to drawer
- (iv) Stale dated
- (v) Terms – 5% 7 days, 3% 28 days otherwise net.

- (a) Explain what is meant by any THREE of the above terms. (6 marks)
- (b) Discuss TWO reasons why it is necessary to have adequate documentation of business transactions. (6 marks)
- (c) Outline THREE reasons why insurance is important in trade. (6 marks)
- (d) Describe a situation in which a debit note should be used. (2 marks)

Total 20 marks

9. The government of Wilta has announced that it will have to charge higher direct taxes in order to cover expenditures in the budget. A poll done immediately after the announcement shows that the citizens would prefer an increase in indirect taxes. However, the government decides to proceed with its plans.

- (a) Distinguish between direct and indirect taxes, giving ONE example of EACH. (6 marks)
- (b) Outline TWO reasons why government would prefer to increase direct taxes over indirect taxes. (4 marks)
- (c) Discuss TWO reasons why the citizens of Wilta would prefer to have indirect taxes imposed on them. (6 marks)
- (d) State TWO purposes of taxation, other than to raise revenue. (4 marks)

Total 20 marks

END OF TEST

**CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 03/2 - General Proficiency

1 hour

Answer ALL the questions.

In addition to the 1 hour, candidates are allowed 15 minutes to read through this paper. Writing MAY begin during this time.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

INSTRUCTIONS: This paper consists of a case study and FOURTEEN questions. Candidates must answer ALL FOURTEEN questions. All answers must be written in the space provided on the question paper.

Read the following case study and answer the questions that follow.

CASE STUDY

CASE:

We Care

“We Care” provides pick-up, delivery, courier, chauffeur and procurement services for people travelling from the Caribbean to the United States and for people living in the Caribbean but wanting to have items purchased in the United States and shipped to their home countries. Eighty per cent of the sales is generated by repeat customers, and advertisement is solely by word of mouth.

Mr Ford is the founder and director of the business, but his son who lives in New York, his daughter who lives in Miami, and his wife who resides with him in Los Angeles, all manage subsidiaries of his business in the respective states where they live. However, Mr Ford himself is responsible for standardizing the type of care that is provided to customers patronizing any and all of the subsidiaries.

Mr Ford is constantly striving to improve the service he provides to his customers and has decided to start a marketing campaign in Caribbean countries to increase awareness of the availability of the services offered through his business. Before Mr Ford could market his product he must first officially name and brand the business. Mr Ford has two main desires: He wants the “care” that his business is reputed for to be communicated in the name and marketing of the business and he wants to maintain the Caribbean niche market. He is hoping that by marketing he will be able to increase his revenues and, if necessary, expand his services to accommodate new demands of customers.

The business provides personalized service to his customers and requires customers to communicate their needs at least three working days ahead of time. This information is then used to prepare a schedule and proposed plan of action for the customer’s visit to the USA. This schedule and proposed plan is sent to the customer ahead of time (if time permits) for his/her approval.

Mr Ford would like to expand his business to other states within the USA. He needs advice on the other states that are frequented by people from the Caribbean, how he is to manage subsidiaries in the states where he has no family members, and how he can obtain financing for this desired expansion.

GO ON TO THE NEXT PAGE

ORGANIZATIONAL PRINCIPLES

1. State TWO ways in which growth may affect the organizational structure of Mr Ford's business.

(2 marks)

2. Explain what is meant by "management information system".

(2 marks)

3. Outline THREE ways in which Mr Ford would benefit from utilizing a management information system.

(6 marks)

4. Justify a suitable leadership style for Mr Ford's business.

(2 marks)

Total 12 marks

GO ON TO THE NEXT PAGE

PRODUCTION AND MARKETING

5. Define the term 'migration'.

(2 marks)

6. Discuss TWO ways in which migration can be seen as an opportunity for Mr. Ford's business.

(6 marks)

7. Identify TWO purposes for which technology is currently being used by Mr Ford's business.

(2 marks)

8. State TWO economic benefits of using technology in business.

(2 marks)

Total 12 marks

GO ON TO THE NEXT PAGE

FINANCE AND INTRODUCTION TO ECONOMICS

9. Commercial banks offer a variety of services to their customers. Identify THREE of those services that can be accessed by Mr Ford.

(3 marks)

10. State TWO ways in which Mr Ford's business can benefit from banking.

(4 marks)

11. Define the term 'standard of living'.

(2 marks)

12. Outline TWO disadvantages of high importation of goods to Caribbean economies.

(4 marks)

GO ON TO THE NEXT PAGE

13. State ONE way in which inflation in the Caribbean may affect Mr Ford's business.

(2 marks)

14. Identify ONE indirect tax that Mr Ford should pass on to his customers.

(1 mark)

Total 16 marks

END OF TEST

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

27 MAY 2008 (a.m.)

Answer the THREE questions in Section I and TWO questions in Section II as indicated.

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SECTION I

Answer the THREE questions in this section.

1. (a) Identify FOUR departments of a typical business. **(4 marks)**
- (b) Outline ONE function of EACH of the departments identified in (a) above. **(4 marks)**
- (c) There is an increased demand for soft drinks at Christmas time. Explain how this increased demand will affect the activities of any FOUR departments in a soft drink firm. **(8 marks)**
- (d) State TWO ways in which management can resolve conflict within the organisation. **(4 marks)**

Total 20 marks

2. (a) List TWO levels of production and explain the MAIN difference between them. **(4 marks)**
- (b) Outline ONE main difference between primary and secondary production, giving ONE example of EACH. **(4 marks)**
- (c) (i) Describe TWO features of cottage industries.
- (ii) State ONE way in which EACH feature described in (i) above, contributes to economic development. **(6 marks)**
- (d) Discuss TWO ways in which linkage industries can assist in the development of Caribbean economies. **(6 marks)**

Total 20 marks

3. Flour Hill has one shopping mart that purchases baked goods from a supplier in the nearest city, which is 75 miles away. In the last two weeks the owner of the shopping mart has had an unusual amount of complaints about the baked goods being spoilt and stale.
- (a) State THREE factors that influence consumer behaviour. **(6 marks)**
- (b) Identify TWO organisations in your country where consumers can seek redress for unfair treatment. **(2 marks)**
- (c) Outline TWO possible distribution channels that can be used to deliver the baked products to the final consumer. **(4 marks)**

GO ON TO THE NEXT PAGE

- (d) Select an appropriate method of transportation for EACH of the following products giving ONE reason for your choice.
- (i) Fresh flowers
 - (ii) Cement
 - (iii) Daily newspaper
 - (iv) Money (8 marks)

Total 20 marks

SECTION II

Answer TWO questions in this section as indicated.

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. (a) State TWO reasons why an individual may want to set up a business. (4 marks)
- (b) Outline THREE ways in which businesses contribute to the development of a community. (6 marks)
- (c) Define the following terms, giving an example of EACH:
- (i) Public sector
 - (ii) Private sector (6 marks)
- (d) State TWO reasons why a government may nationalize an industry. (4 marks)

Total 20 marks

5. (a) State the MAIN purpose of a business plan. (2 marks)
- (b) Describe the FOUR elements of a business plan. (8 marks)
- (c) Identify TWO forms of collateral. (2 marks)
- (d) Outline TWO reasons why bankers require collateral from borrowers. (4 marks)
- (e) Explain TWO ways in which unethical business practices impact on the borrower. (4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. A CARICOM country, in the year 2000, experienced an increase in real Gross Domestic Product (GDP) by 2%. This resulted in an improvement in the standard of living and the quality of life enjoyed by individuals in that country.
- (a) Distinguish between 'standard of living' and 'quality of life'. (4 marks)
 - (b) Explain what is meant by an 'increase in real GDP by 2%'. (3 marks)
 - (c) Outline THREE factors that could have contributed to an improvement in the country's standard of living. (6 marks)
 - (d) Describe TWO ways by which the Gross National Product (GNP) of a country may be measured. (4 marks)
 - (e) Discuss how a country can experience an increase in real GDP without an improvement in its standard of living. (3 marks)

Total 20 marks

7. CARICOM has decided to establish a Single Market and Economy for the Caribbean region.
- (a)
 - (i) Explain what is meant by 'single market', as it relates to CARICOM. (3 marks)
 - (ii) State THREE aims of CARICOM. (3 marks)
 - (b) Outline THREE advantages of CARICOM's Single Market and Economy. (6 marks)
 - (c) Identify ONE **major** economic problem faced by Caribbean countries and discuss a possible solution to that problem. (4 marks)
 - (d) Identify ONE social service provided by the government of your country and explain how that social service contributes to the economic development of your country. (4 marks)

Total 20 marks



END OF TEST

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 03/2 – General Proficiency

1 hour

Answer ALL the questions.

**In addition to the 1 hour, candidates are allowed
15 minutes to read through this paper. Writing
MAY begin during this time.**

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Read the following case study and answer the questions that follow.

CASE STUDY

CASSAVA WORKS LTD.

Cassava Works is a small cottage-based firm started 15 years ago on a 5 hectare freehold farm by Mr Proudham Edwards. His family, which consists of his wife and three children, assisted him in the production of bammy, farine and starch mainly for the local market using a traditional manual process. Bammy and farine have become very popular over the years and are demanded by locals as well as foreigners who were introduced to them. The disaster preparedness management organisations in the region have shown some serious interests in these products because of their nutritional content and long shelf life. The growing demand for bammy and farine has placed pressure on Mr Edwards to increase his output to the limit. Other producers have entered the market but could not match the quality of the goods produced by Mr Edwards.

A survey conducted showed that consumers were willing to choose farine over many other cereals. The future looked very bright and promising. Mr Edwards has decided to seek financing to enable him to use the latest technology so that he can produce in large enough bulk to satisfy this potential local and foreign market. He also wants to modernise and mechanise his operations. He has convinced ten farmers in the community to invest \$10 000 each towards this venture. Mr Edwards has \$50 000 in the bank which he plans to contribute towards realizing his dream. However, this was still inadequate. He therefore had to seek other sources of funding. The existing fixed assets of the firm amounted to \$190 000 and to meet the level of demand, the firm needed a working capital of \$92 000.

This expansion would also require additional staffing as follows: The Board of Directors, with Mr Edwards as Managing Director, would need three supervisors for the following departments: Production, Marketing and Transportation, and Finance and Personnel. There would be need for ten workers in the factory, two sales representatives, one driver, one loader, two accounting clerks and one payroll clerk. The expanded firm projected sales of \$200 000 made up of 60% farine and 40% bammy. However, Mr Edwards needs to present a business plan to his financiers to secure the rest of funds.

Prepare a Business Plan using the information from the case. Your Business Plan must include the sections outlined below.

BUSINESS PLAN

OPERATIONAL PLAN

Nature and Type of Business

(2 marks)

GO ON TO THE NEXT PAGE

Internal Structure of Organisation

(2 marks)

Management Functions

(2 marks)

Ethical/Legal Issues

(2 marks)

Executive Summary

(2 marks)

Total 10 marks

GO ON TO THE NEXT PAGE

MARKETING PLAN

Market Research

(4 marks)

Industry Trend

(2 marks)

Size of Market

(1 mark)

Target Market

(2 marks)

Pricing Strategies

(2 marks)

GO ON TO THE NEXT PAGE

Promotion Strategies

(4 marks)

Distribution Strategies

(2 marks)

Consumer Organisations

(1 mark)

Executive Summary

(2 marks)

Total 20 marks

FINANCIAL PLAN

Answer the following questions.

1. Given that Mr Edwards and 10 farmers can provide \$150 000, complete the following opening Balance Sheet of Cassava Works Ltd. to indicate the amount in the bank.

Cassava Works Ltd.
Balance Sheet as at January 1, 2006

	<u>Assets</u>		<u>Liabilities and Capital</u>
		\$	
Bank			Represented by:
			Share Capital
			\$150 000
		\$150 000	\$150 000
			\$150 000

(1 mark)

2. The TOTAL fixed assets required amounted to \$190 000 and the working capital needed amounted to \$92 000. Calculate the TOTAL amount which must be borrowed to start up the operations. Show all workings.

(2 marks)

GO ON TO THE NEXT PAGE

3. Identify ONE appropriate source from which the additional funds can be obtained.

(1 mark)

4. Identify ONE document that the business can use as suitable collateral.

(1 mark)

5. Assuming that the loan was approved and the fixed assets and working capital obtained on January 10, 2006, complete the following Balance Sheet as at January 10, 2006 to indicate the amount of the loan.

Cassava Works Ltd.
Balance Sheet as at January 10, 2006

<u>Fixed Assets</u>		Represented by:	
	\$		\$
Fixed Assets	\$190 000	Loan	<input type="text"/>
<u>Current Assets</u>		Share Capital	\$150 000
Bank	\$ 92 000		
	<u>\$282 000</u>		<u>\$282 000</u>

(1 mark)

GO ON TO THE NEXT PAGE

6. The TOTAL sales were estimated at \$200 000, distributed as follows: Bammy 40% and Farine 60%. Cost of goods sold was estimated at \$40 000. Calculate and insert the following in the template provided below:

- (a) Sales amount for Bammy (1 mark)
- (b) Sales amount for Farine (1 mark)
- (c) Gross Profit (1 mark)
- (d) Net Profit (1 mark)

Cassava Works Ltd.
Trading and Profit and Loss Accounts
For the year ended December 31, 2006

	Bammy	Farine	Total
	\$	\$	\$
Sales	(a) _____	(b) _____	200 000
Cost of goods sold			<u>40 000</u>
Gross Profit			(c) _____
Total Expenses			72 000
Net Profit			(d) _____ <u> </u> <u> </u>

Total 10 marks

END OF TEST

SECONDARY EDUCATION CERTIFICATE
EXAMINATION

SPECIMEN
MULTIPLE CHOICE QUESTIONS
FOR

PRINCIPLES OF BUSINESS

READ THE FOLLOWING DIRECTIONS CAREFULLY

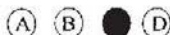
Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.

Sample Item

The money a business receives from the sale of goods or services is called its

- (A) assets
- (B) capital
- (C) income
- (D) resources

Sample Answer



The best answer to this item is "income", so answer space (C) has been shaded.

1. A system involving the exchange of goods depending on the 'double coincidence of wants' is known as
- (A) money
 - (B) barter
 - (C) specialization
 - (D) equal exchange
2. Which of the following is NOT a function of money?
- (A) Not divisible
 - (B) Store of value
 - (C) Measure of value
 - (D) Medium of exchange
3. From which of the following commercial organizations might any member of the public be allowed to purchase shares?
- (A) Co-operatives
 - (B) The Central Bank
 - (C) Private Companies
 - (D) Government agency
4. Which of the following practices are characteristic of a free economy?
- I. Private ownership of assets
 - II. Central planning
 - III. Price fixing
 - IV. Freedom of contract
- (A) I and III only
 - (B) I and IV only
 - (C) II and III only
 - (D) II and IV only
5. Which of the following are the functions of a business unit?
- I. Creation of jobs
 - II. Education of workers
 - III. Maximization of sales
 - IV. Production of goods and services
- (A) I, II and III only
 - (B) I, II and IV only
 - (C) I, III and IV only
 - (D) II, III and IV only
6. In which department of a manufacturing business would you MOST likely find an engineer?
- (A) Production
 - (B) Personnel
 - (C) Marketing
 - (D) Financial
7. A hotel gives vouchers for meals to its employees. This form of incentive is BEST described as a
- (A) reward
 - (B) bonus
 - (C) fringe benefit
 - (D) motivation scheme
8. James wins a sum of money in a lottery and decides to invest it in a business. James buys fruit and sells them to earn money. In which type of production is he involved?
- (A) Secondary
 - (B) Subsistence
 - (C) Primary
 - (D) Tertiary

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9. Which of the following exemplify good leadership?
- I. Motivating subordinate staff
 - II. Providing more goods at lower cost
 - III. Giving direction to the organization
 - IV. Implementing established plans
- (A) I, II and III only
(B) I, II and IV only
(C) I, III and IV only
(D) II, III and IV only
10. An authoritarian leader is one who
- (A) makes decisions without consultation
(B) allows workers to plan their own work
(C) consults with those likely to be affected by the decision
(D) takes suggestions from employees
11. The workers in a large organization are dissatisfied with the working conditions. The trade union representatives' FIRST likely action will be to
- (A) have discussions with the personnel officer
(B) encourage employees to adopt go slow tactics
(C) encourage the workers to take strike action
(D) request a meeting with the board of directors
12. A trait associated with entrepreneurs is
- (A) taking risks
(B) fear of failure
(C) acceptance of loss
(D) opposition to change
13. The purpose of a business plan is to
- I. measure the performance of the business
 - II. attract financing to the business
 - III. communicate the business ideas to others
 - IV. provide direction for the business operations
- (A) I and II only
(B) I and IV only
(C) I, II and III only
(D) II, III and IV only
14. Which of the following documents should be used to indicate to a business department that supplies of certain goods are needed?
- (A) Invoice
(B) Quotation
(C) Stock card
(D) Requisition order
15. The advantages which a firm may achieve by significantly increasing the size of its output are known as
- (A) economies of scale
(B) risk-bearing economies
(C) economies of concentration
(D) effects of large scale production
16. Which of the following should a feasibility study include?
- I. An overview of the business
 - II. The profitability of the business
 - III. The growth potential of the business
 - IV. The family background of the partners
- (A) I and II only
(B) II and III only
(C) I, II and III only
(D) I, II and IV only

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17. Which of the following situations would occur if a contract for the sale of goods becomes void?
- I. The prospective buyer becomes the owner.
 - II. The seller has the right to keep any money or goods which have been given to him in this transaction.
 - III. The prospective buyer does not become the owner.
 - IV. The seller must return any money or goods given to him by the prospective buyer for the transaction.
- (A) II and III only
(B) III and IV only
(C) I and IV only
(D) I, II and IV only
18. The abbreviation f.o.b. means
- (A) fee on board
(B) freight on board
(C) free on board
(D) freeze on board
19. A post-dated cheque is one which is dated
- (A) no later than six months ago
(B) to agree with the date of the document requesting payment
(C) by the bank on the day the cheque is presented for payment
(D) for payment at a future date
20. What should a bank teller do when a customer presents a cheque with a general crossing?
- (A) Ask for identification
(B) Pay the amount stated
(C) Request that the cheque be deposited
(D) Refer the customer to the drawer's bank
21. "Capital as a factor of production" refers to
- (A) money that is used to purchase goods
(B) goods that are used to produce other goods
(C) assets that are owned by a firm
(D) goods purchased for resale
22. Primary production is concerned with the
- (A) distribution of goods
(B) provision of services
(C) manufacture of goods
(D) provision of raw materials
23. Which of the following are features of a cottage industry?
- I. Family help
 - II. Mass production
 - III. Minimal investment
 - IV. Production of exports
- (A) I and III only
(B) I and IV only
(C) II and IV only
(D) III and IV only
24. Which of the following is NOT a primary industry?
- (A) Mining
(B) Fishing
(C) Building
(D) Farming

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25. Which of the following actions would allow a cigarette manufacturer vertical integration of business activities?
- I. Buying a tobacco estate
 - II. Purchasing a competitor's cigarette factory
 - III. Establishing a retail outlet for cigarettes
 - IV. Acquiring vehicles to be used for delivery of cigarettes
- (A) I and II only
(B) II and IV only
(C) I, II and III only
(D) I, III and IV only
26. Which of the following LEAST affects the location of an industry?
- (A) Proximity to sources of raw materials
(B) Availability of an abundant labour supply
(C) Proximity to large shopping areas
(D) The presence of good roads and drainage
27. Which of the following are functions of small firms?
- I. The provision of goods and services
 - II. The offering of personalised services
 - III. The production of exclusive articles
 - IV. The reduction in the demand for labour
- (A) I, II and III only
(B) I, II and IV only
(C) I, III and IV only
(D) II, III and IV only
28. Which of the following activities carried out in a firm will NOT be under the supervision of the marketing manager?
- (A) Packaging
(B) Advertising
(C) Distribution
(D) Purchasing
29. Which of the following documents gives the name of the ship and full particulars of the shipment of goods?
- (A) Bill of Sale
(B) Bill of Lading
(C) Airway Bill
(D) Broker's Bill
30. Which of the following are characteristics of a 'perfect market'?
- I. There are many buyers and sellers
 - II. The buyers are aware of the price of the goods
 - III. The price of the goods must be fixed by supply or demand
 - IV. There must be several types of the commodity on sale
- (A) I and II only
(B) II and IV only
(C) I, II and III only
(D) II, III and IV only
31. Which of the following BEST describes the term 'loss leader'?
- (A) An item which the retailer gives away to customers
(B) A product which is sold cheaply to attract customers
(C) A good which has no real market value
(D) A product which the retailer is unable to locate
32. Which of the following is a MAJOR function of consumer organisations?
- (A) Providing goods and services for consumers
(B) Educating consumers about their rights and privileges
(C) Setting price controls for certain commodities
(D) Acting as price inspectors

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33. Which of the following BEST describes a bill of sale?
- (A) An advertisement for sale of a client's property by the bank in settlement of a debt
 - (B) A notice that a list of items overdue for customs clearance will be auctioned
 - (C) A document drawn up by a business to inform import control authorities of its export activities
 - (D) An agreement between buyers and seller regarding title of ownership of goods
34. A housewife buys meat from a local butcher in her neighbourhood. What type of distribution does this represent?
- (A) A retail outlet
 - (B) A single channel
 - (C) A direct channel
 - (D) An indirect channel
35. Which of the following is a function of a commercial bank?
- (A) Refusal of deposits
 - (B) Lending of depositor's funds
 - (C) Barring of long term financing
 - (D) Making the various currencies
36. On which of the following bank accounts is a service fee charged?
- (A) Current
 - (B) Savings
 - (C) Term Deposit
 - (D) Fixed Deposit
37. Which of the following can a government sell to raise revenue?
- I. Shares
 - II. Bonds
 - III. Debentures
 - IV. Treasury Bills
- (A) IV only
 - (B) I and IV only
 - (C) I, II and III only
 - (D) II, III and IV only
38. Wealth set aside for the production of further wealth is referred to as
- (A) saving
 - (B) capital
 - (C) banking
 - (D) commerce
39. One of the MAJOR functions of a central bank is to
- (A) issue notes and coins
 - (B) issue stocks and shares
 - (C) accept deposit accounts
 - (D) make loans and advances
40. Which of the following describes a 'stock market'?
- I. A type of warehouse
 - II. A place where brokers and jobbers may be found
 - III. A place where shares are bought and sold
 - IV. The most perfect competitive market
- (A) I, II and III only
 - (B) I, II and IV only
 - (C) II, III and IV only
 - (D) II, III and IV only

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41. The responsibilities of government include the
- I. preservation of law and order
 - II. encouragement and promotion of investment
 - III. provision of proper infrastructure
 - IV. establishment of business enterprises
- (A) I and II only
(B) II and III only
(C) I, II and III only
(D) II, III and IV only
42. A government can protect consumers by
- I. enacting laws
 - II. publishing standards
 - III. prosecuting infringements
 - IV. communicating with consumers watch groups
- (A) I only
(B) I, II and III only
(C) II, III and IV only
(D) I, II, III and IV only
43. Which of the following measures may be used by government to control business activity?
- I. Legislation
 - II. Regulation
 - III. Valuation
 - IV. Taxation
- (A) III only
(B) I and II only
(C) I, II and III only
(D) I, II and IV only
44. Government's deductions of part of workers' weekly or monthly salaries is called
- (A) income tax
 - (B) corporation tax
 - (C) capital gains tax
 - (D) value added tax
45. Which of the following can be classified as "indirect taxation"?
- I. Tariff
 - II. Land Tax
 - III. Sales Tax
 - IV. Inheritance Tax
- (A) I only
(B) I and III only
(C) II and IV only
(D) IV only
46. A tax levied in excess of the standard rate on earned income is called
- (A) surtax
 - (B) purchase tax
 - (C) corporation tax
 - (D) capital gains tax
47. Governments establish National Insurance Schemes in order to
- (A) prevent devaluation of a nation's currency
 - (B) provide benefits to employees after retirement
 - (C) protect employees from victimisation at the workplace
 - (D) provide benefits to employees in the event of unforeseen circumstances
48. Which of the following may be used as indicators of a country's standard of living?
- I. National income
 - II. Level of taxation
 - III. Distribution of wealth
 - IV. Level of consumer spending
- (A) I and II
(B) I and IV
(C) I, III and IV
(D) II, III and IV

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49. Gross National Product may be defined as the total goods and services
- (A) exported by a country over a specified period
 - (B) owned by a country over a specified period
 - (C) imported by a country over a specified period
 - (D) produced by a country over a specified period

50. Which of the following indices is the BEST measure of the economic growth of a country?
- (A) Population
 - (B) Level of exports
 - (C) Standard of living
 - (D) Gross domestic product

51. Which of the following clearly defines the term 'balance of payments'?
- (A) The total monetary transactions of a country with the rest of the world
 - (B) The total value of all the goods sold by one country to another
 - (C) The total value of all the goods produced in a country
 - (D) The total value of all the goods and services consumed by a country

Item 52 is based on the following table.

	Payment in (+) \$m	Payment out (-) \$m
Goods	300	190
Services	170	220
Capital	40	130
TOTAL	510	540

52. The current account balance when the figures above are extracted is
- (A) -\$30m
 - (B) +\$50m
 - (C) +\$60m
 - (D) +\$110m
53. Which of the following would NOT be used by the government in an attempt to decrease the imports of a country?
- (A) Ban
 - (B) Quota
 - (C) Subsidy
 - (D) Licence
54. A quota can BEST be described as a
- (A) ban on the sale of foreign goods
 - (B) tariff on extraregional goods
 - (C) restriction on the quantity imported
 - (D) licence to import unlimited foreign goods
55. The Caribbean Development Bank functions PRIMARILY to
- (A) assist Caribbean territories in their economic development
 - (B) assist territories engaged in large manufacturing industries
 - (C) aid territories seeking to develop their tourist trade
 - (D) expand communications among Caribbean territories

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56. Which of the following are MAJOR economic problems facing many Caribbean countries today?
- I. High levels of unemployment
 - II. Adverse balance of payments
 - III. Low productivity in manufacturing
 - IV. Lack of capital for investment
- (A) I and II only
(B) II and III only
(C) I, II and IV only
(D) I, III and IV only
57. The term 'economic dualism' defines an economy in which one sector
- (A) imports more goods and services than it exports
 - (B) exports more goods and services than it imports
 - (C) is overpopulated while the other is underpopulated
 - (D) is technologically advanced while the other is technologically retarded
58. Which of the following does NOT enhance economic growth?
- (A) Political instability
 - (B) Foreign investment
 - (C) Improved technology
 - (D) Education and training
59. NAFTA is a region-wide trade agreement. Which of the following groups of countries are members of NAFTA?
- (A) Caribbean, Canada, USA and United Kingdom
 - (B) Caribbean, Mexico, Canada and USA
 - (C) Caribbean, Canada, USA and Brazil
 - (D) Mexico, Canada, USA and United Kingdom
60. Which of the following are the MAJOR arguments in favour of foreign investment?
- I. Reduction of local employment
 - II. Provision of technical expertise
 - III. Establishment of markets
 - IV. Inflow of capital
- (A) I, II and III only
(B) I, II and IV only
(C) I, III and IV only
(D) II, III and IV only

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE
EXAMINATION

PRINCIPLES OF BUSINESS

SPECIMEN PAPER 2008

Item No.	Key
1	B
2	A
3	A
4	B
5	C
6	A
7	C
8	D
9	C
10	A
11	A
12	A
13	D
14	D
15	B
16	C
17	B
18	C
19	D
20	C
21	A
22	D
23	A
24	C
25	D
26	C
27	A
28	D
29	B
30	C

Item No.	Key
31	B
32	B
33	D
34	C
35	B
36	A
37	D
38	B
39	A
40	D
41	C
42	D
43	D
44	A
45	B
46	A
47	D
48	C
49	D
50	D
51	A
52	C
53	C
54	C
55	A
56	C
57	D
58	A
59	C
60	D

TEST CODE **01240020**

FORM TP 2009026

JANUARY 2009

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

07 JANUARY 2009 (a.m.)

Answer the THREE questions in Section I and TWO questions in Section II as indicated.

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SECTION I

Answer the THREE questions in this section.

1. (a) Define EACH of the following management functions:
- (i) Planning
 - (ii) Organizing
 - (iii) Coordinating
 - (iv) Motivating **(8 marks)**
- (b) Outline FOUR responsibilities of management to its employees. **(8 marks)**
- (c) Outline TWO strategies that workers can use to urge management to consider their request for higher wages. **(4 marks)**
- Total 20 marks**
2. (a) Define the term 'contract'. **(2 marks)**
- (b) Outline TWO differences between a simple contract and a specialty contract, giving ONE example of EACH type of contract. **(6 marks)**
- (c) Outline THREE ways by which a contract may be terminated. **(6 marks)**
- (d) Discuss TWO rules governing the 'offer' and 'acceptance' of a contract. **(6 marks)**
- Total 20 marks**
3. (a) (i) Explain what is meant by the term 'extractive production', giving TWO examples of extractive production. **(4 marks)**
- (ii) Identify TWO examples of service industries in the Caribbean. **(2 marks)**
- (b) Explain what is meant by EACH of the following terms, giving ONE example in EACH case:
- (i) Capital intensive production
 - (ii) Labour intensive production **(6 marks)**
- (c) Outline FOUR factors that must be considered in determining a suitable location for a gas station. **(8 marks)**
- Total 20 marks**

GO ON TO THE NEXT PAGE

SECTION II

Answer TWO questions in this section as indicated.

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. Ms Mac produces a confectionery locally known as “fudge” and sells it door-to-door. She uses the brand name, Exotic Fudge.
- (a) Define the term ‘branding’. (2 marks)
 - (b) Outline TWO benefits of branding. (4 marks)
 - (c) Explain the four P’s of marketing that must be considered by all entrepreneurs. (8 marks)
 - (d) Suggest TWO benefits that Ms Mac is likely to enjoy by selling her fudge from door-to-door. (4 marks)
 - (e) Identify TWO methods of distribution, other than door-to-door that Ms Mac can use. (2 marks)

Total 20 marks

5. (a) Describe TWO ways in which the Central Bank controls the activities of commercial banks. (4 marks)
- (b) (i) Identify FOUR services that commercial banks offer to their customers. (4 marks)
- (ii) Explain ONE way by which customers benefit from any TWO of the services identified in (i) above. (4 marks)
- (c) (i) Outline TWO differences between ‘short-term capital’ and ‘long-term capital’. (4 marks)
- (ii) Identify TWO sources of short-term capital and TWO sources of long-term capital. (4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. You have been appointed Chief Environmental Officer of your country and have been asked to provide guidelines to ensure that citizens, tourists and businesses cooperate in making the environment safe.
- (a) Recommend TWO guidelines that businesses should follow to ensure that they do not pollute the environment. **(4 marks)**
 - (b) Outline THREE ways by which the government can protect the consumers of your country from unfair business practices. **(6 marks)**
 - (c) Outline TWO ways by which the government can assist in the development of small business enterprises in your country. **(4 marks)**
 - (d) Discuss ONE economic impact, on a country, of an improvement in the following social services:
 - (i) Health care
 - (ii) Transportation system **(6 marks)**

Total 20 marks

7. (a) Distinguish between 'standard of living' and 'quality of life'. **(4 marks)**
- (b) Identify THREE indicators of a country's standard of living. **(3 marks)**
- (c) Identify THREE indicators of a country's quality of life. **(3 marks)**
- (d) Outline TWO reasons why countries trade with each other. **(4 marks)**
- (e) Evaluate the effectiveness of the following measures in addressing the balance of payments problems of a country:
 - (i) Tariffs
 - (ii) Devaluation **(6 marks)**

Total 20 marks

END OF TEST

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 03/2 – General Proficiency

1 hour

Answer ALL the questions.

In addition to the 1 hour, candidates are allowed 15 minutes to read through this paper. Writing MAY begin during this time.

The use of non-programmable scientific calculators is allowed for this paper.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

This paper consists of a Case Study and a template for a Business Plan. You are required to use the information from the Case Study to complete the Business Plan.

CASE STUDY

Bridge Mount Pest Control Ltd

Jake Bridge desires to be the Chief Executive Officer and majority shareholder in a pest control business with his two brothers; Stern and Thorn. They plan to name the company Bridge Mount Pest Control Ltd. Jake has an accounting background while Stern works for a termite company that is going out of business. The termite company is going out of business because it has not been able to attract the level of business necessary to compete with the three other medium-sized pest control companies on the island. This does not worry the brothers since they have been negotiating to acquire some clientele from an existing company, go into pest control, and then specialize in household pest management. Jake hopes to reduce costs by refurbishing a large tool shed at the back of his house and Thorn is good with people, since he had some training in marketing. Stern will be responsible for doing the actual jobs. Thorn has already started to build a customer base by doing a part-time job selling pizza. He simply gives his business cards to the persons to whom he delivers, most of whom are business persons and homeowners.

Research was conducted by talking to persons and searching the Internet. The research revealed the following:

- Price charged for spray and pest control by the other companies
- Cost of chemicals and other equipment used
- Cost of maintenance of equipment

The following are some of the operating costs that the Bridges expect to incur in the start-up phase.

EXPENSES	\$ (dollars)
2 Service vans	200 000
Motor vehicle insurance	20 000
Commercial motor vehicle licence	2 000
Chemicals	100 000
Wages and salaries	150 000
Maintenance	50 000
Advertising	5 000

The Bridges hope to make at least 50% of the profit on expenses. They also target all types of businesses including, apartments, warehouses, laundermats and management companies that need to have pest control services to satisfy the requirements of the Ministry of Health. However, the Bridges are concerned about the level of interest shown by the government as it relates to the pollution of the environment by certain types of chemicals used in the industry as well as the licensing of operators.

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The brothers hope to offer quality services, be reliable and depend on word-of-mouth referrals, although the idea of advertising in the local newspaper and on the Internet are other possibilities they want to explore. They have personal savings of \$300 000, loans of \$100 000 from relatives and friends and \$250 000 from the bank at a 5% interest per annum. The government is willing to provide funding to businesses that are already established and they hope to tap this source of 'soft loans'. The cost of operating this type of business is high, particularly the insurance. Jake realizes too, that they would need training in business management as well as other features of pest control. They are considering night school, distance education or online courses they see advertised on the Internet.

1. Using the template below, complete the Business Plan with information from the Case.

BUSINESS PLAN

OPERATIONAL PLAN

Nature and Type of Business

(2 marks)

Internal Structure of the Organisation

(2 marks)

Management Functions

(2 marks)

GO ON TO THE NEXT PAGE

Ethical Issues

(2 marks)

Executive Summary

(2 marks)

Total 10 marks

MARKETING PLAN

Market Research

(4 marks)

Industry Trend

(2 marks)

Size of Market

(1 mark)

GO ON TO THE NEXT PAGE

Target Market

(2 marks)

Pricing Strategies

(2 marks)

Promotion Strategies

(4 marks)

Distribution Strategies

(2 marks)

Consumer Organisations

(1 mark)

Executive Summary

(2 marks)

Total 20 marks

FINANCIAL PLAN

2. Complete the following financial statements for Bridge Mount Pest Control Limited.

- (a) Trading and Profit and Loss Account
- (b) Balance Sheet

Notes

- 1. Given that Bridge Mount Pest Control Limited would like to make 50% profit on expenses, calculate the amount of sales that the company must obtain in order to achieve this.
- 2. Calculate the net profit figure.

Bridge Mount Pest Control Limited

(a) **Trading and Profit and Loss Account for the period ended 31st December 2008**

Sales	<input type="text"/>	(1 mark)
Less:		
Cost of Goods Sold	70 000	
Gross Profit	<input type="text"/>	(1 mark)
Less Expenses:		
Advertising Expenses	5 000	
Motor Vehicle Insurance	20 000	
Motor Vehicle Licence	2 000	
Wages and Salaries	150 000	
Maintenance	50 000	
Depreciation Expenses	20 000	
Interest on Loan	<input type="text"/>	(1 mark)
	<hr/>	
	<input type="text"/>	(1 mark)
Net Profit (50% of expenses)	<input type="text"/>	(1 mark)

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Bridge Mount Pest Control Limited

(b)

Balance Sheet as at 31st December 2008

Fixed Assets:

Motor Vans 200 000

Less Depreciation 20 000

(1 mark)

Current Assets:

Stock 30 000

Cash 588 500

(1 mark)

Current Liabilities:

Capital at start 300 000

Add Net Profit

(1 mark)

Long-term Liabilities:

Loan from relatives

(1 mark)

Bank Loan

Working Capital

(1 mark)

Total 10 marks

END OF TEST

TEST CODE **01240020**

FORM TP 2009109

MAY/JUNE 2009

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

28 MAY 2009 (a.m.)

Answer the **THREE** questions in Section I and **TWO** questions in Section II as indicated.

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SECTION I

Answer the THREE questions in this section.

1. (a) State TWO reasons why an individual may want to establish a business. (4 marks)
- (b) Outline THREE ways in which residents may benefit from having a business located in their community. (6 marks)
- (c) State THREE ways in which a planned economy is different from a free market economy. (6 marks)
- (d) Identify TWO benefits that a business will enjoy by converting from a partnership to a private limited company. (4 marks)

Total 20 marks

2. Mrs Greenwood is the owner of Refreshing Water, a bottled water business. In the last month, she has been having mechanical problems at the factory and as a result has not been able to meet time or quantity demands.
- (a) Define the term 'entrepreneurship'. (2 marks)
- (b) Explain ONE way in which Mrs Greenwood could use her entrepreneurial skills to solve the problem at Refreshing Water. (3 marks)
- (c) Outline THREE reasons why Mrs Greenwood may have decided to open her own business. (6 marks)
- (d) Identify THREE **unethical** practices in which Mrs Greenwood could engage to ensure that she does not lose business. (3 marks)
- (e) Outline THREE consequences of **unethical** practices in business. (6 marks)

Total 20 marks

3. (a) (i) Explain what is meant by the term 'market research'. (2 marks)
- (ii) Outline THREE reasons why businesses should conduct market research. (6 marks)
- (b) State TWO ways by which hotels may promote sales during the off-season. (4 marks)
- (c) Outline FOUR factors that may influence consumer behaviour in purchasing a cellphone. (8 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION II

Answer TWO questions in this section as indicated.

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. (a) Define EACH of the following terms:
- (i) Migration
 - (ii) Labour supply (4 marks)
- (b) Identify FOUR factors that affect the labour supply of a country. (4 marks)
- (c) Outline TWO ways in which migration may affect the labour supply of
- (i) the country from which workers migrate
 - (ii) the country to which workers migrate. (8 marks)
- (d) Differentiate between production and productivity. (4 marks)

Total 20 marks

5. Mary-Jo has recently lost her job as a supervisor of a department store. She has been awarded a reasonable redundancy package and needs to live on a carefully monitored budget.
- (a) Define the term 'personal budgeting'. (2 marks)
- (b) Outline TWO ways in which Mary-Jo could benefit from budgeting. (4 marks)
- (c) The following saving options are available to Mary-Jo:
- (i) Credit unions
 - (ii) Commercial banks
- State ONE advantage and ONE disadvantage of EACH saving option to Mary-Jo. (8 marks)
- (d) Mary-Jo wants to use some of her redundancy money to invest in the stock market or to purchase a house.
- (i) Describe the role of the stock market. (2 marks)
 - (ii) Outline ONE advantage and ONE disadvantage of EITHER investing in the stock market OR purchasing a house. (4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. (a) Define the term 'human resource development'. **(2 marks)**
- (b) Outline THREE ways in which human resource development can affect the economic growth and development of Caribbean countries. **(6 marks)**
- (c) Discuss the effect of EACH of the following economic problems on Caribbean countries:
- (i) Migration
 - (ii) Economic dualism **(6 marks)**
- (d) Outline THREE ways in which the Caribbean Development Bank can assist in reducing the economic problems of Caribbean countries. **(6 marks)**

Total 20 marks

7. (a) State ONE function of EACH of the following economic institutions:
- (i) World Trade Organization (WTO)
 - (ii) European Union **(4 marks)**
- (b) State THREE benefits that Caribbean countries may enjoy from being members of CARICOM. **(6 marks)**
- (c) Outline TWO ways by which the development of the manufacturing sector can assist in reducing the economic problems of Caribbean countries. **(4 marks)**
- (d) (i) Define the term 'foreign direct investment' (FDI). **(2 marks)**
- (ii) Outline TWO ways in which foreign direct investment can contribute to the economic growth of a country. **(4 marks)**

Total 20 marks

END OF TEST

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 03/2 – General Proficiency

1 hour

Answer ALL the questions.

**In addition to the 1 hour, candidates are allowed
15 minutes to read through this paper. Writing
MAY begin during this time.**

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO

This paper consists of a Case Study and a template for a Business Plan. You are required to use the information from the Case Study to complete the Business Plan.

CASE STUDY

The Caribbean Trade Agency is promoting an association of souvenir producers for the region.

All persons who make souvenirs are invited to become members of this association. An annual membership fee of \$500.00 will be charged at registration. The association will target souvenir producers of the Caribbean and estimates it will have 400 members by the end of 2009. The target is 800 members by the end of 2010.

The Caribbean Trade Agency is responsible for organizing trade shows, seminars, training and other marketing activities for its members. Promotion of the association's services to potential members is the job of the Agency's Director and Staff. The Director supervises a Marketing Officer, an Office Manager and a Bookkeeper. The Office Assistant is supervised by the Office Manager. The Director reports to an Advisory Council.

The association's goal is to promote the welfare of its members and provide opportunities for members to learn about new technologies and processes, and obtain training.

The Agency's Director is to develop a proposal to present to the government in order to receive financial support for the agency. The government is willing to assist but needs to see a plan. Therefore, the proposal must include a business plan complete with financial statements. The business plan will show the government how the financial support of \$100 per paid member, the monthly subsidy of \$20 000 and membership fees collected will be spent.

Monthly operating expenses include:

Expenses	\$ (dollars)
Administrative	3 000
Salary	10 800
Marketing	4 000
Travel	5 000
Telephone	1 000
Interest	500
Trade show	25 000

GO ON TO THE NEXT PAGE

Other transactions in the month of January that must be considered are as follows:

1. In January, 250 members registered and paid full membership fees.
2. A vehicle was purchased for the office at the cost of \$50 000.
3. Office equipment valued at \$35 000 was purchased.
4. A loan of \$55 000 was obtained at a bank to purchase the office equipment and vehicle.

Using the template below, complete the Business Plan with information obtained from the Case Study.

BUSINESS PLAN

1. **The Operational Plan**

Goals of association

(2 marks)

Type of business

(1 mark)

Structure of organization

(3 marks)

Management functions

(2 marks)

Executive summary

(2 marks)

Total 10 marks

2. The Marketing Plan

Types of services provided

(2 marks)

Size of market

(2 marks)

Target market

(2 marks)

Promotional activities for membership products

(4 marks)

Marketing activities for agency services

(4 marks)

Benefit of developing a logo

(4 marks)

Executive summary

(2 marks)

Total 20 marks

3. THE FINANCIAL PLAN (Financial Statement)

- (a) Complete the following Income Statement and Balance Sheet using information from the case study.

Income Statement for the month ended January 31, 2009.

Income:

Membership Fees	_____	(a)	(1 mark)
Government Grant	_____	(b)	(1 mark)
Subsidized Fees	20 000.00		
Total Income:		195 000.00	
Total Expenses:	_____	(c)	(1 mark)
Net Profit/Loss	_____	(d)	(2 marks)

Balance Sheet at January 31, 2009.

Assets:

Cash	195 000		
Equipment	35 000		
Vehicle	50 000		
Total Assets:	_____	(e)	(1 mark)

Liabilities:

Loan Payable	60 000		
Capital:	_____	(f)	(2 marks)

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- (b) Calculate the additional membership fees that will be collected by December 2009 if the agency meets its estimated goal of 400 members at the end of the year.

(2 marks)

Total 10 marks

END OF TEST

FORM TP 2010026



TEST CODE **01240020**

JANUARY 2010

**CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 - General Proficiency

2 hours

06 JANUARY 2010 (a.m.)

**Answer ALL the questions in Section I, ONE question in Section II
and ONE question in Section III as indicated.**

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01240020/JANUARY/F 2010

SECTION I

Answer ALL THREE questions in this section.

1. (a) (i) Define the term 'barter'. (2 marks)
- (ii) State TWO problems associated with barter. (4 marks)
- (iii) Explain TWO ways in which the use of money can overcome the problems associated with barter. (4 marks)
- (b) Compare the private sector with the public sector in terms of the following:
- (i) Ownership and control
- (ii) Objective or motive
- (iii) Source of capital (6 marks)
- (c) Outline TWO ways in which a free market economy differs from a planned or command economy. (4 marks)

Total 20 marks

2. (a) State TWO functions of EACH of the following departments of a business:
- (i) Marketing
- (ii) Finance (8 marks)
- (b) State TWO reasons why individuals may decide to start their own business. (2 marks)
- (c) Explain TWO differences between long-term planning and short-term planning. (4 marks)
- (d) State THREE advantages of a private limited company. (6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

3. Ms. Vanessa operates a bike rental business from her home, but is contemplating opening a rental office on Main Street in the city.
- (a) Identify FOUR factors that should influence Ms. Vanessa's choice of a business location. (4 marks)
 - (b) State TWO advantages of operating a small business. (4 marks)
 - (c) State TWO disadvantages that may result from business expansion. (4 marks)
 - (d) Identify TWO forms of technology that are essential for operating a business. (2 marks)
 - (e) Describe THREE benefits of using technology in business. (6 marks)
- Total 20 marks**

SECTION II

Answer EITHER Question 4 or Question 5. Do NOT answer both.

4. (a) Identify TWO sources of income for EACH of the following:
- (i) Individuals
 - (ii) Businesses (4 marks)
- (b) Identify FOUR types of services provided by commercial banks. (4 marks)
- (c) Outline THREE characteristics of a credit union. (6 marks)
- (d) (i) Define the term 'budgeting'. (2 marks)
- (ii) State TWO purposes of budgeting. (4 marks)
- Total 20 marks**

GO ON TO THE NEXT PAGE

5. (a) Define EACH of the following terms:
- (i) Human resources
 - (ii) Productivity (4 marks)
- (b) Describe the following levels of production:
- (i) Subsistence
 - (ii) Domestic
 - (iii) Surplus (6 marks)
- (c) State TWO ways in which the efficiency of labour can be improved. (4 marks)
- (d) Discuss TWO factors that can impact negatively on the productivity of workers. (6 marks)
- Total 20 marks**

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. (a) (i) Define the term 'standard of living'. (2 marks)
- (ii) Identify TWO indicators of standard of living. (2 marks)
- (b) Distinguish between 'economic growth' and 'economic development', giving TWO examples of EACH. (8 marks)
- (c) (i) Define the term 'balance of payment'. (2 marks)
- (ii) Discuss TWO measures that a country may adopt to address its balance of payments problem. (6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

7. (a) Define the term 'foreign direct investment' (FDI). (2 marks)
- (b) Outline THREE factors that could discourage FDI from coming to the Caribbean. (6 marks)
- (c) State THREE ways in which FDI may be attracted to the Caribbean. (6 marks)
- (d) Discuss TWO ways in which Caribbean countries benefit from foreign investments. (6 marks)

Total 20 marks

END OF TEST



TEST CODE **01240032**

FORM TP 2010027

JANUARY 2010

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 03/2 - General Proficiency

1 hour

Answer ALL the questions.

**In addition to the 1 hour, candidates are allowed
15 minutes to read through this paper. Writing
MAY begin during this time.**

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This paper consists of a case study and a template for a business plan. Use the information from the case to complete the business plan.

CASE STUDY

CASE: “Say What You Want” Language School

Mr. Say conducted market research to determine whether there is a need for a foreign language school in his country. From the research, Mr. Say realized that in order to provide foreign language services he would need to identify a pool of teachers for the languages that will be offered. Additionally, students would require one-on-one classes, group classes, and cultural activities.

Since students might have to travel long distances from their home to stay in the host town, and there would also be the need for accommodation. While the school would not own the accommodations, it would need to negotiate prices with families and the owners of the accommodations with whom the school would associate.

Mr. Say intends to affiliate his language school with an established educational institution in his country and also apply for a license from the Ministry of Education. He would not need to provide the building and furnish classrooms but would need to purchase a van, hire teachers, a marketing agent, an administrative assistant and a driver, as well as market the school. His first year of expenses has been forecasted at \$399 000. Mr. Say has \$150 000 of his own money to invest and has sourced two partners who will provide \$75 000 each. In addition, he has accessed an overdraft facility of \$50 000 from a local bank for recurrent expenses.

Mr. Say will be the managing director of the language school. He will need to identify novel ways to market the school locally and internationally.

The forecast for the year in numbers of students is 500 with some programmes having higher enrollments than others. Mr. Say estimates that enrollment will grow by 100 students each year for the next 10 years. It is estimated that each student on average will stay two weeks and will pay \$500 per week. This will generate an income of \$500 000 for the first year for the school.

Mr. Say is concerned with getting students to attend the school given the global economic downturn, but he is hopeful that the need will drive the demand for the language services that “Say What You Want” Language School will offer.

GO ON TO THE NEXT PAGE

ORGANIZATIONAL PRINCIPLES

BUSINESS PLAN

OPERATIONAL PLAN

Nature and Type of Business

(2 marks)

Internal Structure or Organization

(2 marks)

Management Functions

(2 marks)

Ethical Issues

(2 marks)

Executive Summary

(2 marks)

Total 10 marks

GO ON TO THE NEXT PAGE

PRODUCTION AND MARKETING

MARKETING PLAN

Market Research

(2 marks)

Industry Trend

(3 marks)

Size of Market

(1 mark)

Target Market

(2 marks)

Pricing Strategies

(4 marks)

GO ON TO THE NEXT PAGE

Promotional Strategies

(4 marks)

Distribution Strategies

(2 marks)

Executive Summary

(2 marks)

Total 20 marks

FINANCE AND INTRODUCTION TO ECONOMICS

FINANCIAL PLAN

Sources of Finance

(1 mark)

Forecast of Expense and Income

(2 marks)

GO ON TO THE NEXT PAGE

Capital Instruments

(1 mark)

Potential for Growth

(2 marks)

Government Regulations

(1 mark)

Ethical Issues

(1 mark)

Executive Summary

(2 marks)

Total 10 marks

END OF TEST

FORM TP 2010104



TEST CODE **01240020**

MAY/JUNE 2010

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

27 MAY 2010 (a.m.)

Answer the THREE questions in Section I, ONE question in Section II and ONE question in Section III as indicated.

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SECTION I

Answer the **THREE** questions in this section.

1. (a) Define the term 'business plan'. **(2 marks)**
- (b) Describe the following elements of a business plan:
- (i) Business Identification
 - (ii) Product or Service Description
 - (iii) Market Strategy
 - (iv) Organization or Management **(8 marks)**
- (c) Identify **FOUR** elements which the Executive Summary should contain. **(4 marks)**
- (d) State **THREE** reasons why a business plan is necessary. **(6 marks)**

Total 20 marks

2. (a) State the difference between a simple contract and a 'mere agreement'. **(4 marks)**
- (b) List **FOUR** requirements of a valid contract. **(4 marks)**
- (c) John Pebbles requested Albert Rock to transport a group of young people to a concert. The agreed cost of the trip was \$5000. John made a down payment of \$100. However, the group felt that the price was too much, and decided to cancel the trip. Albert was not informed about the change of plans so he presented his transport at the appointed time to take the group to the concert. John Pebbles then told Albert that he was very sorry that the group had changed its plans. Albert demanded that John pay him immediately or face the courts. John refused to pay on the grounds that he received no service from Albert.
- (i) Based on the information in the case, justify why the arrangement between John and Albert can be considered a valid contract. **(2 marks)**
 - (ii) Using information from the case, determine whether there was a 'breach of contract'. Justify your answer. **(4 marks)**
 - (iii) Identify **TWO** remedies that a court can award for breach of contract. **(2 marks)**
- (d) Outline **TWO** ways (apart from breach) by which a contract may be terminated or discharged. **(4 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

3. (a) State TWO advantages of small businesses. (4 marks)
- (b) Identify TWO relationships that exist between cottage industries and small businesses. (4 marks)
- (c) Outline THREE benefits of operating cottage industries. (6 marks)
- (d) Discuss TWO ways in which small businesses contribute to Caribbean economies. (6 marks)

Total 20 marks

SECTION II

Answer ONE question in this section as indicated.

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. (a) Distinguish between capital intensive production and labour intensive production, giving ONE example of EACH form of production. (6 marks)
- (b) Employees must be technologically competent to succeed in today's workplace. List FOUR technological competencies that today's employees need. (4 marks)
- (c) State TWO disadvantages of modern technology. (4 marks)
- (d) Discuss TWO ways by which modern technology can improve the efficiency of businesses. (6 marks)

Total 20 marks

5. (a) (i) Define the term 'branding'. (2 marks)
- (ii) State TWO ways in which branding influences the packaging of a product. (4 marks)
- (b) Discuss TWO reasons for branding a product. (6 marks)
- (c) Identify FOUR factors that influence consumer behaviour. (4 marks)
- (d) Outline TWO ways by which producers can prevent their products from being reproduced by unauthorized persons. (4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION III

Answer ONE question in this section as indicated.

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. (a) Identify TWO indicators of economic growth. **(2 marks)**
- (b) State ONE difference between economic growth and economic development. **(3 marks)**
- (c) Describe THREE ways in which a society benefits from rules and regulations enforced by government. **(6 marks)**
- (d) Discuss THREE ways in which a country can achieve positive economic growth. **(9 marks)**

Total 20 marks

7. (a) Outline THREE benefits that a country may gain from engaging in international trade. **(6 marks)**
- (b) Distinguish between balance of trade and balance of payments and illustrate with the use of an example, how EACH is calculated. **(8 marks)**
- (c) Discuss TWO ways in which an improvement in the quality of education can affect economic growth and development. **(6 marks)**

Total 20 marks

END OF TEST

FORM TP 2010105



TEST CODE **01240032**

MAY/JUNE 2010

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 03/2 – General Proficiency

1 hour

Answer ALL the questions.

**In addition to the 1 hour, candidates are allowed
15 minutes to read through this paper. Writing
MAY begin during this time.**

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Read the following case study and answer the questions that follow.

CASE STUDY

MUSS FIELDS WEEKLY

Sally Wells started a local newspaper five years ago with two of her cousins, Jody and Carla Pew. They started out with a business plan, having done a feasibility study within their community, Muss Fields, and neighbouring communities. Muss Fields is a large community with many youth groups. It boasts several churches, banks, insurance companies and other manufacturing concerns. The only challenge faced by the business came from two national papers that did not really address the issues of Muss Fields.

Sally is the Managing Editor, Jody deals with finances, sales, purchasing and promotions, while Carla heads the production department and deals with the various personnel involved with the firm. 'Start-up' capital was difficult to acquire. However, with expert marketing and managerial skills, within five years they were able to repay loans they received from relatives and friends.

By the end of the first year they had formed a small limited liability company which operated from the front room and garage at Jody's parents' house. The business was able to raise some additional capital from a local bank. Initially the business was very time consuming and required a great deal of flexibility as they found themselves working long hours doing all sorts of jobs.

There was the constant need to get sufficient numbers of advertisers and sponsors for articles to keep the cost of the paper down. However, there was the problem of getting them to pay promptly. Another problem was getting the articles from contributors who were always tardy.

Production cost had risen four times since the firm started operations. Most of their suppliers had to import materials and were using the hike in oil prices as an excuse to increase prices. However, there was always the option to purchase on the parallel market. After the fifth year the company reorganized to include a marketing manager and ten full-time employees who work in finance, production and marketing.

They have an excellent team of writers, although every year or so one has to be replaced. However, in recent times the government wants all journalists and writers to pay a large registration and licensing fee. The professional organization has been lobbying for a reduction in these fees. Despite the many challenges, *Muss Fields Weekly* decided to expand to become a daily newspaper.

GO ON TO THE NEXT PAGE

Complete the Business Plan below using the information from the case.

BUSINESS PLAN

THE OPERATIONAL PLAN

1. Nature and Type of Business

Classify the business based on

(a) level of production

(1 mark)

(b) ownership type

(1 mark)

2. Internal Structure of the Organization

Draw an organizational chart of the business.

(2 marks)

3. Management Functions

Identify TWO functions performed by the management of the business.

(2 marks)

GO ON TO THE NEXT PAGE

4. Ethical Issues

Identify TWO ethical issues that must be taken into consideration in the operation of the business.

(2 marks)

5. Executive Summary

Give a concise statement concerning the operation of the business.

(2 marks)

Total 10 marks

6. **THE MARKETING PLAN**

Market Research

Describe TWO methods that the business can use to conduct market research.

(2 marks)

7. Industry Trend

Evaluate the prospects for growth and survival of this type of industry.

(2 marks)

GO ON TO THE NEXT PAGE

8. Size of Market

How many competitors operate in this market?

(1 mark)

9. Target Market

Describe the target market of the business.

(2 marks)

10. Pricing Strategies

Describe how prices are likely to be determined.

(2 marks)

11. Promotional Strategies

List THREE promotional strategies that the business can use to promote its products.

(3 marks)

GO ON TO THE NEXT PAGE

12. Distribution Strategies

Identify TWO strategies that the business can use to supply its products to consumers.

(2 marks)

13. Executive Summary

Give a concise statement on the reason why the marketing plan is likely to be successful.

(2 marks)

Total 16 marks

THE FINANCIAL PLAN (Financial Statement)

14. Sources of Finance

Identify TWO sources from which the business can obtain its capital.

(2 marks)

15. Collateral

Identify TWO items that can be used by the business as collateral to secure funding.

(2 marks)

GO ON TO THE NEXT PAGE

16. Capital Instruments

Identify TWO methods that can be used by the business to raise capital.

(2 marks)

17. Potential for Growth

Outline how growth of the business can be achieved.

(2 marks)

18. Government Regulations

Identify FOUR government regulations to which the business must adhere.

(4 marks)

19. Executive Summary

Give a concise statement regarding the financial status of the business.

(2 marks)

Total 14 marks

END OF TEST



TEST CODE **01240020**

FORM TP 2011028

JANUARY 2011

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

05 JANUARY 2011 (a.m.)

**Answer the THREE questions in Section I, ONE question in Section II, and
ONE question in Section III as indicated.**

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01240020/JANUARY/F/2011

SECTION I

Answer the **THREE** questions in this section.

1. (a) State **FOUR** characteristics of a:
- (i) Partnership (4 marks)
 - (ii) Private limited company (4 marks)
- (b) Discuss **TWO** advantages a business would enjoy by converting from a partnership to a private limited company. (6 marks)
- (c) Outline **THREE** ways in which a free market economy differs from a planned or command economy. (6 marks)

Total 20 marks

2. (a) Compare the private sector with the public sector in terms of the following:
- (i) Ownership and control
 - (ii) Objective
 - (iii) Source of capital (6 marks)
- (b) Outline **TWO** benefits a business can provide to **EACH** of the following:
- (i) A sole proprietor
 - (ii) The community (8 marks)
- (c) Discuss **TWO** ways in which government can promote business activity. (6 marks)

Total 20 marks

3. (a) State **THREE** benefits a business may receive from advertising its goods or services. (6 marks)
- (b) Distinguish between advertising and sales promotion, giving **TWO** examples of **EACH**. (8 marks)
- (c) A supermarket awards ten scholarships to students each year for outstanding academic achievement. Discuss **TWO** benefits, **to the supermarket**, of this public relations activity. (6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION II

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. (a) Identify FOUR sources of personal income. (4 marks)
- (b) (i) Explain what is meant by the term 'budgeting'. (2 marks)
- (ii) State TWO advantages of budgeting. (4 marks)
- (c) State TWO factors that must be considered when choosing a form of savings. (4 marks)
- (d) Discuss TWO reasons for saving money in a bank as opposed to keeping it at home. (6 marks)

Total 20 marks

5. (a) In order to produce goods and services, the five M's of production – Men, Money, Materials, Machinery and Method – must be present.
- Identify the traditional factors of production that EACH of the five M's, in the above statement, represents. (5 marks)
- (b) Distinguish between the following pairs of terms:
- (i) Primary production and tertiary production
- (ii) Subsistence level production and domestic level production
- (iii) Backward linkage and forward linkage (9 marks)
- (c) Discuss TWO factors that must be considered when selecting a location for a large shopping mall. (6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. (a) Identify ONE social service provided by the government of your country and evaluate its impact on the country. (4 marks)
- (b) Describe the following functions of government:
- (i) National security
 - (ii) Maintenance of safe environment for investors
 - (iii) Job security (6 marks)
- (c) Outline TWO forms of assistance offered by Caribbean governments to businesses. (4 marks)
- (d) Discuss TWO actions the government of your country can take to protect the environment. (6 marks)

Total 20 marks

7. (a) (i) Define the term 'human resources'. (2 marks)
- (ii) Outline THREE factors that affect human resource development in any **named** CARICOM country. (6 marks)
- (b) State TWO ways in which human resources can be developed in the country identified in (a) (ii) above. (4 marks)
- (c) Identify TWO **major** economic problems facing Caribbean countries and discuss ONE measure that can be used to address EACH problem. (8 marks)

Total 20 marks

END OF TEST



TEST CODE **01240032**

FORM TP 2011029

JANUARY 2011

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 03/2 – General Proficiency

1 hour

Answer ALL the questions.

In addition to the 1 hour, candidates are allowed 15 minutes to read through this paper. Writing MAY begin during this time.

The use of non-programmable scientific calculators is allowed for this paper.

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01240032/JANUARY/F/2011

Read the following case study and answer the questions that follow.

CASE STUDY

New Look Auto Body Works Ltd

SECTION A

New Look Auto Body Works Ltd began in a back yard two years ago while Dave and Steve were in their final year at the Technical Institute pursuing the Auto Body Repairs Technician course. Dave has special skills in straightening and welding, and Steve is excellent at painting and has also completed a course in Business Management. They have combined their skills in operating an automobile bodywork shop on weekends. However, they plan on expanding the business. The plan is to hire an Office Manager/ Accountant and eight helpers; five of whom would work in the welding and straightening department and three in the painting department. Dave has agreed that Steve will oversee the business.

Complete the following Business Plan using the information from the case.

BUSINESS PLAN

OPERATIONAL PLAN

1. Nature and Type of Business

- (a) Classify the business based on its ownership type.

(1 mark)

- (b) What type of service does the business offer?

(1 mark)

GO ON TO THE NEXT PAGE

2. Internal Structure of Organization

Draw an organizational chart to show at least TWO levels and TWO positions in the proposed expansion of the business.

(4 marks)

3. Management Functions

(a) Describe ONE management function that is performed by

(i) Dave

(ii) Steve

(2 marks)

(b) Identify ONE special skill possessed by EACH of the brothers that would help them to operate a successful business.

(i) Dave

(ii) Steve

(2 marks)

Total 10 marks

GO ON TO THE NEXT PAGE

SECTION B

The brothers believe in ‘stamping each job with excellence’ and this made them the ‘talk of the town’. They were able to compete effectively with Mr. Martel’s Garage located less than one kilometre from where they set up shop and which had been in existence for as long as they could remember. Mr. Martel was, however, old-fashioned and slow in completing jobs. Dave and Steve negotiated the price to be paid for each job with each client who made a fifty per cent down payment and paid off the balance upon completion of the job. The price for a job was usually set at three times the estimated cost of labour and raw materials.

With the rapid expansion of the foreign used-car import market, the demand for change in colour and repairs to body outstripped the supply of these available services. Jobs had to be scheduled two weeks in advance and they charged extra for rush jobs. There was always a waiting list of clients. Rush orders were very profitable, but if not properly screened, the firm could end up assisting car thieves. Business was booming, but the neighbours started complaining about the noise and paint fumes coming from the yard. The street was also blocked with parked vehicles awaiting their turn for service. They are forced to relocate in order to continue in business and their customers and potential clients must be informed. The proposed location is an industrial estate near the city.

MARKETING PLAN

4. Identify TWO ethical issues that can affect the business in a negative way.

(2 marks)

5. Market Research

Describe TWO data collection strategies that were most likely used to collect data for the expansion of the business.

(2 marks)

6. Industry Trend

State TWO changes in the car industry that would have encouraged Dave and Steve to expand their business.

(2 marks)

7. Size of the Market

How many competitors operate in this market?

(1 mark)

8. Target Market

Describe the target market.

(2 marks)

9. Pricing Strategies

Describe the pricing strategy adopted by the business.

(2 marks)

10. Promotional Strategies

List FOUR promotional strategies that the business can use to promote its products.

(4 marks)

11. Location of Business

State TWO advantages of the proposed location of the business.

(2 marks)

12. Consumer Organizations

Identify ONE organization from which consumers can seek redress if they are dissatisfied with the service offered by Dave and Steve.

(1 mark)

13. Executive Summary

Write an executive summary for Auto Body Works Ltd. to be used in its business plan.

(2 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION C

The brothers applied to the government to rent the proposed site which is a factory shell. This new location will provide adequate parking. The manager of the industrial estate requested information which would enable him to assess their ability to operate a successful business and be able to pay the monthly rent of \$3 000 and utility bills estimated at \$1 000 per month. Their new plans included registering the business so that their liability would be limited to the \$20 000 each which they had invested, hiring an Office Manager/Accountant at \$6 000 per month and sourcing a long-term loan of \$60 000 to assist in purchasing equipment, tools, and office furniture estimated to cost \$35 000, and raw materials at a cost of \$12 000 per month. Eight helpers would be employed at \$20 per hour each to satisfy the minimum wages requirements. Five of them would assist in the welding and straightening department and three would work in the painting department. Dave and Steve must take home at least \$8 000 each per month.

FINANCIAL PLAN

14. (a) Complete the classified Balance Sheet as at January 1, 2010. (2 marks)

NEW LOOK AUTO BODY WORKS LTD

Balance Sheet as at January 1, 2010

	\$	\$	\$
<u>Fixed Assets</u>			
Equipment, Tools and Furniture	35 000		
Total Fixed Assets			35 000
<u>Current Assets</u>			
Raw Materials	12 000		
Bank Balance			
Total Current Assets	<input type="text"/>	65 000	
Less Current Liabilities		<u>00 000</u>	<u>65 000</u>
Net Book Value of Assets			<input type="text"/>
Financed by:			
Capital:			
Dave	20 000		
Steve	<u>20 000</u>	40 000	
Long-term Bank Loan		<u>60 000</u>	
Capital Employed			<u>100 000</u>

GO ON TO THE NEXT PAGE

- (b) Complete the template of the Trading and Profit and Loss Account of New Look Auto Body Works Ltd. **Show all your calculations.** (8 marks)

New Look Auto Body Works Ltd

Trading and Profit and Loss Account

For the period ended January 31, 2010

Show calculations here

	\$	\$
Sales		<input type="text"/>
Less Cost of Sales (\$25 600 + \$12 000)		37 600
Gross Profit		<input type="text"/>
Less Expenses for the month:		
Rent	3 000	
Utilities	1 000	
Office Manager's Salary	6 000	
Wages (Assume 40 hr/5 dy/wk)	<input type="text"/>	
Total Expenses		<input type="text"/>
Net Profit (before Partners' Salaries)		39 600
Less Partners' Salaries		
Dave	8 000	
Steve	8 000	
Total Partners' Salaries		16 000
Net Profit		<input type="text"/>

Total 10 marks

FORM TP 2011109



TEST CODE **01240020**

MAY/JUNE 2011

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

25 MAY 2011 (a.m.)

Answer the THREE questions in Section I, ONE question in Section II and ONE question in Section III as indicated.

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SECTION I

Answer the **THREE** questions in this section.

1. (a) State **TWO** characteristics of **EACH** of the following types of leadership styles:
- (i) Democratic (4 marks)
 - (ii) Autocratic (4 marks)
- (b) State **THREE** essential characteristics of a good leader. (6 marks)
- (c) Discuss how the lack of **TWO** of the essential characteristics of good leadership identified in (b) above can affect an organization. (6 marks)
- Total 20 marks**
2. (a) Define the term 'feasibility study'. (2 marks)
- (b) Outline **THREE** instances where feasibility studies are useful. (6 marks)
- (c) State **THREE** roles of an entrepreneur. (6 marks)
- (d) Discuss **TWO** ways in which entrepreneurs contribute to the development of your country. (6 marks)
- Total 20 marks**
3. (a) (i) Define the term 'savings'. (2 marks)
- (ii) List **TWO** methods of saving that are available to individuals. (2 marks)
- (b) Identify **TWO** sources of short-term financing and **TWO** sources of long-term financing. (4 marks)
- (c) Explain the role of the Central Bank as
- (i) an advisor to the government (3 marks)
 - (ii) a lender of last resort. (3 marks)
- (d) Identify **TWO** types of monetary transactions that can be conducted within the banking system without the use of cash. Discuss how **EACH** transaction is performed. (6 marks)
- Total 20 marks**

GO ON TO THE NEXT PAGE

SECTION II

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

- 4.** (a) Distinguish between the terms ‘market’ and ‘marketing’. **(4 marks)**
- (b) State **FOUR** reasons for conducting market research. **(4 marks)**
- (c) (i) Define the term ‘monopoly’. **(2 marks)**
- (ii) State **TWO** features of monopolistic competition. **(4 marks)**
- (d) Discuss **ONE** potential problem related to the distribution of goods
- (i) locally
- (ii) internationally. **(6 marks)**

Total 20 marks

- 5.** (a) (i) Identify **TWO** types of credit methods provided by commercial banks. **(2 marks)**
- (ii) Explain how **EACH** of the **TWO** types of credit methods identified in (a) (i) works. **(6 marks)**
- (b) State **TWO** reasons why business documents are important in international trade. **(2 marks)**
- (c) Distinguish between the terms ‘credit note’ and ‘debit note’. **(4 marks)**
- (d) Discuss **TWO** reasons why a supplier may use a ‘pro forma invoice’. **(6 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. (a) Explain what is meant by the statement 'government is a regulator of business', giving TWO examples to support your explanation. **(5 marks)**
- (b) State THREE purposes of taxation. For EACH of the purposes stated, explain how the government in your country uses the taxes collected. **(9 marks)**
- (c) Discuss EACH of the following consumer protection legislations showing how EACH benefits consumers.
- (i) Food and drug standards
- (ii) Hire purchase laws **(6 marks)**

Total 20 marks

7. (a) Explain how the national income of a country is measured using EACH of the following methods:
- (i) Income
- (ii) Expenditure
- (iii) Output **(6 marks)**
- (b) Explain ONE function of EACH of the following organizations:
- (i) Caribbean Development Bank
- (ii) World Bank
- (iii) International Monetary Fund **(6 marks)**
- (c) Explain what is meant by CSME. **(2 marks)**
- (d) Discuss TWO ways in which the CSME can assist in the economic development of Caribbean countries. **(6 marks)**

Total 20 marks

END OF TEST

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 03/2 – General Proficiency

1 hour

Answer ALL the questions.

In addition to the 1 hour, candidates are allowed 15 minutes to read through this paper. Writing MAY begin during this time.

The use of silent non-programmable scientific calculators is allowed for this paper.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

INSTRUCTIONS:

This paper consists of a Case Study and a template for a Business Plan. You are required to use the information from the Case Study to complete the Business Plan.

CASE STUDY

THE JUICE KING

Five years ago, Jason Jeremy opened a small parlour on the outskirts of the city to make and sell a variety of fruit juices. His business was able to survive the competition of the three other producers of fruit juices located within a one-mile radius and he became known as ‘The Juice King’. His rivals even suggested that he laced his drinks with a secret ingredient which forced his customers to always return for more. His success was, however, based on competitive prices, the cleanliness of his premises, coupled with the high quality of the goods and services he offered his loyal customers. His satisfied customers always referred potential clients to his shop. Some of his customers suggested that he expand the business to include vegetarian lunches. However, his parlour was too small to provide adequate space for this expansion.

The proposal for the expansion included a van driver and a loader; Jason’s wife, who will be in charge of two cooks and the cashier; each cook will supervise three service girls. There will also be a security guard. Jason will be the general manager.

Using the template below, complete the Business Plan with information from the Case Study.

BUSINESS PLAN

OPERATIONAL PLAN

1. Nature and type of business

Classify the business based on its ownership type.

(1 mark)

GO ON TO THE NEXT PAGE

2. Internal Structure of Organization

Draw and label an organizational chart for the business based on the proposed expansion.

(3 marks)

3. Management Functions

(a) Identify TWO factors that have contributed to the success of 'The Juice King'.

(2 marks)

(b) State TWO ways in which customers showed that they were satisfied with the services provided by Jason.

(2 marks)

GO ON TO THE NEXT PAGE

4. Ethical Issues

Identify TWO ethical issues that could affect the business in a negative way.

(2 marks)

Total 10 marks

MARKETING PLAN

As a result of the overwhelming encouragement, Jason conducted market research which revealed that more than 75 per cent of his regular customers were willing to support the idea. His opportunity came when a fast food business in the city discontinued operations. He immediately started negotiations to rent the vacant premises and to acquire the used appliances and equipment. These premises were located within walking distance from a large office complex and also were accessible to the general public visiting the city. However, there were two other vegetarian-type businesses on the block. 'Jeremy Fruit Juices and Vegetarian Cuisine Ltd.' became the name of the enterprise. The business now required a substantial injection of capital and a complete reorganization. Jason's wife was a certified food preparation technician and agreed to join him in financing and managing the business.

5. Market Research

Describe TWO likely methods that Jason may have used to conduct his market research.

(2 marks)

6. Industry Trend

Evaluate the prospects for growth and survival of this type of industry.

(2 marks)

GO ON TO THE NEXT PAGE

7. Size of Market

- (a) Given the competition in the new location, outline **THREE** strategies which Jason can employ to ensure survival of his business.

(3 marks)

- (b) State **TWO** advantages which Jason will enjoy from expanding the business from 'The Juice King' to 'Jeremy Fruit Juices and Cuisine Ltd.'.

(2 marks)

- (c) State **TWO** disadvantages of the expansion of the business from 'The Juice King' to 'Jeremy Fruit Juices and Cuisine Ltd.'.

(2 marks)

8. Target Market

Identify **TWO** types of customers that may be targeted by the new business.

(2 marks)

GO ON TO THE NEXT PAGE

9. Promotional Strategies

List THREE promotional strategies that the business can use to promote its products.

(3 marks)

10. Distribution Strategies

State TWO ways by which the business can make its products available to customers.

(2 marks)

11. Executive Summary

Give a concise statement on the reasons why the marketing plan is likely to be successful.

(2 marks)

Total 20 marks

FINANCIAL PLAN

In order to retrofit the new premises and provide sufficient working capital, Jason's wife contributed \$150 000 and he contributed \$300 000. They obtained a loan of \$360 000 at 10 per cent interest per annum. A van was purchased to transport the raw materials (fruits and vegetables).

The following expenses were incurred **in the first month of operations**:

	\$
Promotional expenses	5 000
Interest on bank loan	_____
Wages and salaries	70 000
Consumables (paper plates etc.)	15 000
National insurance	6 000
Utilities	3 000
Stocks	25 000
Security	6 000
Rent of premises	8 000
Insurance	1 000
Incidentals/Other	7 000

12. Calculate the TOTAL expenses that the business will incur during its first month of operation. (Show all working.)

(3 marks)

GO ON TO THE NEXT PAGE

13. Calculate the amount of gross profit that is required for the month, in order to realize a net profit of \$120 000.

(3 marks)

14. Identify ONE current asset and ONE fixed asset of the business.

(2 mark)

15. State TWO sources from which the business obtained its capital.

(2 marks)

Total 10 marks

END OF TEST



TEST CODE **01240020**

FORM TP 2012028

JANUARY 2012

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

05 JANUARY 2012 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer the **THREE** questions in Section I, **ONE** question in Section II and **ONE** question from Section III as indicated.
2. Begin **EACH** answer on a separate page.
3. Keep **ALL** parts of **EACH** answer together.
4. **EACH** question is worth 20 marks

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01240020/JANUARY/F 2012

SECTION I

Answer the **THREE** questions in this section.

1. (a) (i) Outline **TWO** functions of a business. (4 marks)
- (ii) State **TWO** ways in which a 'sole proprietorship' is different from a 'partnership'. (4 marks)
- (b) (i) Define the term 'franchise'. (2 marks)
- (ii) Identify **FOUR** popular franchises. (4 marks)
- (c) Discuss **TWO** advantages of operating a franchise. (6 marks)

Total 20 marks

2. Mr Jones bought five hours of scuba instructions from Sun and Sand Resort using the Internet. Mr Jones paid by credit card, and Sun and Sand Resort confirmed receipt of payment by e-mail.
- (a) (i) State **FOUR** reasons for documenting business transactions. (4 marks)
- (ii) Identify **THREE** instruments of payment, other than a credit card. (3 marks)
- (b) (i) Define the term 'contract'. (2 marks)
- (ii) Identify the type of contract entered into by Sun and Sand Resort, and Mr Jones. (1 mark)
- (iii) State **FOUR** ways in which the contract between Sun and Sand Resort, and Mr Jones may be terminated. (4 marks)
- (c) With reference to the relationship between Mr Jones, and Sun and Sand Resort outlined above, explain the following legal concepts:
- (i) Offer and acceptance (4 marks)
- (ii) Consideration (2 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

3. Sally Brown has the potential to be a very good entrepreneur. She is making arrangements to start a business using local resources.
- (a) Define the term 'resources'. (2 marks)
 - (b)
 - (i) Identify TWO types of resources that are important to Sally Brown in starting her business. (2 marks)
 - (ii) Explain the importance of EACH resource to the business. (4 marks)
 - (c) Outline THREE factors that Sally should consider when choosing a location for her business. (6 marks)
 - (d) Discuss TWO ways in which the country may benefit from the opening of Sally's new business. (6 marks)

Total 20 marks

SECTION II

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4.
 - (a)
 - (i) Explain the term 'customer satisfaction'. (2 marks)
 - (ii) State TWO ways in which a firm can ensure customer satisfaction. (2 marks)
 - (b) Outline THREE responsibilities of management to customers. (6 marks)
 - (c) Explain the role of EACH of the following organizations in consumer protection:
 - (i) Bureau of Standards (2 marks)
 - (ii) Consumer Affairs Commission (2 marks)
 - (d) Discuss TWO factors that influence consumer behaviour. (6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

5. (a) A Central Bank can 'close down' the operations of commercial banks for a number of reasons.
- (i) Outline TWO reasons why a Central Bank may decide to 'close down' a commercial bank. (4 marks)
 - (ii) Explain THREE actions that a commercial bank could take in order to prevent closure by a Central Bank. (6 marks)
- (b) Identify FOUR sources, other than commercial banks, from which firms can acquire financing. (4 marks)
- (c) Discuss TWO ways in which the stock market performs its role effectively. (6 marks)

Total 20 marks

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. (a) Explain the terms 'direct taxes' and 'indirect taxes', giving ONE example of EACH type of tax. (6 marks)
- (b) State TWO purposes of taxation. (2 marks)
- (c) In a recent budget presentation, a Minister of Finance announced a decision to increase taxes on alcohol and tobacco. A leading financial commentator condemned this measure, claiming that such taxes are regressive.
- (i) Distinguish between 'regressive taxation' and 'progressive taxation'. (4 marks)
 - (ii) Outline the MAIN reason in favour of a progressive tax system. (2 marks)
 - (iii) Discuss TWO reasons why government may impose taxes on alcohol and tobacco. (6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

7. (a) State TWO reasons why countries trade with each other. (2 marks)
- (b) Define EACH of the following terms:
- (i) Specialization
 - (ii) Balance of trade
 - (iii) Globalization (6 marks)
- (c) State TWO features of EACH of the following institutions:
- (i) Organization of Eastern Caribbean States (OECS)
 - (ii) Caribbean Community (CARICOM)
 - (iii) World Trade Organization (WTO) (6 marks)
- (d) Discuss TWO challenges faced by Caribbean economies in creating a single market and economy. (6 marks)

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.



TEST CODE **01240032**

FORM TP 2012029

JANUARY 2012

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL the questions.
2. All answers must be written in this booklet.
3. You are advised to take about 15 minutes to read through the paper.
4. Silent, electronic, non-programmable calculators are allowed for this paper.

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01240032/JANUARY/F 2012

INSTRUCTIONS: Read the following case study and answer the questions that follow.

CASE STUDY

Beyond 2012

Beyond 2012 is the name of a service centre business which offers telemarketing and data entry services. The business is owned by a group of friends. From its inception, the business has been doing very well. The success of Beyond 2012 has motivated the owners to expand their services. They want to execute a growth strategy over the next 10 years. The first stage of the growth strategy will span three years and will include new but related services. All the stakeholders are included in the decision-making process.

Complete the following Business Plan using the information from the case.

BUSINESS PLAN

OPERATIONAL PLAN

1. Nature and Type of Business

- (a) List TWO types of services offered by Beyond 2012.

(2 marks)

- (b) State TWO changes to the organization that are LIKELY to result over the next three years as a result of the growth strategy that will be implemented.

(2 marks)

2. Internal Structure of the Organization

Outline how the following functional areas of the business will be affected by the planned growth:

- (a) Human resource department

(1 mark)

- (b) Marketing department

(1 mark)

GO ON TO THE NEXT PAGE

3. Management Function

- (a) Identify the type of leadership style that is displayed by the owners of Beyond 2012. Support your answer with evidence from the case.

(2 marks)

- (b) Identify TWO sources of internal conflict that MAY result from the proposed changes to the business.

(2 marks)

Total 10 marks

MARKETING PLAN

Beyond 2012 has been in existence for two years. The owners of the business chose the name Beyond 2012 to signify resilience, strength and survival. The owners together have over 20 years of experience in the call centre industry and have decided to pool their resources and competencies to open a service centre thereby building a competitive advantage, expanding the clientele base and creating an overall increase in services and profits.

As part of the growth strategy, the team of owners/managers of Beyond 2012 is developing a business plan for the next three years. They have pooled the company's data for use in this plan. The expansion will include information technology services such as bookkeeping, management information systems, marketing and public relations services.

4. Target Market

- (a) Identify THREE business sectors that are LIKELY targets in the three-year plan.

(3 marks)

- (b) Identify THREE marketing strategies that can be used to promote the services offered by Beyond 2012.

(3 marks)

GO ON TO THE NEXT PAGE

5. Pricing Strategies

State TWO ways by which the business can realise a reasonable increase in revenue in the next three years.

(2 marks)

6. Promotion Strategies

(a) Use the objective(s) of the business to suggest a suitable slogan for the promotion of the services offered by the business.

(2 marks)

(b) (i) Identify TWO strengths of the business.

(2 marks)

(ii) State ONE way in which EACH strength will give the business an advantage over its competitors.

(2 marks)

7. Technology

Describe TWO ways in which technology can be used in promoting the services of the business.

(4 marks)

GO ON TO THE NEXT PAGE

8. Quality

Describe ONE way in which the company can maintain quality service to its clientele.

(2 marks)

Total 20 marks

FINANCIAL PLAN

The business started with five clients and within two years it had expanded to 12 clients. Revenues have grown from \$60 000 in year one to \$500 000 in year two. The plan for the next three years is to increase the revenue of the business by 40 per cent with the additional services.

9. Sources and uses of finance and capital instruments

(a) Identify TWO sources from which Beyond 2012 can seek financing to fund its expansion.

(2 marks)

(b) State TWO ways in which Beyond 2012 can use the funds to support its three-year plan.

(2 marks)

10. Government regulations

Discuss ONE government regulation that Beyond 2012 needs to consider when conducting business.

(3 marks)

GO ON TO THE NEXT PAGE

11. Executive Summary

Write an overview of the business including the THREE main aspects of the plan.

(3 marks)

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

FORM TP 2012109



TEST CODE **01240020**

MAY/JUNE 2012

**CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

25 MAY 2012 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer the **THREE** questions in Section I, **ONE** in Section II and **ONE** in Section III as indicated.
2. All answers must be written in the booklet provided.
3. Begin **EACH** question on a separate page.
4. Keep **ALL** parts of **EACH** answer together.
5. **EACH** question is worth 20 marks.

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SECTION I

Answer the **THREE** questions in this section.

1. (a) (i) Identify **THREE** features of a small business. **(3 marks)**
- (ii) State **THREE** reasons why small businesses are important to a community. **(3 marks)**
- (b) Explain the effect of growth on **EACH** of the following:
- (i) Scale of production
- (ii) Potential for export **(4 marks)**
- (c) A fashion designer would like to introduce Computer Aided Design (CAD) into her fashion designing business.
- Outline **TWO** benefits that she will enjoy from using CAD in her business. **(4 marks)**
- (d) Discuss **TWO** disadvantages of using technology in a small business. **(6 marks)**

Total 20 marks

2. (a) Outline **TWO** responsibilities of the management of a business to **EACH** of the following:
- (i) Society
- (ii) Employees
- (iii) Customers **(6 marks)**
- (b) (i) State **FOUR** ways in which managers can encourage teamwork within an organization. **(4 marks)**
- (ii) Describe **TWO** characteristics that would make a Prime Minister or President a good leader. **(4 marks)**
- (c) The manager of DXC Ltd wants to promote Steve, a junior employee, to a key position in the organization. There are several employees who are senior to Steve and are interested in the same position.
- Discuss **TWO** strategies which the management of DXC Ltd can employ to reduce conflict that may arise from this promotion. **(6 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

3. Maggie recently bought books, shoes and clothes from an online company.
- (a) Define the term 'e-commerce'. **(2 marks)**
 - (b) State TWO advantages and TWO disadvantages of 'e-commerce'. **(4 marks)**
 - (c) Outline TWO reasons why firms offer trade discounts. **(4 marks)**
 - (d) Maggie plans to buy a refrigerator from a local store.
 - (i) Discuss any TWO of the following 'terms of sale' options that are available to her:
 - a) Hire purchase
 - b) Lay away plan
 - c) Credit sale
 - d) Credit card **(6 marks)**
 - (ii) Given that Maggie buys the refrigerator and it stops working after one month. Advise her of TWO actions which she may take to get compensation from the store. **(4 marks)**
- Total 20 marks**

SECTION II

Answer EITHER Question 4 or Question 5. Do NOT answer both.

4. (a) (i) State THREE reasons for establishing a business. **(3 marks)**
- (ii) Identify THREE sources of capital used in financing a business. **(3 marks)**
- (b) (i) Define the term 'collateral' and give TWO examples of collateral that may be used in a business transaction. **(4 marks)**
- (ii) Outline TWO reasons why collateral is important to a borrower. **(4 marks)**
- (c) Discuss the importance of EACH of the following elements of a business plan:
- (i) Executive summary
 - (ii) Financial projections **(6 marks)**
- Total 20 marks**

GO ON TO THE NEXT PAGE

5. (a) State TWO roles of commercial banks. **(2 marks)**
- (b) Outline the differences between EACH of the following pairs of business terms:
- (i) Money market and capital market
 - (ii) Crossed cheques and open cheques
 - (iii) Bull market and bear market **(6 marks)**
- (c) Describe THREE benefits that an entrepreneur may enjoy from starting his own business as opposed to purchasing investments. **(6 marks)**
- (d) Discuss TWO types of investment options that are available to entrepreneurs. **(6 marks)**
- Total 20 marks**

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. (a) Describe how the maintenance of EACH of the following responsibilities of government may affect the development and growth of businesses:
- (i) Law and order
 - (ii) A safe environment for investors
 - (iii) Job security and other benefits for workers **(6 marks)**
- (b) Outline TWO actions which businesses could take to protect the environment. **(4 marks)**
- (c) Suggest TWO ways in which governments could encourage the private sector to invest in the education of its employees. **(4 marks)**
- (d) Discuss TWO benefits that could result from BOTH government and private businesses investing in education. **(6 marks)**
- Total 20 marks**

GO ON TO THE NEXT PAGE

7. (a) Define the term 'international trade'. **(2 marks)**
- (b) State THREE benefits of international trade. **(6 marks)**
- (c) Outline ONE way in which countries may use EACH of the following measures to improve international trade:
- (i) Modern technology
 - (ii) Development of the manufacturing sector
 - (iii) Investment in research **(6 marks)**
- (d) Discuss the effects of EACH of the following measures used by countries to restrict international trade:
- (i) Tariffs or custom duties
 - (ii) Quotas **(6 marks)**

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL the questions.
2. ALL answers must be written in the space provided in this booklet.
3. The use of non-programmable scientific calculators is allowed for this paper.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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INSTRUCTION: This paper consists of a case study and a template for a business plan. Use the information from the case study to complete the business plan.

CASE STUDY

Ocean View Lodge

Margaret Spinoza invested in a small hotel, Ocean View Lodge, in which she made her sister, Mary, a limited partner. Margaret has completed a course in hotel management and catering and is the Chief Executive Officer (CEO) of the business. The business employs an operations manager, a production manager, a finance manager, supervisors for housekeeping (cooks and butlers), maid services, as well as other general workers (gardeners, security guards). The business utilizes a top of the line management information system (MIS). Through improvement in services offered, the firm hopes to develop into a world-class hotel that can attract local and foreign investment.

Complete the following Business Plan using information from the case.

BUSINESS PLAN

OPERATIONAL PLAN

1. Nature and Type of Business

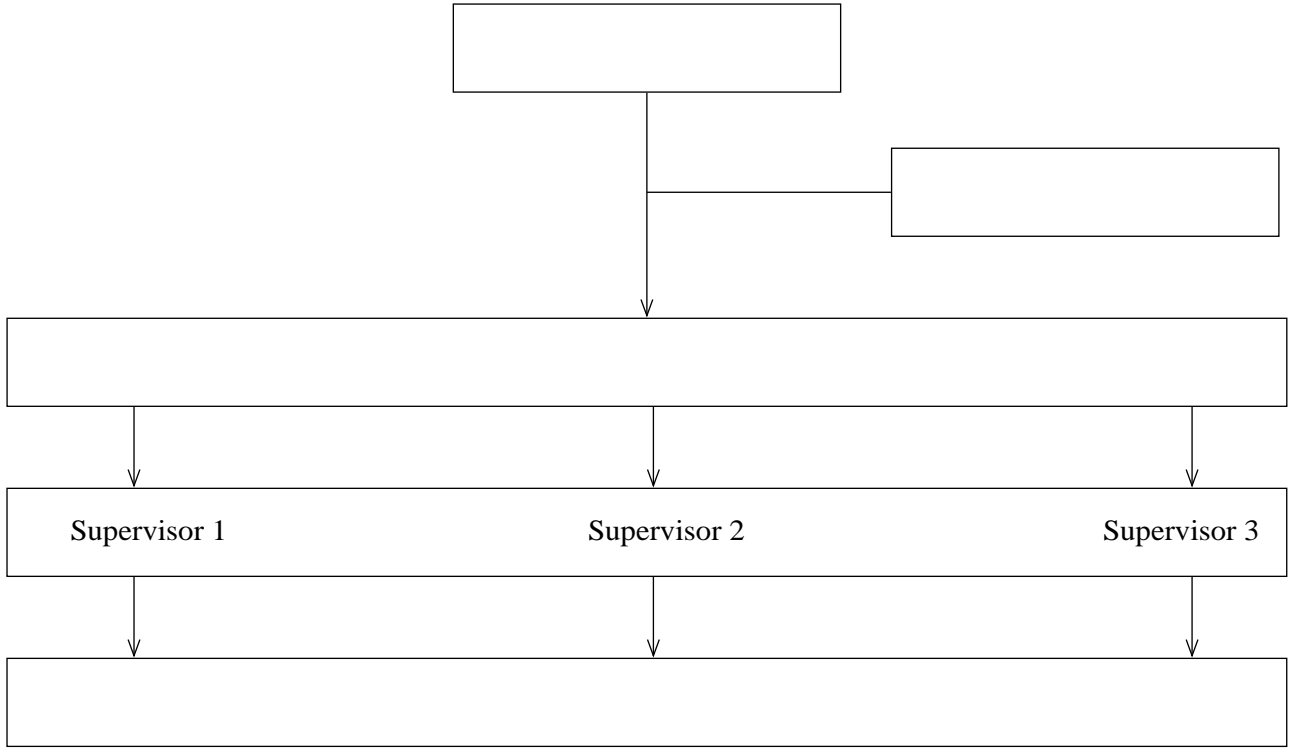
State TWO reasons why Margaret may have decided to set up a limited partnership.

(2 marks)

GO ON TO THE NEXT PAGE

2. Internal Structure of the Business

Complete the organizational chart below showing ALL the levels and positions in the business.



(4 marks)

3. Management Functions

(a) Cite ONE piece of evidence from the case on page 2 that suggests that Margaret is qualified to manage the business.

(1 mark)

(b) State TWO ways in which a management information system (MIS) would benefit the business.

(2 marks)

GO ON TO THE NEXT PAGE

- (c) State ONE long-term goal of the business.

(1 mark)

Total 10 marks

MARKETING PLAN

Margaret used her redundancy payments, loans from Mary, and from the local mortgage bank to purchase the hotel, which was being sold for a reasonable price. She conducted a feasibility study which revealed that despite the recession, the Ocean View Lodge was a reasonable income earner. The continued success of the hotel is due, in part, to its simple operational and good marketing plan. It is located in the heart of the tourist belt, near popular attractions and enjoys almost 90 per cent occupancy throughout the year. Ocean View Lodge is famous for providing guests with the 'home-away-from-home' feeling, giving top-class service primarily to business travellers. Its rates range between those for a luxury hotel and regular guest houses. Management recognizes that most guests enjoy fine dining, hence it offers one of the most exquisite restaurants, catering to international cuisine. Management believes in networking, and plans to join the local chapter of the Chamber of Commerce as well as the Hotel Association.

4. Market Research

Outline ONE way in which a feasibility study is important to the business.

(2 marks)

5. Industry Trend

- (a) Identify TWO factors that have contributed to the success of Ocean View Lodge.

(2 marks)

GO ON TO THE NEXT PAGE

- (b) Explain how ONE marketing trend in the tourism industry may affect Ocean View Lodge.

(2 marks)

6. Target Market

- (a) Identify the category of tourist to which Ocean View Lodge caters at present.

(1 mark)

- (b) Suggest TWO categories of tourists, other than the one identified in (a) above, that Ocean View Lodge may wish to target when designing its promotional strategies.

(2 marks)

7. Pricing Strategies

- (a) Identify the market structure in which Ocean View Lodge is operating.

(1 mark)

- (b) State TWO factors that Ocean View Lodge should consider when setting its rates.

(2 marks)

GO ON TO THE NEXT PAGE

8. Promotion Strategies

(a) Suggest TWO methods that Ocean View Lodge can use to promote its services.

(2 marks)

(b) Outline ONE way in which Ocean View Lodge can benefit from being a member of the local Chamber of Commerce.

(2 marks)

9. Financial and Capital Instruments

Identify TWO sources of finance that Margaret used to purchase the hotel.

(2 marks)

10. Financial Projections

Recommend to Margaret TWO financial statements that she should include as part of her financial projections.

(2 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

FINANCIAL PLAN

Margaret has done some financial projections for the business. She plans to seek additional financing to refurbish and expand the hotel. She wants it to be ‘world-class’ — the best in the Caribbean and a future franchise. She is, however, concerned about sourcing food supplies, the rising cost of utilities, as well as complying with government regulations.

11. Potential for Growth

Discuss ONE risk involved in making Ocean View Lodge a ‘world-class’ hotel.

(2 marks)

12. Government Regulations

Identify TWO government regulations with which the business must comply and state the importance of EACH.

(4 marks)

13. Economic Impact

State TWO ways in which Ocean View Lodge contributes to the development of the local economy.

(2 marks)

GO ON TO THE NEXT PAGE

14. Executive Summary

Write an overview of the business, including information from the three sections of the plan.

(2 marks)

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.



TEST CODE **01240020**

FORM TP 2013028

JANUARY 2013

CARIBBEAN EXAMINATIONS COUNCIL

**CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

07 JANUARY 2013 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer the **THREE** questions in Section I, **ONE** in Section II and **ONE** in Section III as indicated.
2. All answers must be written in the booklet provided.
3. Begin **EACH** question on a separate page.
4. Keep **ALL** parts of **EACH** answer together.
5. **EACH** question is worth 20 marks.

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01240020/JANUARY/F 2013

SECTION I

Answer the **THREE** questions in this section.

1. (a) (i) Define the term 'enterprise'. **(2 marks)**
- (ii) Identify **FOUR** stakeholders of a business. **(4 marks)**
- (b) State **FOUR** reasons why individuals start their own business. **(4 marks)**
- (c) Outline **TWO** ways in which businesses contribute to the development of their communities. **(4 marks)**
- (d) Distinguish between a 'co-operative' and a 'company' and give **ONE** example of **EACH**. **(6 marks)**

Total 20 marks

2. 'We Market For You' is a business that provides marketing services to the public. The business is headed by a general manager. There are also two supervisors, one for marketing and one for finance. There is one administrative assistant who assists the general manager and the two supervisors.
- (a) (i) Draw an organizational chart for 'We Market for You'. **(4 marks)**
- (ii) Identify **TWO** functions of the general manager. **(2 marks)**
- (b) Describe **TWO** possible sources of conflict within an organization. **(4 marks)**
- (c) Outline **TWO** benefits of teamwork to a business. **(4 marks)**
- (d) Discuss **ONE** way in which 'We Market For You' can use **EACH** of the following methods to communicate with employees:
- (i) Text messages
- (ii) Office memos **(6 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

3. To succeed in business, firms must be conscious of their pricing and selling techniques.
- (a) State FOUR characteristics of a good salesperson. **(4 marks)**
 - (b) Explain the following pricing techniques used by firms to increase sales.
 - (i) Cost plus pricing **(2 marks)**
 - (ii) Penetration pricing **(2 marks)**
 - (c) Define EACH of the following terms of sales:
 - (i) Cash discount **(2 marks)**
 - (ii) Trade discount **(2 marks)**
 - (iii) Hire purchase **(2 marks)**
 - (d) Justify the use of EACH of the following methods as a means of increasing the sales of insurance products:
 - (i) Personal selling **(3 marks)**
 - (ii) Advertising **(3 marks)**

Total 20 marks

SECTION II

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

- 4.** Ravi is a sole trader. He wants to expand the production of his special ice cream to two more outlets to meet the increase in demand.
- (a) Identify FOUR factors that would determine where Ravi locates his business. **(4 marks)**
 - (b) Explain how Ravi could use the following types of linkages with other businesses to ensure further growth of his business:
 - (i) backward
 - (ii) forward **(4 marks)**
 - (c) Outline TWO advantages and ONE disadvantage of Ravi using technology to produce his product. **(6 marks)**
 - (d) Discuss ONE positive effect and ONE negative effect of Ravi expanding his business. **(6 marks)**

Total 20 marks

- 5.** Shiva has done market research on her special sunblock face creams. The survey showed that 50 per cent of her sample is willing to purchase her product.
- (a) Define the term 'target market' and give TWO examples of the LIKELY target market for sunblock face creams. **(4 marks)**
 - (b) Describe THREE factors that are LIKELY to influence consumers' demand for sunblock face creams. **(6 marks)**
 - (c) In carrying out her research, Shiva used questionnaires and conducted interviews. State ONE advantage and ONE disadvantage of EACH method. **(4 marks)**
 - (d) Identify TWO consumer protection agencies and explain how EACH works to protect the interests of consumers. **(6 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

- 6.**
- (a)
 - (i) Apart from taxes, identify TWO other sources from which governments obtain revenue to perform their roles. **(2 marks)**
 - (ii) State TWO ways in which governments use the money collected from taxation. **(2 marks)**
 - (iii) List TWO examples of EACH of the following types of taxes:
 - a) Direct **(2 marks)**
 - b) Indirect **(2 marks)**
 - (b)
 - (i) State TWO essential services for which governments are responsible. **(2 marks)**
 - (ii) Outline TWO ways in which governments in the Caribbean attempt to regulate business activities. **(4 marks)**
 - (c) Discuss ONE effect of an increase in sales tax on EACH of the following:
 - (i) Households
 - (ii) Businesses **(6 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

7. (a) (i) Define EACH of the following terms:
- a) balance of payments (2 marks)
 - b) balance of trade (2 marks)
- (ii) Describe the following components of a country's balance of payments accounts:
- a) the current account
 - b) the capital account
 - c) the official financing (6 marks)
- (b) Outline TWO ways in which a country can finance a balance of payments deficit. (4 marks)
- (c) Discuss how a country might use EACH of the following measures to deal with balance of payments problems:
- (i) Devaluation (3 marks)
 - (ii) Import quotas (3 marks)

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.



TEST CODE **01240032**

FORM TP 2013029

JANUARY 2013

CARIBBEAN EXAMINATIONS COUNCIL

**CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. All answers must be written in this booklet.
3. You are advised to take some time to read through the paper and plan your answer.
4. The use of non-programmable, scientific calculators is allowed for this paper.

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01240032/JANUARY/F 2013

INSTRUCTION: This paper consists of a case study and a template for a business plan. Use the information from the case study to complete the business plan.

CASE STUDY

Family Enrichment Services Ltd (FES)

JayDell is a trained teacher who started offering private tuition to children in her neighbourhood. Two years later she used the money obtained from the private tuition as well as other financial assistance to start a business: Family Enrichment Services Ltd (FES). The business provides after-school, weekend and evening programmes for adults and children in various areas of academic development.

The business started in a one-room office space in a busy suburban area. The clientele has been steadily increasing, largely as a result of word-of-mouth advertising by satisfied clients.

Even though JayDell has enjoyed being her own boss, the business has reached a point where expansion is necessary. She has decided to move to a larger compound where there is more space available which would allow her to offer additional programmes.

JayDell has undertaken a feasibility study, for which she conducted a range of personal interviews and has decided to expand the business. She is now in the process of deciding on the right mix of human and material resources that she will need to ensure that her new business is successful.

Complete the following Business Plan using the information from the case.

BUSINESS PLAN

OPERATIONAL PLAN

1. Nature and Type of Business

- (a) Identify the type of business which JayDell operated before forming Family Enrichment Services Ltd.

(1 mark)

- (b) What form of business organization is Family Enrichment Services Ltd?

(1 mark)

GO ON TO THE NEXT PAGE

2. Internal Organizational Environment

(a) Identify the management function that JayDell performs when she executes EACH of the following tasks:

(i) Conducts a feasibility study

_____ (1 mark)

(ii) Puts together the material and human resources needed by the business.

_____ (1 mark)

(b) State ONE way in which JayDell has attempted to satisfy the needs of her customers.

_____ (1 mark)

3. Establishing a Business

(a) Identify ONE **likely** source, other than from private tuition, from which JayDell may have obtained capital to start her business.

_____ (1 mark)

(b) Outline ONE reason why JayDell may have conducted a feasibility study.

_____ (2 marks)

(c) In conducting her feasibility study, JayDell conducted a number of personal interviews. State TWO advantages of this method of data collection.

_____ (2 marks)

Total 10 marks

GO ON TO THE NEXT PAGE

Among the business initiatives which JayDell would like to pursue, but which cannot be undertaken at the current location are:

- a day school for children of pre-school and primary age
- a before- and after-school custodial care programme
- a school drop-off and pick-up shuttle service
- rental of classroom and office space
- retailing of school supplies and teaching materials

JayDell has located a property which she believes would be ideal for Family Enrichment Services Ltd. The property under consideration is visibly located on a main road near a popular supermarket. It comprises a split-level, stone building with an adjoining two-room annex. It was last used as a consultancy business and at some time prior, was the location of children's after-school lessons.

Well serviced by public transportation, the property is next to a number of schools.

While there are other institutions in the vicinity of the proposed site of Family Enrichment Services Ltd which have similar clientele, JayDell is convinced that the services which she will be offering will prove very attractive to the public. In addition, the income earned from the sale of school supplies and from rent will enable her to offer special family rates which will be difficult for her competitors to match.

MARKETING PLAN

4. Market Research

Apart from conducting interviews, list TWO methods of data collection which JayDell may have used when undertaking her feasibility study.

(2 marks)

5. Target Market

Identify TWO groups of persons which JayDell plans to target.

(2 marks)

GO ON TO THE NEXT PAGE

6. Market Size

- (a) Identify TWO competitors that JayDell is LIKELY to encounter if she moves to the proposed location.

(2 marks)

- (b) State TWO advantages JayDell is LIKELY to have over her competitors.

(2 marks)

7. Business Location

State TWO advantages of the proposed location of the business.

(2 marks)

8. Industry Trend

Suggest TWO possible factors operating in the industry for after-school services that could affect the success of Family Enrichment Services Ltd.

(2 marks)

9. Consumer Behaviour

Outline ONE way in which EACH of the following factors may influence the decision of consumers to attend classes at FES.

(a) Quality of service

(1 mark)

(b) Cost of service

(1 mark)

10. Pricing

State ONE feature which characterizes the pricing strategy being planned by FES.

(1 mark)

11. Promotion Strategies

List THREE methods which FES can use to promote its services.

(3 marks)

12. Packaging

Explain why the methods of packaging FES's services will MOST likely appeal to customers.

(2 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

JayDell is aware that the proposed expansion of services will require far more capital than that with which the business started. She is also aware of the need to provide adequate collateral to secure the funding she requires. Her advisors have also reminded her that while FES will make a positive contribution to the economy, she must also be conscious of her obligations to the government.

FINANCIAL PLAN

13. (a) Sources of Finance

Identify TWO sources from which JayDell can obtain capital for her proposed expansion.

(2 marks)

(b) Collateral

List TWO forms of collateral that JayDell can use to secure funding for her proposed expansion.

(2 marks)

14. (a) Government Regulations

State TWO ways in which FES can contribute to the growth and development of the economy.

(2 marks)

(b) Identify TWO government regulations to which the business must adhere.

(2 marks)

15. Executive Summary

Write an overview of the business, including information from the three sections of the business plan.

(2 marks)

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.



TEST CODE **01240020**

FORM TP 2013109

MAY/JUNE 2013

CARIBBEAN EXAMINATIONS COUNCIL

**CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

29 MAY 2013 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer the **THREE** questions in Section I, **ONE** in Section II and **ONE** in Section III as indicated.
2. All answers must be written in the booklet provided.
3. Begin **EACH** question on a separate page.
4. Keep **ALL** parts of **EACH** answer together.
5. **EACH** question is worth 20 marks.

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01240020/F 2013

SECTION I

Answer the **THREE** questions in this section.

1. (a) List **TWO** types of documents used in business transactions. **(2 marks)**
- (b) (i) Distinguish between the terms 'insurance' and 'assurance'. **(4 marks)**
- (ii) Identify **TWO** types of insurance policies. **(2 marks)**
- (c) Outline **TWO unethical** business practices related to record keeping and state **ONE** consequence of **EACH** practice outlined. **(6 marks)**
- (d) Discuss **TWO** benefits of keeping good business records. **(6 marks)**

Total 20 marks

2. (a) Define the term 'management information system'. **(2 marks)**
- (b) State **TWO** benefits and **TWO** challenges of using a management information system. **(4 marks)**
- (c) (i) Outline **THREE** ways of resolving conflict among employees in an organization. **(6 marks)**
- (ii) State **TWO** responsibilities of management to employees. **(2 marks)**
- (d) Discuss **TWO** strategies which management can use to increase productivity. **(6 marks)**

Total 20 marks

3. Distribution is a very important aspect of business; therefore firms must always assess how their products reach consumers.
- (a) Outline **THREE** reasons why wholesaling is important in the distribution of goods and services. **(6 marks)**
- (b) Distinguish between **EACH** of the following pairs of retailing methods:
- (i) E-commerce and telemarketing
- (ii) Convenience shops/stores and supermarkets **(8 marks)**
- (c) Discuss **TWO** factors that may influence the type of packaging used in the presentation of goods to consumers. **(6 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION II

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

- 4.** Janice needs funds to open a pasta production business.
- (a) (i) Identify **THREE** sources of capital for Janice to start her business. **(3 marks)**
 - (ii) Define the term ‘collateral’. **(2 marks)**
 - (iii) List **TWO** examples of collateral. **(2 marks)**
 - (b) (i) Identify **THREE** personal traits which Janice should possess in order to be successful in business. **(3 marks)**
 - (ii) Describe **TWO** roles of an entrepreneur. **(4 marks)**
 - (c) Discuss **TWO** factors which Janice must consider when deciding whether she should set up a sole proprietorship or a partnership business. **(6 marks)**

Total 20 marks

- 5.**
- (a) (i) State **TWO** functions of transportation in business. **(2 marks)**
 - (ii) Outline **TWO** advantages of road or land transport. **(4 marks)**
 - (b) (i) Describe **TWO** problems related to the distribution of goods in your country. **(4 marks)**
 - (ii) Outline **ONE** measure that can be used to solve **EACH** problem described in (b) (i) above. **(4 marks)**
 - (c) Discuss **TWO** types of commercial banking services available to businesses engaged in transportation. **(6 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. A government senator reported that, even though his country was experiencing financial difficulties, it was too early to say whether the government would be forced to increase taxes or reduce subsidies.

- (a) (i) Define the term 'taxes'. **(2 marks)**
- (ii) Define the term 'subsidies'. **(2 marks)**
- (iii) State TWO reasons why governments impose taxes. **(2 marks)**
- (iv) Identify TWO services which a government in the Caribbean would normally subsidize. **(2 marks)**
- (b) (i) Differentiate between 'progressive' taxes and 'regressive' taxes. **(2 marks)**
- (ii) List TWO examples of direct taxes. **(2 marks)**
- (iii) List TWO examples of indirect taxes. **(2 marks)**

Poultry farmers in your country have complained about the increase in the quantities of chicken parts being imported.

- (c) Discuss TWO steps which your government could take to protect the interests of local poultry farmers. **(6 marks)**

Total 20 marks

7. (a) (i) Define the term 'per capita income'. **(2 marks)**
- (ii) Explain how per capita income is calculated. **(2 marks)**
- (iii) State ONE advantage and ONE disadvantage of using per capita income to measure a country's standard of living. **(2 marks)**
- (iv) List TWO factors, **other than per capita income**, which may be used to measure the standard of living. **(2 marks)**
- (b) Discuss TWO factors which may cause the per capita income of a country to rise. **(6 marks)**
- (c) (i) Describe any TWO of the following methods used to calculate a country's national income:
- a) The income method
- b) The expenditure method
- c) The output method **(4 marks)**
- (ii) State TWO factors which make it difficult to compare the standard of living of different countries. **(2 marks)**

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.



TEST CODE **01240032**

FORM TP 2013110

MAY/JUNE 2013

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EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. All answers must be written in this booklet.
3. You are advised to take some time to read through the paper and plan your answer.
4. The use of non-programmable, scientific calculators is allowed for this paper.

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INSTRUCTION: This paper consists of a case study and a template for a business plan. Use the information from the case to complete the business plan.

CASE STUDY

Kitchen Tool & Time Saver

SECTION A

Max and his sister Emma work with their mother, Sonia, in her catering business. The demands of having to go to school and assist with the catering business have led the brother and sister to develop ways of working more efficiently and spurred their creativity and innovation. Max and Emma have designed a five-in-one kitchen utensil that they call the Kitchen Tool & Time Saver. They have decided to start mass producing the item for sale but will outsource the production of the Kitchen Tool & Time Saver until they can afford their own factory. Max and Emma will co-own and manage the business with advice from Sonia. They plan to employ one administrative assistant and one marketing officer to assist in the operation of the new business.

Complete the following Business Plan using the information from the case.

BUSINESS PLAN

OPERATIONAL PLAN

1. Nature and Type of Business

- (a) Classify the business based on the ownership style.

(1 mark)

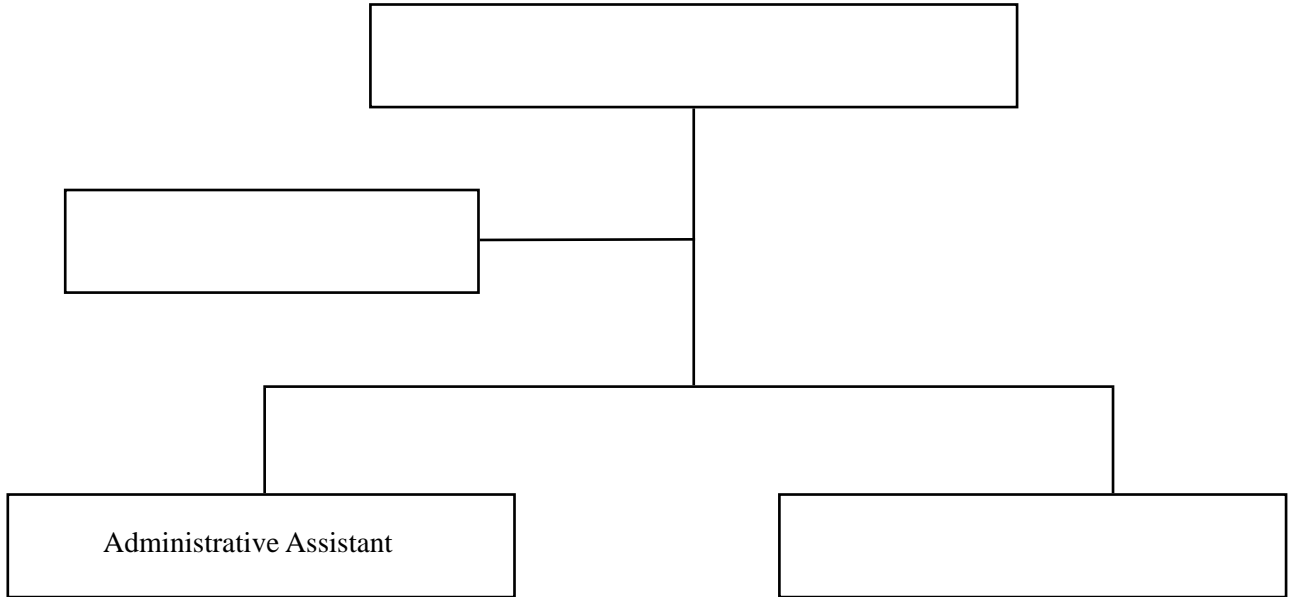
- (b) State ONE **likely** reason for Max and Emma wanting to establish this business.

(1 mark)

GO ON TO THE NEXT PAGE

2. Internal Organization Environment

Complete the organizational chart below to show the proposed structure of the new business.



(3 marks)

3. Management Functions

(a) Identify TWO management functions that Max and Emma must perform in their new business.

(2 marks)

(b) State the role that Sonia will perform in the new business.

(1 mark)

(c) Identify TWO important activities, other than the construction of a business plan, which the owners should undertake prior to establishing their new business.

(2 marks)

Total 10 marks

GO ON TO THE NEXT PAGE

SECTION B

Max and Emma intend to combine the marketing of their new kitchen tool with the catering services provided by their mother. They are convinced that an infomercial that shows the tool being used and the time it saves busy cooks and professionals who have stringent deadlines to meet, will be a good marketing strategy. Consumers will be able to buy directly from them or from stores and supermarkets. Wholesaling of the product will be done through Max and Emma’s office only.

Max and Emma are clear on the target market but must decide on other promotional activities that will capture this market. The new all-in-one tool consist of a can opener, cork screw, scissors, vegetable peeler and weighing scale.

Since production will be outsourced, care must be taken to ensure that the item is made to desired specifications and quality and that the manufacturers accept and respect that Max and Emma own the product design.

MARKETING PLAN

4. Target Market

Identify the target market for the new product.

(1 mark)

5. Marketing Mix

(a) Identify TWO P’s of the Marketing Mix, that Max and Emma are considering.

(2 marks)

(b) List TWO other P’s of the Marketing Mix that Max and Emma should also consider.

(2 marks)

(c) Define the term ‘patent’.

(2 marks)

GO ON TO THE NEXT PAGE

6. Promotion

Identify THREE methods, other than infomercials, that can be used to promote the product.

(3 marks)

7. Competition

Identify TWO possible competitors for the Kitchen Tool & Time Saver.

(2 marks)

8. Distribution Chain

Identify FOUR links in the distribution chain for the kitchen tool.

(4 marks)

9. Consumer Behaviour

(a) Explain ONE consequence that the business is likely to face if the product does not meet required quality standards.

(2 marks)

(b) Outline ONE redress that dissatisfied consumers can seek.

(2 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION C

Max and Emma plan to start the business with 4 000 kitchen tools. The cost of producing these is \$2.00 per tool.

To operate the business for the first three months they will need money to cover the following expenses:

Rent	-	\$1 500
Salaries	-	\$15 000
Utilities	-	\$1 200
Transportation	-	\$2 400
Marketing	-	\$5 000

Max and Emma estimate the sale of the 4 000 kitchen tools in the first three months at \$15 per tool.

Together they have \$15 000 of their own money. They hope to get the remainder from the bank.

FINANCIAL PLAN

10. Complete the projected Profit and Loss Statement below by inserting the missing values at (a), (b) and (c).

**Kitchen Tool & Time Saver
Profit and Loss Statement
For the (three-month) period ended 31 March 2013**

	\$	\$
Sales	(a) _____ (1 mark)	
Less cost of goods sold (\$2 × 4 000)		<u>8 000</u>
Gross profit		52 000
Less Expenses:		
Rent	1 500	
Utilities	1 200	
Transportation	2 400	
Salaries	15 000	
Marketing	<u>5 000</u>	
Total Expenses	(b) _____ (1 mark)	
Net profit/loss	(c) _____ (1 mark)	

(3 marks)

GO ON TO THE NEXT PAGE

11. (a) Identify TWO types of collateral that the business owners can offer the bank to secure the loan.

(2 marks)

- (b) List TWO other sources of capital that Emma and Max can use if the bank turns down their loan application.

(2 marks)

12. Executive Summary

Write a brief summary of the case to include information from each section of the business plan.

(3 marks)

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

FORM TP 2014106



TEST CODE **01240020**

MAY/JUNE 2014

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

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E X A M I N A T I O N**

P R I N C I P L E S O F B U S I N E S S

Paper 02 – General Proficiency

2 hours

28 MAY 2014 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer the **THREE** questions in Section I, **ONE** in Section II and **ONE** in Section III as indicated.
2. All answers must be written in the booklet provided.
3. Begin **EACH** question on a separate page.
4. Keep **ALL** parts of **EACH** answer together.
5. **EACH** question is worth 20 marks.

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01240020/F 2014



SECTION I

Answer the THREE questions in this section.

1. (a) State TWO responsibilities of management to EACH of the following:
- (i) Society (2 marks)
 - (ii) Government (2 marks)
 - (iii) Owners of business (2 marks)
- (b) (i) Identify TWO sources of conflict within an organization. (2 marks)
- (ii) Describe TWO strategies for resolving conflicts within an organization. (4 marks)
- (c) (i) Outline ONE difference between a 'line relationship' and a 'staff relationship' in an organizational chart. (2 marks)
- (ii) Construct an organizational chart to show the line relationship among the following three employees in a business: manager, supervisor of mail delivery, and supervisor of mail sorting. (3 marks)
- (d) Discuss ONE reason why teamwork is important to the success of small businesses. (3 marks)
- Total 20 marks**

2. (a) Define EACH of the following terms:
- (i) Business ethics (2 marks)
 - (ii) Entrepreneurship (2 marks)
- (b) (i) Describe TWO unethical business practices. (4 marks)
- (ii) Outline TWO consequences of unethical business practices. (4 marks)
- (c) State TWO government regulations for the establishment of a business. (2 marks)
- (d) Discuss TWO challenges which entrepreneurs usually face when starting their own businesses. (6 marks)
- Total 20 marks**

GO ON TO THE NEXT PAGE

3. (a) Define EACH of the following terms:
- (i) Bank rate **(2 marks)**
 - (ii) Liquid assets **(2 marks)**
 - (iii) Open market operations **(2 marks)**
- (b) State TWO differences between a commercial bank and a central bank. **(4 marks)**
- (c) Outline TWO factors that a banker will consider when approving a request for a loan. **(4 marks)**
- (d) Discuss TWO ways in which governments can regulate the financial sector in a country. **(6 marks)**

Total 20 marks

SECTION II

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. (a) Differentiate between EACH of the following pairs of terms:
- (i) Production and productivity **(4 marks)**
 - (ii) Subsistence production and domestic production **(4 marks)**
- (b) (i) Define the term 'capital-intensive production', giving TWO examples. **(4 marks)**
- (ii) State ONE advantage and ONE disadvantage of capital-intensive production. **(2 marks)**
- (c) Discuss TWO measures which production managers could implement to bring about greater productivity. **(6 marks)**

Total 20 marks

5. (a) (i) List TWO middlemen in the chain of distribution. **(2 marks)**
- (ii) Describe TWO services performed by middlemen. **(4 marks)**
- (b) (i) Describe TWO factors that should be considered when choosing a distribution channel. **(4 marks)**
- (ii) Outline TWO benefits of direct distribution. **(4 marks)**
- (c) Fresh Bloom Farms has decided to export cut flowers. Discuss TWO problems which may affect the distribution of this product. **(6 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

- 6.** (a) Define EACH of the following terms:
- (i) Standard of living (2 marks)
 - (ii) Economic growth (2 marks)
 - (iii) Economic development (2 marks)
- (b) Identify TWO factors which contribute to economic growth. (2 marks)
- (c) Outline THREE ways in which a government could improve the standard of living of its citizens. (6 marks)
- (d) Discuss TWO measures which governments could implement to correct an adverse balance of payments. (6 marks)

Total 20 marks

- 7.** (a) Define EACH of the following terms:
- (i) Public sector (2 marks)
 - (ii) Unemployment (2 marks)
 - (iii) Foreign investment (2 marks)
- (b) Identify TWO types of unemployment. (2 marks)
- (c) Outline THREE ways in which governments can assist private sector businesses. (6 marks)
- (d) Discuss TWO benefits of foreign direct investment (FDI) to the host country. (6 marks)

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

FORM TP 2014107



TEST CODE **01240032**

MAY/JUNE 2014

CARIBBEAN EXAMINATIONS COUNCIL

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EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. All answers must be written in this booklet.
3. Do not write in the margins
4. You are advised to take some time to read through the paper and plan your answer.
5. If you need to re-write any answer and there is not enough space to do so on the original page, you must request extra lined pages from the invigilator. **Remember to draw a line through your original answer and correctly number your new answer in the box provided.**
6. **If you use extra pages you MUST write your registration number and question number clearly in the boxes provided at the top of EVERY extra page.**

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01240032/F 2014



0124003203

INSTRUCTIONS: Read the following case study and answer the questions that follow.

CASE STUDY

Premier Home Schooling

Premier Home Schooling is a partnership between two retired professors who have a history of working well as a team. Their idea for the business came from requests from parents who desire home schooling for their children of primary school age. Hence a business was established. The main product was digital and virtual lessons for home schooling. The partners have applied to the Ministry of Education for approval for the virtual classroom curriculum to be officially adopted for home schooling nationwide. In addition to their experience in education, the partners are well versed in business management and Internet technology. After consulting each other they decided to hire a sales manager.

BUSINESS PLAN

OPERATIONAL PLAN

1. Nature and Type of Business

(a) State TWO factors that may have motivated the professors to establish the business.

.....
.....

(2 marks)

(b) Identify ONE area of expertise that the partners possess.

.....

(1 mark)

(c) State TWO benefits which the partners are LIKELY to receive from forming a partnership.

.....
.....
.....

(2 marks)

GO ON TO THE NEXT PAGE



2. Internal Structure of the Organization

(a) Identify TWO functional areas that the business is LIKELY to have.

.....
.....
(2 marks)

(b) State ONE key responsibility of the sales manager.

.....
.....
(1 mark)

3. Management Function

(a) Identify ONE type of leadership style displayed by the partners.

.....
(1 mark)

(b) Support your answer in 3 (a) above with evidence from the case.

.....
.....
(1 mark)

Total 10 marks



MARKETING PLAN

A feasibility study done by the partners showed that there is a nationwide demand for alternative modes of learning utilizing modern technology. They produced a package consisting of virtual lessons as well as a guide that trains parents and guardians to assist students. The price of the product has been influenced by the high cost of protecting the innovation and purchasing the necessary equipment. The sales manager is expected to initiate additional activities that will promote the product and increase sales. The partners are convinced that their product will do well.

4. Target Market

(a) Identify the MAIN target market for the product.

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.....

(1 mark)

(b) State TWO likely benefits, to the business, of conducting a feasibility study.

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(2 marks)

(c) State ONE factor that the partners should consider when deciding how much of the product to produce.

.....

(1 mark)

5. Pricing Strategies

Identify TWO factors that the partners should consider when pricing the product.

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(2 marks)



6. Promotion Strategies

(a) State TWO ways in which the sales manager can promote the business.

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(2 marks)

(b) Describe TWO factors related to packaging that will be important when promoting the product.

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(4 marks)

7. Copyright

Explain why it is important for the owners to copyright their product.

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(2 marks)

8. Quality

Outline ONE factor that is LIKELY to contribute to the success of the business.

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(2 marks)

GO ON TO THE NEXT PAGE



9. Technology

- (a) State TWO ways in which Internet technology can be used to distribute the product.

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(2 marks)

- (b) Outline TWO problems that are LIKELY to occur when using the Internet as a distribution channel.

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(2 marks)

Total 20 marks

FINANCIAL PLAN

The cost of the package is \$200. The partners sold 50 copies of the product at a promotional 25% discount when they launched the business at a parent-teachers meeting. The product has recently been endorsed by the Government and demand has increased steadily. The partners have already received orders for 400 copies. This was quite encouraging since the partners had practically used most of their retirement money to start the business.

10. Sources and uses of Finance

- (a) Identify the source from which the partners obtained funds to start their business.

.....
.....
(1 mark)

- (b) Calculate the total sales made at the launch of the business.

(2 marks)

- (c) Calculate the gross sales that will be made from the sale of the 400 copies of the product.

(1 mark)

GO ON TO THE NEXT PAGE



11. Government Regulations

Discuss ONE factor that the government would have most LIKELY considered when approving the use of this virtual lesson for home schooling.

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(3 marks)

12. Executive Summary

Write an overview of the business incorporating the THREE main areas of the business plan.

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(3 marks)

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.





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PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer the **THREE** questions in Section I, **ONE** in Section II and **ONE** in Section III as indicated.
2. Write your answers in the spaces provided in this answer booklet.
3. Do **NOT** write in the margins.
4. Take some time before you start writing to read through the papers and plan your answers
5. **EACH** question is worth 20 marks.
6. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
7. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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01240020/F 2015



0124002003

SECTION I

Answer the THREE questions in this section.

1. (a) Define EACH of the following business concepts:

(i) Profit

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(2 marks)

(ii) Enterprise

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(2 marks)

(iii) Specialization

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(2 marks)

(b) Identify the names of TWO franchises in the Caribbean.

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(2 marks)



DO NOT WRITE IN THIS AREA

(c) State TWO characteristics of EACH of the following forms of business organizations:

(i) Partnership

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.....
(2 marks)

(ii) Co-operatives

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.....
(2 marks)

(iii) Sole Proprietorship

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(2 marks)

(d) Describe ONE role of EACH of the following stakeholders in business:

(i) Employers

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(3 marks)

(ii) Employees

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(3 marks)

Total 20 marks

GO ON TO THE NEXT PAGE



DO NOT WRITE IN THIS AREA

2. (a) (i) List FOUR functions of a manager.

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(4 marks)

(ii) State THREE guidelines for establishing good relations between management and employees.

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(3 marks)

(b) (i) Identify THREE characteristics of a good leader.

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(3 marks)

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- (ii) Differentiate between 'participatory leadership style' and 'autocratic leadership style'.

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(4 marks)

- (c) Explain TWO ways in which an organization can benefit from teamwork.

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(6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE



DO NOT WRITE IN THIS AREA

- (b) (i) List TWO characteristics of subsistence production.

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(2 marks)

- (ii) Explain how 'capital-intensive production' differs from 'labour-intensive production'.

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(4 marks)

- (c) Explain ONE advantage and ONE disadvantage of computer-aided design (CAD) in the production process.

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(6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE



DO NOT WRITE IN THIS AREA

SECTION II

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. (a) Define the term 'consumer protection'.

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(2 marks)

- (b) (i) List TWO rights of the consumer.

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(2 marks)

- (ii) Outline TWO roles of the Bureau of Standards.

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(4 marks)

- (c) (i) State TWO characteristics of the wholesaler as a distributor.

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(2 marks)

GO ON TO THE NEXT PAGE



DO NOT WRITE IN THIS AREA

- (ii) Outline ONE advantage and ONE disadvantage of e-commerce as a method of retailing.

Advantage:

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(2 marks)

Disadvantage:

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(2 marks)

- (d) (i) Identify TWO problems related to the distribution of goods.

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(2 marks)

- (ii) Outline ONE measure that producers could take to avoid **each** problems identified.

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(4 marks)

Total 20 marks

GO ON TO THE NEXT PAGE



DO NOT WRITE IN THIS AREA

5. (a) Define the term 'overdraft'.

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(2 marks)

(b) (i) List TWO forms of investment.

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(2 marks)

(ii) Outline TWO principles of insurance.

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(4 marks)

(c) (i) State TWO characteristics of ordinary shares.

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(2 marks)

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DO NOT WRITE IN THIS AREA

- (ii) Outline ONE advantage and ONE disadvantage of the sou sou (meeting turn) as a form of saving.

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(4 marks)

- (d) Describe TWO measures which a central bank may use to influence the behaviour of commercial banks.

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(6 marks)

Total 20 marks



DO NOT WRITE IN THIS AREA

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. (a) (i) Identify TWO economic problems facing Caribbean countries.

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(2 marks)

- (ii) Outline ONE way in which EACH problem identified may be solved.

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(4 marks)

- (b) (i) Define the term 'foreign direct investment' (FDI).

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(2 marks)



DO NOT WRITE IN THIS AREA

7. (a) (i) Outline TWO ways in which governments can regulate business activity.

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(4 marks)

- (ii) Describe TWO measures which governments can take to protect consumers.

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(4 marks)

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FORM TP 2015107



TEST CODE **01240032**

MAY/JUNE 2015

CARIBBEAN EXAMINATIONS COUNCIL

**CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. You **MUST** use this answer booklet when responding to the questions. For **EACH** question, write your answer in the space provided and return the answer booklet at the end of the examination.
2. Use the **CASE STUDY** to answer the questions.
3. Answer **ALL** questions.
4. Do **NOT** write in the margins
5. You are advised to take some time to read through the paper and plan your answer.
6. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
7. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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01240032/F 2015



0124003203

INSTRUCTIONS: The following case study contains information for a business plan. Read the case study and answer the questions that follow.

CASE STUDY

Poplen Iron Works

SECTION A

Ford Poplen started his metal craft business two years ago in a shed at the back of his parent's home, located in a strictly residential community. He produces and sells a variety of metal furniture, grills and gates. However, handcrafted metal souvenir items are his unique designs. He is thinking of registering his business, but he has not been keeping proper accounting records. He decided to employ a part-time accountant to organize his finances and ensure that he is meeting his tax obligations. He will also employ a finisher and a painter. He had to relocate his business because his neighbours complained about the noise and constant smell of paint coming from the shed. The new location is in a commercial district where he pays a fixed amount which covers rent, utilities and the use of equipment.

Complete the following business plan using information from the case.

OPERATIONAL PLAN

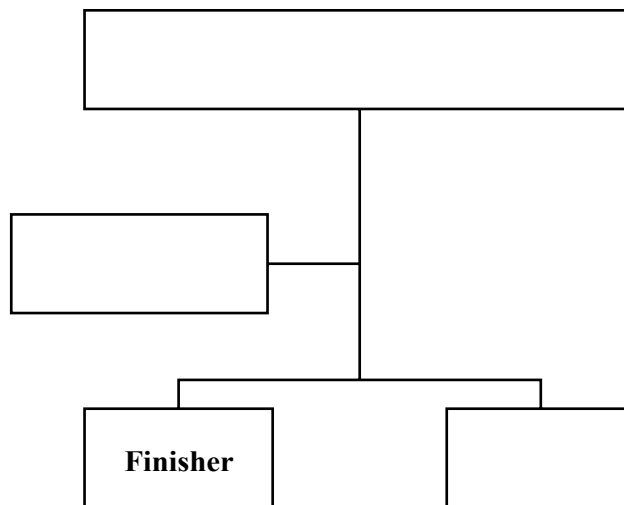
1. Nature and Type of Business

Identify the kind of business based on the type of ownership.

.....
(1 mark)

2. Internal Structure of the Organization

Complete the following organizational chart showing the structure of Poplen Iron Works.



(3 marks)

GO ON TO THE NEXT PAGE



DO NOT WRITE IN THIS AREA

3. Management Functions

(a) Cite ONE piece of evidence from the case to show how Ford Poplen demonstrated his responsibility to EACH of the following:

(i) Society

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.....

(1 mark)

(ii) Government

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.....

(1 mark)

(b) Describe how Ford Poplen has executed the management function of 'organizing'.

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(2 marks)

4. Ethical Issues

State TWO unethical business practices in which Poplen Iron Works was involved.

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(2 marks)

Total 10 marks

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DO NOT WRITE IN THIS AREA

SECTION B

Ford Poplen is happy that all his retail and wholesale customers are satisfied with the finish and durability of the products. He produces for the tourist market, but he was told by the president of the local Small Producers' Association that in order to succeed, he needed to have a more distinctive brand, one that would be linked to the country. He has been working on items for an art display to appeal to art dealers. He is not worried about competition from the four other craft producers because he is the only one who works with metals. He is presently using his private car to make deliveries and is hoping to buy a van that he can brand and use to pick up raw materials and make deliveries. He presently supplies only local customers but has set up a website to test the potential for exports.

MARKETING PLAN

5. Marketing

Outline TWO reasons why Poplen Iron Works may not be making as much sales as it could.

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.....

(4 marks)

6. Competition

Identify TWO competitors of Poplen Iron Works.

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(2 marks)

7. Outline TWO advantages that Poplen Iron Works is LIKELY to have over its competitors.

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(4 marks)

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8. Target Market

Identify TWO groups of potential customers of Poplen Iron Works.

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(2 marks)

9. Promotional Strategies

Describe ONE promotional strategy that could help the firm to increase its sales.

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.....
(3 marks)

10. Distribution Strategies

(a) State TWO ways in which the firm can distribute its products to its market.

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(2 marks)

(b) Explain ONE advantage of branding the products made by Poplen Iron Works.

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(3 marks)

Total 20 marks

GO ON TO THE NEXT PAGE



DO NOT WRITE IN THIS AREA

SECTION C

The business appears to be doing well but has a cash-flow problem. The country is facing a recession and most of Ford Poplen’s clients are operators of flower and gift shops who want 30 days credit. Mr Poplen is badly in need of a loan to cover the purchase of raw materials and give him some ease while he waits on his debtors. He wants to attract customers who can pay immediately. If his business does well, he plans to employ more persons and may even venture into the export market. However, he is now realizing that loans from the credit union and his small savings are not enough to expand the business.

FINANCIAL PLAN

11. Sources of Finance

(a) List TWO sources from which Poplen Iron Works obtained capital to expand the business.

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(2 marks)

(b) State TWO reasons why Poplen Iron Works may be having a cash-flow problem.

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(2 marks)

DO NOT WRITE IN THIS AREA

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12. Government Regulations

Outline ONE way in which Poplen Iron Works can contribute to the growth and development of the economy.

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(2 marks)

13. Identify TWO government regulations to which Poplen Iron Works must adhere.

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(2 marks)

14. Executive Summary

Write a summary of the business, including information from the three sections of the business plan.

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(2 marks)

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.



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CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION

06 JANUARY 2016 (a.m.)



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FILL IN ALL THE INFORMATION REQUESTED CLEARLY IN CAPITAL LETTERS.

TEST CODE

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SUBJECT PRINCIPLES OF BUSINESS – Paper 02

PROFICIENCY GENERAL

REGISTRATION NUMBER

--	--	--	--	--	--	--	--	--	--

SCHOOL/CENTRE NUMBER

--	--	--	--	--	--

NAME OF SCHOOL/CENTRE

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CANDIDATE'S FULL NAME (FIRST, MIDDLE, LAST)

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DATE OF BIRTH

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SIGNATURE _____



0124002001



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WRITE ON
THIS PAGE**



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PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer the **THREE** questions in Section I, **ONE** in Section II and **ONE** in Section III as indicated.
2. Write your answers in the spaces provided in this answer booklet.
3. Do **NOT** write in the margins.
4. You are advised to take some time to read through the paper and plan your answers.
5. You may use a silent, non-programmable calculator to answer questions.
6. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
7. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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SECTION I

Answer the THREE questions in this section.

1. (a) Define EACH of the following terms:

(i) Traditional economic system

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.....

(2 marks)

(ii) Planned economic system

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(2 marks)

(b) (i) State TWO advantages of a mixed economic system.

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.....

(2 marks)



DO NOT WRITE IN THIS AREA

(d) Explain ONE way in which EACH of the following stakeholders contributes to the success of a business:

(i) Business owners

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(3 marks)

(ii) Employees

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(3 marks)

Total 20 marks



DO NOT WRITE IN THIS AREA

2. (a) (i) Define the term 'teamwork'.

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(2 marks)

- (ii) State TWO advantages and TWO disadvantages of teamwork within an organization.

Advantages

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Disadvantages

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(4 marks)

DO NOT WRITE IN THIS AREA

GO ON TO THE NEXT PAGE



- (b) Outline TWO examples that show how teamwork is used at a school or in a workplace.

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(4 marks)

- (c) List FOUR important elements in the communication process.

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(4 marks)



DO NOT WRITE IN THIS AREA

(d) Using an example, outline ONE strategy for effective communication between EACH of the following groups:

(i) Teachers and students

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(3 marks)

(ii) Teachers and parents

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(3 marks)

Total 20 marks

DO NOT WRITE IN THIS AREA



3. (a) (i) Define the term 'entrepreneur'.

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(2 marks)

(ii) State TWO advantages and TWO disadvantages of being an entrepreneur.

Advantages

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Disadvantages

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(4 marks)

(b) (i) Identify FOUR characteristics of an entrepreneur.

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(4 marks)

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DO NOT WRITE IN THIS AREA

(ii) Identify TWO problems faced by entrepreneurs.

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(2 marks)

(iii) Outline ONE way in which any ONE problem identified in (ii) above may be resolved.

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(2 marks)

(c) Explain TWO ways in which entrepreneurship benefits an economy.

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(6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE



DO NOT WRITE IN THIS AREA

SECTION II

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. (a) (i) Define the term 'marketing'.

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(2 marks)

- (ii) List the FOUR elements of the 'marketing mix'.

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(4 marks)

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- (b) (i) State TWO reasons why firms engage in public relations (PR).

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(2 marks)

- (ii) Describe THREE marketing methods, other than social media, employed by businesses to promote sales.

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(c) Explain TWO ways in which businesses can use social media to promote sales.

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(6 marks)

Total 20 marks



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5. (a) List THREE services offered by EACH of the following institutions:

(i) Commercial banks

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(3 marks)

(ii) Central banks

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(3 marks)

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(b) Differentiate between a 'current account' and an 'ordinary savings account'.

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(4 marks)

(c) Outline TWO ways in which technology has influenced banking and commerce.

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(4 marks)



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SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

- 6.** (a) (i) State TWO differences between 'direct taxes' and 'indirect taxes'.

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(4 marks)

- (ii) List ONE example of a direct tax and ONE example of an indirect tax.

Direct

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Indirect

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(2 marks)

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- (b) (i) Outline THREE reasons why governments charge taxes.

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(6 marks)

- (ii) Identify TWO sources of government revenue, other than taxes.

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(2 marks)



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(c) Explain why the higher income earner pays more than the lower income earner under EACH of the following forms of taxation:

(i) Proportional

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(3 marks)

(ii) Progressive

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(3 marks)

Total 20 marks



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7. (a) (i) Define the term 'international trade'.

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(2 marks)

(ii) Outline THREE reasons why countries trade with each other.

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(6 marks)

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- (b) (i) Differentiate between 'balance of trade' and 'balance of payments'.

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(4 marks)

- (ii) List TWO components of a balance of payments account.

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(2 marks)



- (c) Explain TWO ways in which governments can address a balance of payments deficit.

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(6 marks)

Total 20 marks

END OF TEST

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06 JANUARY 2016 (p.m.)



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FILL IN ALL THE INFORMATION REQUESTED CLEARLY IN CAPITAL LETTERS.

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SUBJECT PRINCIPLES OF BUSINESS – Paper 032

PROFICIENCY GENERAL

REGISTRATION NUMBER

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SCHOOL/CENTRE NUMBER

--	--	--	--	--	--

NAME OF SCHOOL/CENTRE

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CANDIDATE'S FULL NAME (FIRST, MIDDLE, LAST)

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DATE OF BIRTH

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JANUARY 2016

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EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. Write your answers in the spaces provided in this answer booklet.
3. Do NOT write in the margins.
4. You are advised to take some time to read through the paper and plan your answers.
5. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
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INSTRUCTIONS: The following case study contains information for a business plan. Read the case study and answer the questions that follow.

CASE STUDY

Almost New

Finding affordable and fashionable clothing was one of Mary’s biggest struggles until her sister, Agatha, moved to the USA. Agatha started purchasing out-of-season and used clothing and shipping them back home for Mary and her daughters. People started complementing the family on their fashionable attire. Mary and Agatha decided to turn the venture into a business. They plan to name the business Almost New. Agatha would purchase and ship items and Mary would manage the business. They would each own 50 per cent of the business and share any profits or losses equally. Mary would operate the business from her house which is located on a busy street corner near the city. Two of Mary’s daughters would work as shop attendants.

BUSINESS PLAN

OPERATIONAL PLAN

1. Nature and Type of Business

- (a) Identify the form of business organization that Mary and Agatha plan to start.

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(1 mark)

- (b) List TWO stakeholders of the business.

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(2 marks)

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2. Internal Structure of Organization

- (a) State ONE potential source of conflict that could arise between Mary and Agatha.

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(1 mark)

- (b) Outline TWO strategies for effective communication between the owners of the business.

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(2 marks)

3. Management Functions

- (a) Identify TWO responsibilities that Mary must undertake as a manager of the business.

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(2 marks)

- (b) Describe ONE management function that Agatha must undertake.

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(2 marks)

Total 10 marks

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MARKETING PLAN

The owners want to make the business attractive to families who operate on a limited financial budget but want to remain in fashion. They plan to set up the store like any other fashion boutique, taking advantage of the busy street on which they will be located. In addition to carrying high quality products at affordable prices, the owners' marketing strategy would include seasonal fashion shows, television advertisements, distribution of flyers and special discounts to customers. Mary's daughters would help to promote sales and do market research for the business by issuing surveys to customers and passers-by and through e-mails to target markets.

4. Target Market

(a) State TWO benefits of the location of the business.

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(2 marks)

(b) Identify TWO likely targets of the business.

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(2 marks)

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5. Market Research

- (a) State TWO ways in which Almost New may benefit from conducting market research.

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(2 marks)

- (b) List FOUR factors that are likely to influence consumers' decision to shop at Almost New.

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(4 marks)

6. Marketing Activities

- (a) State TWO marketing activities in which Almost New could engage to promote sales.

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(2 marks)

- (b) Identity TWO distribution channels that Almost New can utilize to get its products to customers.

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(2 marks)

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7. Sales

- (a) State TWO terms-of-sale options that Almost New can offer to encourage customers to purchase its products.

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(2 marks)

- (b) Explain ONE benefit of having in-house salespersons.

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(2 marks)

8. Pricing Strategy

Describe ONE strategy that the business could use to price its products.

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(2 marks)

Total 20 marks



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FINANCIAL PLAN

The business owners used their own resources to start the business. If the business grows as has been projected, the owners plan to seek financing to open other outlets in the city. The financing would include money for start-up costs, hiring additional employees, paying taxes and paying other recurrent expenses.

9. Sources and Use of Finance

- (a) Identify TWO sources of financing, other than personal sources, from which the company may obtain funds.

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(2 marks)

- (b) State TWO benefits to the owners of using their own funds to start the business.

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(2 marks)

10. Role of Government

- (a) State TWO ways in which government could assist this new business.

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(2 marks)

- (b) Identify TWO types of taxes that Almost New should pay to the government.

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(2 marks)

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11. Executive Summary

Write an overview of the business including the THREE main areas of the plan.

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(2 marks)

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.



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C A R I B B E A N E X A M I N A T I O N S C O U N C I L

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E X A M I N A T I O N**

P R I N C I P L E S O F B U S I N E S S

Paper 02 – General Proficiency

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer the **THREE** questions in Section I, **ONE** in Section II and **ONE** in Section III as indicated. **EACH** question is worth 20 marks.
2. Write your answers in the spaces provided in this answer booklet.
3. Do **NOT** write in the margins.
4. You are advised to take some time to read through the paper and plan your answers.
5. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
6. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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SECTION I

Answer the THREE questions in this section.

1. Janice retired after 15 years of working as a loans officer at a commercial bank and has decided to become an entrepreneur.

(a) (i) Define the term ‘entrepreneurship’.

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(2 marks)

(ii) State FOUR reasons why a person may start a business.

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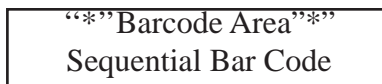
(4 marks)

(b) Identify FOUR stakeholders that could be involved in Janice’s business.

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(4 marks)

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- (c) Describe TWO types of services Janice may be able to offer given her banking experience.

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(4 marks)

- (d) Explain TWO ways in which Janice’s business can benefit the community.

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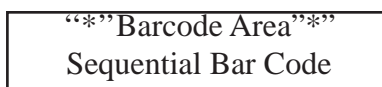
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(6 marks)

Total 20 marks

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2. (a) Define the term ‘conflict resolution’.

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(2 marks)

(b) Describe how the following factors can be sources of conflict at the workplace:

(i) Poor communication

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(2 marks)

(ii) Underperformance

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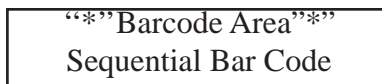
(2 marks)

(iii) Limited resources

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(2 marks)

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- (c) (i) Distinguish between ‘work to rule’ and ‘go slow’.

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(4 marks)

- (ii) State TWO benefits of mediation as a means of conflict resolution.

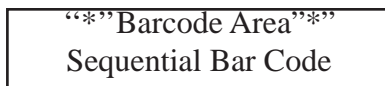
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(2 marks)

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(d) Explain ONE way in which management can use EACH of the following guidelines to enhance relationships between management and staff:

(i) Open door policy

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(3 marks)

(ii) Annual retreat

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(3 marks)

Total 20 marks

3. (a) Define EACH of the following terms and give ONE example of **each**:

(i) Capital

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(3 marks)

(ii) Collateral

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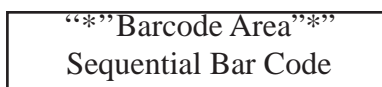
(3 marks)

(b) Outline THREE advantages of borrowing money from a credit union as opposed to a bank.

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(6 marks)

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(c) Identify TWO elements of a business plan.

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(2 marks)

(d) Explain ONE way in which a business plan is important to EACH of the following stakeholders:

(i) Business owners

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(3 marks)

(ii) Potential investors

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(3 marks)

Total 20 marks

SECTION II

Answer EITHER Question 4 OR Question 5. Do NOT answer both.

4. (a) List THREE examples of EACH of the following:

(i) Market structures

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(3 marks)

(ii) Methods of retailing

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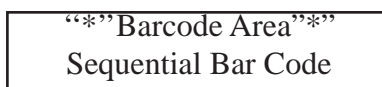
(3 marks)

(b) Differentiate between ‘capital-intensive production’ and ‘labour-intensive production’.

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(4 marks)

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(c) Outline TWO purposes of branding.

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(4 marks)

(d) Explain TWO ways in which packaging helps in the marketing of goods.

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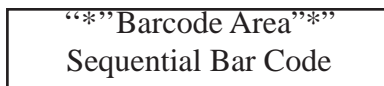
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(6 marks)

Total 20 marks



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5. (a) List THREE sources from which EACH of the following may be obtained:

(i) Short-term financing

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(3 marks)

(ii) Long-term financing

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(3 marks)

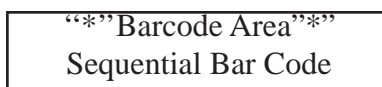
(b) Differentiate between 'savings' and 'investment'.

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(4 marks)

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(c) Outline TWO ways in which the Internet has influenced investment activities.

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(4 marks)

(d) Explain TWO ways in which budgeting helps in managing personal finances.

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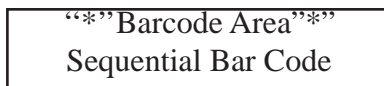
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SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

- 6.** (a) (i) Define the term ‘consumer protection’.

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(2 marks)

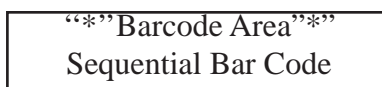
- (ii) Identify TWO social services provided by governments.

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(2 marks)

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(b) Describe ONE way in which governments carry out the following responsibilities:

(i) Protection of the environment

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(2 marks)

(ii) Security of the state

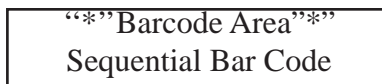
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(2 marks)

(iii) Maintenance of a safe climate for investors

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(2 marks)



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- (c) Outline TWO ways in which governments' decision to provide laptops to primary school children can positively impact their education.

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(4 marks)

- (d) Explain how governments use EACH of the following measures to regulate business activities:

- (i) Taxation

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(3 marks)

- (ii) Safety and health

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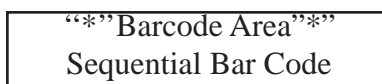
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(3 marks)

Total 20 marks

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7. (a) Define EACH of the following terms:

(i) Standard of living

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(2 marks)

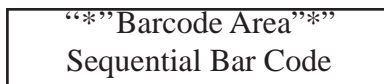
(ii) National income

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(2 marks)

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(b) Describe ONE way in which EACH of the following indicators affects an individual's standard of living:

(i) Quality and availability of employment

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(2 marks)

(ii) Quality and affordable housing

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(2 marks)

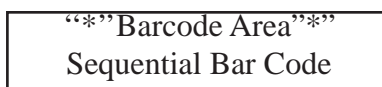
(iii) Access to affordable and quality health care

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(2 marks)

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(c) Describe TWO approaches used to measure national income.

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(4 marks)

(d) Explain how EACH of the following indicators can be used to evaluate the quality of life of citizens in your country:

(i) Right to privacy

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(3 marks)

(ii) Right to education

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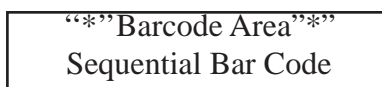
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(3 marks)

Total 20 marks

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PRINCIPLES OF BUSINESS

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. Write your answers in the spaces provided in this answer booklet.
3. Do NOT write in the margins.
4. You are advised to take some time to read through the paper and plan your answers.
5. You may use a silent, non-programmable calculator to answer questions.
6. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
7. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

INSTRUCTIONS: The following case study contains information for a business plan. Read the case study and answer the questions that follow.

CASE STUDY

SECTION A

Beautiful Blooms Nursery

Beautiful Blooms Nursery is a flower shop that sells cut flowers and floral arrangements. It is located in the front room of the CEO, Mary-Ann Poser's family home in a prestigious residential area. The partners credit their success to the excellent customer service provided by their family of four. Sue-Lou is a very good florist having gone to the best floral design schools in the country. She uses unique materials to create world class designs on a very low budget. Customers can depend on her to give them value for money. Their mom Ellen, a trained manager, purchases high quality unique flowers and trimmings which contribute to the strong brand. She engages in strict financial controls, ensures efficient production and manages the staff of three other persons – an assistant florist, a gardener and a decorator. Their father Bill does the marketing and distribution as well as oversees the delivery and pick up of items. At times they have a problem with the disposal of garbage from the business. Based on the expressions of customers, the firm is considering expanding its offerings to include gift baskets, decorations and signage. However, the owners are concerned about the additional costs involved in expanding the business.

Complete the following business plan using information from the case study.

OPERATIONAL PLAN

1. Nature and Type of Business

Classify the business based on ownership.

.....
(1 mark)

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2. Internal Structure of the Organization

Draw and label an organization chart of the present structure of the business.

(3 marks)

3. Management Functions

(a) State TWO factors that have contributed to the success of Beautiful Blooms Nursery.

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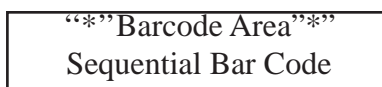
(2 marks)

(b) Cite TWO pieces of evidence from the case which suggest that the firm is being managed properly.

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(2 marks)

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4. Ethical Issues

Identify TWO ethical issues that could affect the business in a negative way.

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(2 marks)

Total 10 marks

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“*”Barcode Area”
Sequential Bar Code

SECTION B

The firm depends on customers desiring floral items for weddings, funerals, graduations as well as occasional conferences and parties. A market research revealed that 80 per cent of customers desired gift baskets and the services of a decorator and graphic artist. This boosted the owners' confidence as these persons would provide referrals but they wondered if this would be sufficient to withstand the two other competitors plus the Superstore which sells ready-made floral arrangements and gift baskets. The owners plan to change the structure of the business to that of a private company, which they will call Beautiful Blooms and Gifts Ltd. They plan to relocate to a larger space which will mean additional rental costs. The firm plans to increase its promotional strategies using gift coupons, technology and possibly extend its opening hours.

MARKETING PLAN

5. Market Research

Identify TWO methods that Beautiful Blooms Nursery could have used to conduct the market research.

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(2 marks)

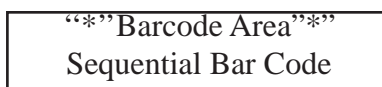
6. Industry Trend

Cite TWO pieces of evidence to support the view that Beautiful Blooms Nursery is likely to grow and survive.

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(2 marks)

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DO NOT WRITE IN THIS AREA

7. Size of Market

- (a) Outline THREE strategies which the business can use to ensure that it survives the competition.

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(3 marks)

- (b) Outline TWO advantages the firm is likely to experience as a result of expanding to Beautiful Blooms and Gifts Ltd.

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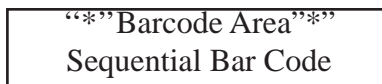
(2 marks)

- (c) Outline TWO disadvantages the firm is likely to experience as a result of expanding to Beautiful Blooms and Gifts Ltd.

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(2 marks)

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8. Target Market

Identify THREE types of customers who are likely to be targeted by the new business.

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(3 marks)

9. Promotional Strategies

List THREE promotional strategies that Beautiful Blooms and Gifts Ltd could use to promote its products.

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(3 marks)

10. Distribution Strategies

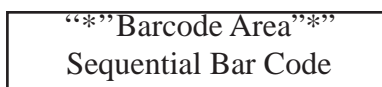
State THREE methods the business can employ to make its products available to customers.

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(3 marks)

Total 20 marks

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DO NOT WRITE IN THIS AREA

SECTION C

Beautiful Blooms Nursery started two years ago and has improved its production and presentation above its competitors. The capital for the start of the business came from personal funds and loans from relatives who will now become shareholders. While remaining at their present location would reduce cost it would violate government regulations. The firm needs new equipment and other materials. The owners have prepared a business plan to obtain a loan of US\$110 000 for 10 years from a commercial bank at an interest rate of 12 per cent per annum.

The following are the projected expenses for the first month after the expansion.

	\$
Promotional expenses	3000
Interest on bank loan	_____
Wages and salaries	50 000
National insurance	5000
Utilities	3000
Stocks	20 000
Rental	10 000
Insurance	1000
Miscellaneous	4000

FINANCIAL PLAN

11. (a) The TOTAL interest to be charged on the loan over the 10 years is \$132 000. Calculate the interest for ONE month.

(2 marks)

GO ON TO THE NEXT PAGE

DO NOT WRITE IN THIS AREA

- (b) Calculate the TOTAL expenses that the business will incur during the first month of operation. (**Show ALL working**).

(1 mark)

12. Source of Funds

List TWO sources of funds that have been used to finance the business.

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(2 marks)

13. Government Regulations

- (a) Identify ONE government regulation that is likely to affect the business.

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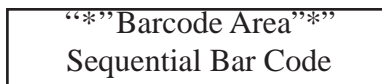
(1 mark)

- (b) State ONE way in which the named regulation is likely to affect the business.

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(1 mark)

GO ON TO THE NEXT PAGE



14. Executive Summary

Write a summary of the business including the three sections of the business plan.

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(3 marks)

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.

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FORM TP 2017028



TEST CODE **01240020**

JANUARY 2017

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of FIVE questions. Answer all questions.
2. Write your answers in the spaces provided in this answer booklet.
3. Do NOT write in the margins.
4. You are advised to take some time to read through the paper and plan your answers.
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01240020/JANUARY/F 2017

“*”Barcode Area”*”
Sequential Bar Code

Answer ALL questions.

1. (a) Define EACH of the following terms:

(i) Barter

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(2 marks)

(ii) Specialization

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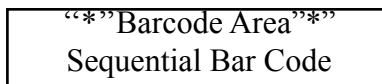
(2 marks)

(b) State TWO characteristics of cooperatives.

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(2 marks)

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(c) Distinguish between EACH of the following pairs of concepts:

(i) Sole traders and partnerships

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(4 marks)

(ii) Private sector and public sector

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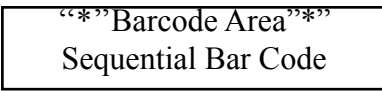
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(4 marks)

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(d) Explain ONE way in which **each** of the following stakeholders is important to a retail business:

(i) Producers

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(3 marks)

(ii) Consumers

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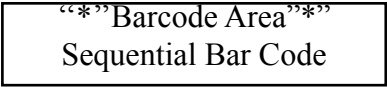
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(3 marks)

Total 20 marks



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2. (a) (i) List FOUR characteristics of a good leader.

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(4 marks)

- (ii) Outline TWO types of leadership styles.

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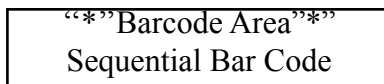
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(4 marks)

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3. (a) Define EACH of the following terms:

(i) Production

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(2 marks)

(ii) Productivity

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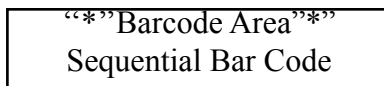
(2 marks)

(b) (i) Describe TWO factors which contribute to the efficiency of labour.

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(4 marks)

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- (ii) List TWO factors of production used in the creation of goods and services.

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(2 marks)

- (c) Identify TWO industries in the Caribbean that were developed from **each** of the following activities:

- (i) Agriculture

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(2 marks)

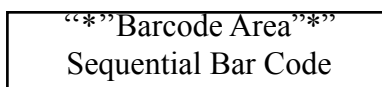
- (ii) Mining

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(2 marks)

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4. (a) (i) Define the term 'marketing'.

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(2 marks)

(ii) List TWO elements of the marketing mix.

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(2 marks)

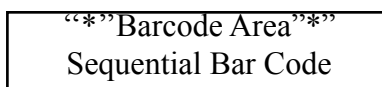
(b) Differentiate between 'perfect competition' and 'monopolistic competition'.

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(4 marks)

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5. (a) (i) State TWO responsibilities of governments.

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(2 marks)

(ii) List TWO sources of government income.

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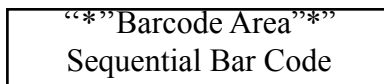
(2 marks)

(b) State FOUR ways in which businesses can protect the environment.

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(4 marks)

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**C A R I B B E A N S E C O N D A R Y E D U C A T I O N C E R T I F I C A T E[®]
E X A M I N A T I O N**

P R I N C I P L E S O F B U S I N E S S

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. Write your answers in the spaces provided in this answer booklet.
3. Do NOT write in the margins.
4. You are advised to take some time to read through the paper and plan your answers.
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INSTRUCTIONS: The following case study contains information for a business plan. Read the case study and answer the questions that follow.

CASE STUDY

Altogether Jerk Ltd

SECTION A

Altogether Jerk Ltd will be a competitive privately owned 50-seat restaurant offering home-cooked food that is popular in that area of the Caribbean. It will provide grilled and steamed foods: pork, chicken, fish and baked yams, potatoes and other breadstuffs, along with vegetables and an assortment of natural fruit drinks. The restaurant will be owned and operated by Karl and Krystal Bennett who have owned and managed a number of other successful businesses. The management team collectively has over 20 years' experience in the restaurant business. The owners intend to employ an operations manager, a chef, several kitchen assistants, several waiters and two cleaners. While the firm hopes to provide in-house dining, it would also specialize in takeouts. The managers are aware of the importance of proper documentation and transparent business practices. Together they have created a detailed plan which includes all the elements for success.

Complete the following business plan using information from the case.

OPERATIONAL PLAN

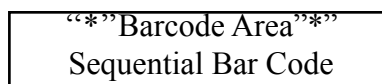
1. Nature and Type of Business

Identify the type of business and state the reason for your choice.

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(2 marks)

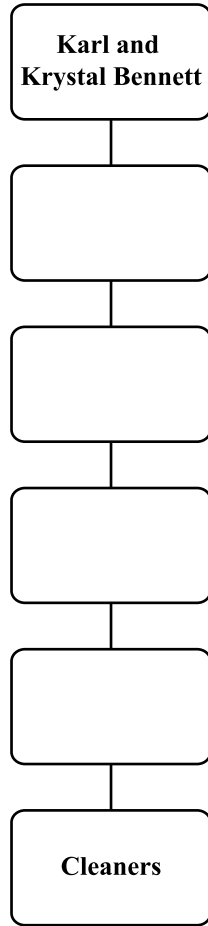
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2. Internal Structure of the Organization

Complete the following organizational chart to show the relationship between the persons who will work at Altogether Jerk Ltd.



(3 marks)

3. Management Functions

State TWO qualities which the managers possess that are likely to lead to the success of the business.

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(2 marks)

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4. Ethical Issues

Explain ONE ethical issue that the managers would need to address and therefore should include in the plan.

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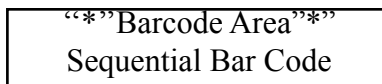
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(3 marks)

Total 10 marks

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SECTION B

The managers would like to use the smell of jerk, healthy, large sized platters, Caribbean background music and the Friday evening band to attract patrons to the restaurant. The restaurant will be tastefully decorated with local wood and steel, and painted in bright tropical colours. The chairs and tables will be made from metal and wood, giving a rustic look. Carefully conducted market research and evaluation of the target market revealed that the firm was poised to cater to a segment that was not being served. Despite this, the firm intends to use technology to intensely market its products and services. The managers would also draw on their many years of marketing experience and aim to be proactive, building sales volume over profit especially in the first three years of operation. They recognize that they would require a delivery van and possibly a bike.

MARKETING PLAN

5. Marketing

- (a) Outline TWO marketing strategies that the managers hope to use to attract customers.

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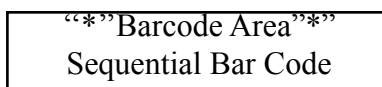
(4 marks)

- (b) Describe how “building sales volume over profit” can help the firm to succeed.

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(2 marks)

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6. Competition

(a) Identify TWO likely competitors of Altogether Jerk Ltd.

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(2 marks)

(b) Outline TWO advantages that Altogether Jerk Ltd will have over its competitors.

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(4 marks)

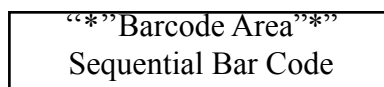
7. Target Market

Identify TWO factors in the market research that suggest that the proposed business is likely to succeed.

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(2 marks)

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8. Promotional Strategies

Describe TWO ways in which the firm can use technology to advertise its products and services.

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(4 marks)

9. Distribution Strategies

Identify TWO methods that the firm intends to use to distribute its products.

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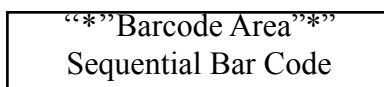
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(2 marks)

Total 20 marks

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SECTION C

The total amount of capital required to start the business is \$1 100 000. \$200 000 of this amount will be contributed by Karl and Krystal Bennett. They hope to obtain the additional capital via a bank loan. They project that the business will attract 2000 customers per week with sales of \$45 000. Altogether Jerk Ltd hopes to provide a great product, employ persons from the community and expand the business locally and internationally.

FINANCIAL PLAN

10. Sources of Finance

- (a) List TWO sources from which Altogether Jerk Ltd hopes to obtain financing for the business.

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(2 marks)

- (b) Calculate the additional amount of capital which the firm will need to start its operations.

(2 marks)

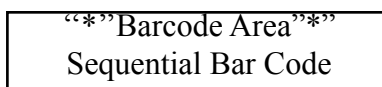
11. Government Regulations

Identify ONE government regulation with which Altogether Jerk Ltd must comply.

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(1 mark)

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12. Economic/Social Benefits

State TWO benefits that Altogether Jerk Ltd will provide to the community or country.

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(2 marks)

13. Executive Summary

Write a summary of the business which must include information from the three sections of the business plan.

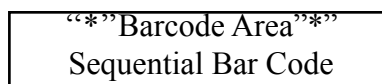
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Total 10 marks

END OF TEST

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C A R I B B E A N E X A M I N A T I O N S C O U N C I L

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E X A M I N A T I O N**

P R I N C I P L E S O F B U S I N E S S

Paper 02 – General Proficiency

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of FIVE questions. Answer all questions.
2. Write your answers in the spaces provided in this answer booklet.
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ANSWER ALL THE QUESTIONS

1. (a) Define EACH of the following terms:

(i) Enterprise

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(ii) Entrepreneurship

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(4 marks)

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(b) Describe EACH of the following functions of management:

(i) Delegating

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(2 marks)

(ii) Motivating

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(2 marks)

(iii) Coordinating

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(2 marks)

(c) Explain ONE way in which management fulfils its responsibility to EACH of the following groups of persons:

(i) Customers

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(3 marks)

(ii) Employees

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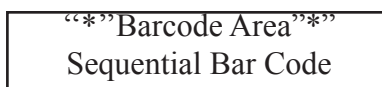
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Total 20 marks

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3. (a) (i) List THREE examples of technology used by businesses.

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(3 marks)

(ii) Outline TWO ways in which technology may be used to enable businesses to grow.

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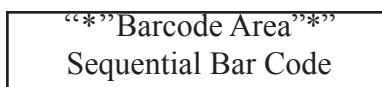
(4 marks)

(b) (i) List THREE functions of a small business.

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(3 marks)

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- (ii) State TWO challenges and TWO benefits associated with the growth of a business.

Challenges

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Benefits

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(4 marks)

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4. (a) (i) Define the term 'brand name'.

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(2 marks)

(ii) Identify TWO forms of packaging.

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(2 marks)

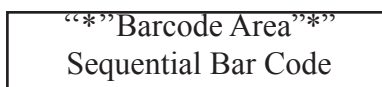
(iii) State TWO purposes of packaging.

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(2 marks)

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E X A M I N A T I O N**

P R I N C I P L E S O F B U S I N E S S

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

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DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

INSTRUCTIONS: The following case study contains information for a business plan. Read the case and answer the questions that follow.

CASE STUDY

K & S Sweet Delights

After leaving culinary school, Kaycee and Shakira decided to form a partnership. They pooled their resources to start and manage a business called K & S Sweet Delights. Given their training and expertise, they decided that, together with two assistants, they would be heavily involved in the process of making cakes, pastries and confectionery. The partners realized that they would need to hire persons to take care of their accounts and help with marketing their products.

Complete the following business plan using information from the case study.

OPERATIONAL PLAN

1. Nature of Business

State TWO advantages and ONE disadvantage of the type of business organization that Kaycee and Shakira decided to form.

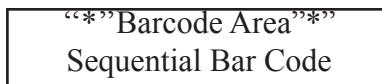
Advantages

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Disadvantage

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(3 marks)



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2. Internal Organizational Structure

List the THREE functional areas of business operations that Kaycee and Shakira have identified.

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(3 marks)

3. Management Functions and Responsibilities

(a) State TWO management functions that the owners would need to perform.

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(2 marks)

(b) Identify TWO groups to which the partners would be accountable.

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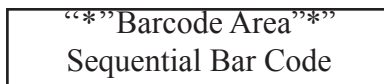
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(2 marks)

Total 10 marks

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MARKETING PLAN

While at culinary school, Kaycee and Shakira discovered that there was a great demand for the confectionery items that they offered regularly for sale on campus. Family members and friends who ordered cupcakes, cheesecakes, birthday cakes and even wedding cakes – would always compliment them on the quality, attractiveness and affordability of their products. Kaycee and Shakira observed too that many supermarkets as well as hotels on the island were interested in finding regular sources of supply for these items. When they decided to form the business the two friends were convinced that they would have the competitive advantage. They believed that their use of local fruits and their distinctive flair would set them apart from the competition and would make their products popular in both the local and tourist markets.

4. Market Research

- (a) Identify TWO methods that K & S Sweet Delights could use to obtain information about the potential market.

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(2 marks)

- (b) State TWO factors which led Kaycee and Shakira to believe that there would be a large market for their products.

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(2 marks)

5. Target Market

Identify TWO potential customers which K & S Sweet Delights could target.

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(2 marks)

6. Consumer Behaviour

Outline TWO factors which could encourage consumers to purchase items from K & S Sweet Delights.

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(4 marks)

7. Promotional Strategies

(a) Outline TWO ways in which K & S Sweet Delights could promote its products.

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(4 marks)

(b) Identify TWO media which K & S Sweet Delights could use to advertise its products.

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(2 marks)

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8. Pricing

State TWO factors which Kaycee and Shakira should consider when pricing their products.

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(2 marks)

9. Distribution

State TWO distribution channels which K & S Sweet Delights could use to distribute its products.

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(2 marks)

Total 20 marks

FINANCIAL PLAN

Since Kaycee and Shakira did not have the money to purchase a business place, they decided to operate from rented premises. They plan to obtain a loan from a commercial bank to purchase equipment for the business and a van for deliveries. In addition to making payments on the loan, they would also have to budget for monthly expenses.

10. Sources and Uses of Finance

(a) List TWO examples of capital goods that the business would require.

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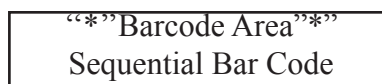
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(b) List TWO forms of collateral which K & S Sweet Delights could use as security for the bank loan.

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(2 marks)

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(c) Identify TWO monthly expenses that the business is likely to incur.

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(2 marks)

11. State ONE example of working capital that the business will require.

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(1 mark)

12. Executive Summary

Write a summary of the business which includes information from the three sections of the business plan.

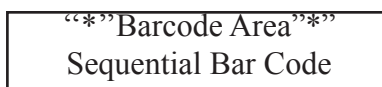
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(3 marks)

Total 10 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.



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