



CARIBBEAN EXAMINATIONS COUNCIL

CSEC[®] Principles of Business

**SYLLABUS
2008-2018**

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LIST OF CONTENTS

CSEC® Principles of Business Syllabus

CSEC® Principles of Business Specimen Papers and Mark Schemes/Keys

Paper 01240010/SPEC)'
Paper 01240020/SPEC	*'
Paper 01240032/SPEC	- *
Paper /SPEC	%88%
Paper 01240032/SPEC	% +



CARIBBEAN
EXAMINATIONS
COUNCIL

Caribbean Secondary
Education Certificate®

SYLLABUS

PRINCIPLES OF BUSINESS

CXC 08/G/SYLL 06

Effective for examinations from May–June 2008

Correspondence related to the syllabus should be addressed to:

The Pro-Registrar
Caribbean Examinations Council
Caenwood Centre
37 Arnold Road, Kingston 5, Jamaica

Telephone Number: + 1 (876) 630-5200
Facsimile Number: + 1 (876) 967-4972
E-mail Address: cxcwzo@cx.org
Website: www.cxc.org

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Prince Road, Pine Plantation Road, St Michael BB11091

Contents

RATIONALE	1
AIMS.....	1
GENERAL OBJECTIVES	2
SKILLS AND ABILITIES TO BE ASSESSED.....	2
STRUCTURE AND ORGANISATION OF THE SYLLABUS.....	2
SUGGESTED TIMETABLE ALLOCATION	3
CERTIFICATION.....	3
FORMAT OF THE EXAMINATIONS.....	3
SECTION 1: THE NATURE OF BUSINESS.....	6
SECTION 2: INTERNAL ORGANISATIONAL ENVIRONMENT	9
SECTION 3: ESTABLISHING A BUSINESS	12
SECTION 4: LEGAL ASPECTS OF BUSINESS	15
SECTION 5: PRODUCTION	17
SECTION 6: MARKETING.....	20
SECTION 7: BUSINESS FINANCE	26
SECTION 8: ROLE OF GOVERNMENT IN AN ECONOMY	28
SECTION 9: SOCIAL ACCOUNTING AND GLOBAL TRADE.....	30
SECTION 10: REGIONAL AND GLOBAL BUSINESS ENVIRONMENT	32
GUIDELINES FOR THE CONDUCT OF THE SCHOOL-BASED ASSESSMENT IN PRINCIPLES OF BUSINESS	34
GUIDELINES FOR THE ALTERNATIVE TO THE SCHOOL-BASED ASSESSMENT	42
REGULATIONS FOR PRIVATE CANDIDATES	42
REGULATIONS FOR RESIT CANDIDATES	43
REGULATIONS FOR THE JANUARY SITTING.....	43
LIST OF SUGGESTED RESOURCE MATERIALS	43

The Principles of Business Syllabus (CXC 08/0/SYLL 96) was revised in 2006 for first examination in 2008.

Teaching is expected to commence on the revised syllabus in September 2006.

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and 2017

Please check the website, www.cxc.org for updates on **CXC**'s syllabuses.

Principles of Business Syllabus

◆ RATIONALE

Principles of Business focuses on the theoretical and practical aspects of business activities. It provides a framework to assist in more informed decision-making by individuals in their role of producers or consumers.

An understanding of business principles in this course of study prepares students to become productive members of society. The syllabus provides opportunity for students to develop entrepreneurial and managerial skills necessary to survive and prosper in a local, regional and global dynamic business environment. The Principles of Business syllabus engages students in conducting research which helps to improve their communication and critical thinking skills and creates an awareness of business ethics and social and *economic* responsibilities.

The syllabus will not only provide a good foundation for further study of Business at pre-professional and professional levels, but will assist students in the development of the requisite skills, competencies, attitudes and values that are critical for success in today's business environment.

Additionally, it will inculcate tenets of the Ideal Caribbean Person as articulated by the CARICOM Heads of Government. That is, "someone who demonstrates a positive work ethic" and "values and displays the creative imagination in its various manifestations and nurtures its development in the economic and entrepreneurial spheres." Besides, in keeping with the UNESCO Pillars of Learning, on completion of this course of study students will learn to know, learn to do, learn to be, and learn to live together having been exposed to the values implicit within human rights, and democratic principles, among others.

◆ AIMS

The syllabus aims to:

1. promote understanding of theories, concepts and practices that are applicable to the culturally-diversified economic environment of the Caribbean;
2. provide knowledge of business and of its role in a rapidly-changing Caribbean and global economic environment;
3. provide the opportunity for informed decision making through the development of skills in critical thinking, problem-solving, research and communication;
4. nurture students' creative and entrepreneurial abilities to enable them to participate fully in the local, regional and global economy;

5. sensitise students to the need for responsible social and ethical behavior in their pursuit of business goals; and,
6. enable students to access and apply appropriate technology in pursuing opportunities and solving problems in business.

◆ GENERAL OBJECTIVES

On completion of the syllabus, students should:

1. develop knowledge and skills to function effectively within the local, regional and global business environment;
2. develop understanding of theories, concepts and practices related to business;
3. develop the confidence to respond, positively, to the opportunities and challenges that present themselves in the world of business;
4. appreciate the importance of risk, research, planning and the use of modern technology in the development and conduct of business;
5. be aware that producers and consumers of goods and services have the responsibility to conduct business in a moral and ethical manner; and,
6. develop awareness of opportunities for educational advancement in business-related fields.

◆ SKILLS AND ABILITIES TO BE ASSESSED

The assessment will test students' skills and abilities to:

1. recall, select, and use business-related theories, principles, concepts and methods;
2. identify and analyse problems and formulate solutions;
3. interpret data and draw logical conclusions; and,
4. develop reasoned expositions on theories and policies used in business.

◆ STRUCTURE AND ORGANISATION OF THE SYLLABUS

The syllabus is arranged in into ten sections consisting of specific objectives and related content.

PROFILE DIMENSION 1 - ORGANISATIONAL PRINCIPLES

SECTION 1 - THE NATURE OF BUSINESS



SECTION 2 - INTERNAL ORGANISATIONAL ENVIRONMENT

SECTION 3 - ESTABLISHING A BUSINESS

SECTION 4 - LEGAL ASPECTS OF BUSINESS

PROFILE DIMENSION 2 - PRODUCTION, MARKETING AND FINANCE

SECTION 5 - PRODUCTION

SECTION 6 - MARKETING

SECTION 7 - BUSINESS FINANCE

PROFILE DIMENSION 3 - THE BUSINESS ENVIRONMENT

SECTION 8 - ROLE OF GOVERNMENT IN AN ECONOMY

SECTION 9 - SOCIAL ACCOUNTING AND GLOBAL TRADE

SECTION 10 - REGIONAL AND GLOBAL BUSINESS ENVIRONMENT

◆ SUGGESTED TIMETABLE ALLOCATION

It is recommended that a minimum of five 40- minute periods per week (over a two- year period) or the equivalent should be allocated to the syllabus.

◆ CERTIFICATION

The **CSEC®** Principles of Business syllabus will be examined at General Proficiency only. Candidates will be awarded an overall grade on a six-point scale. In addition to the overall grade, candidates' performance will be reported by a letter grade under profile dimensions listed below.

1. Organisational Principles;
2. Production, Marketing and Finance; and,
3. The Business Environment.

◆ FORMAT OF THE EXAMINATIONS

The **CSEC®** Principles of Business syllabus will be examined at General Proficiency only. Candidates will be awarded an overall grade on a six-point scale. In addition to the overall grade, candidates' performance will be reported by a letter grade under profile dimensions listed below.

Paper 01 (1 hour 15 minutes) A Multiple Choice Paper of 60 items testing the three profile dimensions listed below.

1. Organisational Principles
2. Production, Marketing and Finance
3. The Business Environment

Paper 02 (2 hours) A structured Essay Paper consisting of *five compulsory questions drawn from across the syllabus*.

Each question will be worth 20 marks.

School-Based Assessment (SBA)

Paper 031 A School-Based Assessment (SBA) component covering the Profile Dimensions of the syllabus. Details are given on page 34–41.

Paper 032 (1 hour) A case study for private candidates only. Details are given on page 42.

Distribution of Items for Paper 01 (Multiple Choice Test)

Section No.	Section Title	No. of Items
<u>Profile Dimension 1 – Organisational Principles</u>		
1	The Nature of Business	5
2	Internal Organisational Environment	6
3	Establishing a Business	5
4	Legal Aspects of a Business	4
<u>Profile Dimension 2 – Production, Marketing and Finance</u>		
5	Production	7
6	Marketing	7
7	Business Finance	6
<u>Profile Dimension 3 – The Business Environment</u>		
8	The role of Government in an economy	7
9	Social Accounting and Global Trade	7
10	Regional and Global Business Environment	6

ALLOCATION OF MARKS BY PAPERS AND PROFILE DIMENSIONS

Profile Dimension 1: Organisational Principles
Profile Dimension 2: Production, Marketing and Finance
Profile Dimension 3: The Business Environment

Profile Dimensions	Paper 01 Multiple Choice	Paper 02 Structured Essay	Paper 031 SBA	Paper 032* Alternate Paper	Total	(%)
Profile 1	20	40	1	10	70	(35)
Profile 2	20	40	2	20	80	(40)
Profile 3	20	20	1	10	50	(25)
Total	60	100	4	40	200	(100)
(%)	(30)	(50)	(20)	(20)	-	-

*Private candidates will sit Paper 032 in lieu of the SBA. The allocation of marks will be the same as for the SBA (Paper 031). Details of Paper 032 or the Alternative to the School-Based Assessment are given on page 43.

◆ SECTION 1: THE NATURE OF BUSINESS

SPECIFIC OBJECTIVES

Students should be able to:

1. explain terms and concepts related to business (in Content number 1 given below);
2. trace the development of instruments of exchange;
3. state reasons why an individual may want to establish a business;
4. describe the various forms of business organisations and arrangements;
5. differentiate among the different economic systems;
6. identify the stakeholders involved in business activities;
7. discuss the role of the stakeholders involved in business activities;
8. outline the functions of a business; and,
9. describe the role of business within a community.

CONTENT

1. Definition and explanation of the following terms and concepts:
 - (a) enterprise;
 - (b) entrepreneurship;
 - (c) barter;
 - (d) profit;
 - (e) loss;
 - (f) trade;
 - (g) organisation;
 - (h) economy;
 - (i) producer;

SECTION 1: THE NATURE OF BUSINESS (cont'd)

- (j) consumer;
 - (k) exchange;
 - (l) goods;
 - (m) services;
 - (n) market;
 - (o) commodity;
 - (p) capital;
 - (q) labour; and,
 - (r) specialisation.
2. Brief history of trading instruments from subsistence economy to money economy, including the use of the following:
- (a) bills of exchange;
 - (b) credit cards;
 - (c) electronic transfer; and,
 - (d) tele-banking and e-commerce.
3. Reasons for establishing a business.
4. Forms of business organisations and arrangements: definition, formation and management of:
- (a) sole trader;
 - (b) partnerships;
 - (c) co-operatives;
 - (d) companies (including conglomerates and multi-nationals);
 - (e) franchises;
 - (f) state corporations and nationalised industries;

SECTION 1: THE NATURE OF BUSINESS (cont'd)

- (g) local and municipal authorities;
 - (h) government departments; and,
 - (i) concept of private and public sectors.
5. Types of economic systems:
- (a) traditional (subsistence);
 - (b) command or planned (socialist);
 - (c) free or capitalist; and,
 - (d) mixed (public and private).
6. Owners, employees, customers and all other members of society.
7. Role of employers, employees, consumers and government.
8. Functions of a business in satisfying needs and wants through the provision of goods and services.
9. Economic, financial, social, political and ethical.

◆ SECTION 2: INTERNAL ORGANISATIONAL ENVIRONMENT

SPECIFIC OBJECTIVES

Students should be able to:

1. describe the functional areas of a business;
2. outline the functions of management;
3. outline the responsibilities of management;
4. construct organisational charts;
5. interpret organisational charts;
6. outline the essential characteristics of a good leader;
7. differentiate among the various leadership styles;
8. identify potential sources of conflict within an organisation;
9. outline strategies used by employers and employees to gain an upper hand during periods of conflict;
10. identify strategies for the resolution of conflict within an organisation;
11. establish guidelines for the conduct of good management and staff relations in the workplace;
12. evaluate the role of teamwork in the success of an organisation;
13. outline strategies for effective communication within an organisation;
14. explain the concept of a Management Information System (MIS);
15. outline the benefits and challenges of a Management Information System in business; and,
16. discuss the personal needs that are satisfied through employment.

CONTENT

1. Functional areas of a business:
 - (a) production;
 - (b) finance;

SECTION 2: INTERNAL ORGANISATIONAL ENVIRONMENT (cont'd)

- (c) marketing; and,
 - (d) personnel.
2. The functions of management:
- (a) planning;
 - (b) organising;
 - (c) directing;
 - (d) controlling;
 - (e) coordinating;
 - (f) delegating; and,
 - (g) motivating.
3. Management responsibilities to:
- (a) owners and shareholders (by maximising efficiency and creating surpluses);
 - (b) employees (for example, providing adequate working conditions, training, maintaining good communication and human relations);
 - (c) society;
 - (d) costumers; and,
 - (e) government.
4. The construction of simple organisational charts.
5. The interpretation of simple organisational charts.
6. The characteristics of a good leader.
7. The advantages and disadvantages of different leadership styles.
8. Internal sources of conflict.

SECTION 2: INTERNAL ORGANISATIONAL ENVIRONMENT (cont'd)

9. Employer strategies, for example, lock out and the use of scab labour; and strategies used by employees, for example, strike action and work to rule.
10. Conflict resolution strategies, including mediation, arbitration and the value of trade union representation.
11. Guidelines for establishing good relations between managers and employees.
12. The value of teamwork within an organisation:
 - (a) definition;
 - (b) advantages; and,
 - (c) disadvantages.
13. The communication process and strategies for effective communication within an organisation.
14. The concept of MIS in an organisation (to manage information for decision-making, for example, manual and automated).
15. (a) Benefits of a MIS system, for example:
 - (i) savings in time, money and labour;
 - (ii) improvement in production and marketing techniques and profit margins; and,
 - (iii) increased competitiveness.(b) Challenges of a MIS System, for example:
 - (i) cost of setting up and maintaining (establishment, maintenance and security);
 - (ii) cost of training (human resource development); and,
 - (iii) human error.
16. Economic, social, psychological and physiological needs.

◆ SECTION 3: ESTABLISHING A BUSINESS

SPECIFIC OBJECTIVES

Students should be able to:

1. define the term entrepreneur;
2. explain the role of an entrepreneur;
3. identify the characteristics of the typical entrepreneur;
4. outline reasons why persons may want to establish their own business;
5. outline the essential steps that should be taken in establishing a business;
6. describe the role of key functional areas in the operation of different types of businesses;
7. identify sources of information for conducting research into the establishment of businesses;
8. explain the relationship between planning and the operation of a business;
9. identify regulatory practices instituted by governments for the establishment of different types of businesses;
10. outline the advantages and disadvantages of different types of business organisations;
11. identify sources of capital for the setting up of a business;
12. explain the significance of collateral in accessing capital to establish a business;
13. outline the features of a business plan;
14. explain the purposes of a feasibility study;
15. identify ethical and legal issues in the establishment and operations of a business; and,
16. explain the consequences of unethical and illegal practices in business.

CONTENT

1. The concept of entrepreneurship.
2. Role of the entrepreneur in conceptualising, planning, accessing funds, organising, operating and evaluating the performance of a business. *Attention should be paid to the bearing of risks and the entitlement to the profits and losses of the business.*

SECTION 3: ESTABLISHING A BUSINESS (cont'd)

3. Personal traits and leadership qualities:
 - (a) creative;
 - (b) innovative;
 - (c) flexible;
 - (d) goal-oriented;
 - (e) persistent;
 - (f) persevering; and,
 - (g) propensity to take calculated risks.
4. Reasons for wanting to start a business:
 - (a) desire for financial independence;
 - (b) self-fulfillment; and,
 - (c) self-actualisation.
5. Steps for establishing a business:
 - (a) conceptualisation;
 - (b) research (market probe);
 - (c) identification of resources (financial, human, material);
 - (d) creation of business plan;
 - (e) acquisition of funds; and,
 - (f) operation of the business.
6. Role of the Production, Marketing and Finance, Legal, Research and Development (R and D) Departments in a business.
7. Primary and secondary sources of information for conducting research.
8. The necessity for short-term, medium-term and long-term planning in operating a business.

SECTION 3: ESTABLISHING A BUSINESS (cont'd)

9. Local, regional and global rules for conducting business, including local government (municipal, village council, parish council) regulations.
10. Opportunities and challenges encountered by different types of organisations.
11. Sources of capital including venture capital.
12. Collateral:
 - (a) concept;
 - (b) evaluation of different types; and,
 - (c) the value of collateral.
13. Analysis of all the elements of a business plan, including the executive summary and the operational, marketing, and financial plans.
14. The purposes of a feasibility study.
15. Ethical and legal issues, for example, advertising, taxation and environmental issues.
16. Consequences of unethical and illegal practices in business:
 - (a) misleading advertisements – unfair and fraudulent practice on the population;
 - (b) withholding of tax – cheating the government of revenue;
 - (c) unethical disposal of waste – pollution; and,
 - (d) money laundering – distortions in the national economy.

◆ SECTION 4: LEGAL ASPECTS OF BUSINESS

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the concept of contract;
2. describe the characteristics of a simple contract;
3. differentiate between a simple contract and a specialty contract;
4. determine the validity of various contracts;
5. distinguish between offer and invitation to treat or bargain;
6. explain the conditions under which offer and acceptance are communicated;
7. outline ways by which contracts may be terminated or discharged;
8. explain why documentation is necessary in business transactions;
9. prepare business documents for various purposes;
10. interpret information on transport documents;
11. identify instruments of payment;
12. interpret information on various instruments of payment;
13. explain the use of documentary credit;
14. distinguish between insurance and assurance;
15. evaluate the principles upon which insurance is based;
16. explain the various types of insurance policies; and,
17. explain how insurance facilitates trade.

SECTION 4: THE LEGAL ASPECTS OF BUSINESS (cont'd)

CONTENT

1. Definition and concept of a contract.
2. Offer and acceptance, competence of parties, intention to create legal relations, consideration.
3. Special contracts including mortgages, sale of land and insurance.
4. Use of case studies to determine the validity of contracts.
5. Concepts of offer and invitation to treat.
6. Concepts of offer and acceptance.
7. Definition of discharge, types of discharge and methods of discharge.
8. The importance of record keeping in a business, including its value in satisfying requirements for taxation and auditing.
9. Preparation of various business documents, including pro forma invoices, purchase requisitions, statements of accounts and stock cards.
10. Transport documents including import license, bill of lading and airway bills.
11. Instruments of payment including cheque, money order, bank draft, debit card, credit card and telegraphic money transfer.
12. Interpretation and significance of information on instruments of payment.
13. The concept of documentary credit.
14. The concepts of insurance and assurance.
15. The concept of pooling of risks.
16. Types of insurance policies: life and business insurance.
17. The value of insurance coverage in lowering the risks associated with business.

◆ SECTION 5: PRODUCTION

SPECIFIC OBJECTIVES

Students should be able to:

1. identify factors in the production of goods and services;
2. identify industries developed from the natural resources of Caribbean territories;
3. differentiate between production and productivity;
4. explain the importance of productivity;
5. outline the effects of migration;
6. describe the role of the entrepreneur in the decision-making process;
7. explain the role of capital in production;
8. differentiate among the various production levels;
9. classify the different types of production;
10. describe the characteristics of cottage industry;
11. outline the opportunities for and benefits of developing linkage industries;
12. outline the factors that determine the location of a business;
13. outline the functions of a small business;
14. explain the effects of growth on a business; and,
15. describe the economic and social implications of technological development.

CONTENT

1. Factors of Production: Land, Labour, Capital, Enterprise.
2. Caribbean industries developed from agricultural produce and mining.
3. The effects of efficiency in the production of goods and services.
4. Productivity as it relates to the efficiency of labour, including its value and importance; the factors affecting its supply; human resource development (including education, health and working conditions).

SECTION 5: PRODUCTION (cont'd)

5. Migration and its positive and negative effects on the labour force.
6. Importance of entrepreneurial organisational skills.
7. Fixed, working and venture capital.
8. Production Levels: subsistence, domestic consumption, surplus and export.
9. Types of Production:
 - (a) extractive (agriculture, mining, fishing);
 - (b) construction (building);
 - (c) manufacturing (assembling, refining); and,
 - (d) service (transport, communication, tourism).
10. Cottage Industries:
 - (a) home-based;
 - (b) mainly manual;
 - (c) small scale;
 - (d) use of local raw material; and,
 - (e) use of family members as labour.
11. Linkage Industries:
 - (a) backward; and,
 - (b) forward.

SECTION 5: PRODUCTION (cont'd)

12. Factors affecting location:
- (a) geographical;
 - (b) availability of raw materials and supplies;
 - (c) infrastructure;
 - (d) power;
 - (e) water;
 - (f) transport;
 - (g) health facilities;
 - (h) labour supply; and,
 - (i) governmental regulation.
13. Functions of a small firm.
14. Growth of a Business and effects on:
- (a) organisational structure;
 - (b) capital;
 - (c) labour;
 - (d) scale of production (economies of scale);
 - (e) use of technology; and,
 - (f) potential for export.
15. Capital-intensive versus labour-intensive production in developing countries, mechanisation and automation, Computer-Aided Design (CAD) and Computer Aided Instruction (CAI).

◆ SECTION 6: MARKETING

SPECIFIC OBJECTIVES

Students should be able to:

1. distinguish between the terms market and marketing;
2. identify marketing activities;
3. describe the “marketing mix”;
4. explain the concept of market and market research;
5. outline the reasons for conducting market research;
6. describe the factors that influence consumer behavior;
7. identify main types of market structures;
8. explain how price is determined;
9. identify forms of packaging and presentation of goods;
10. explain the concept of copyright;
11. explain the term “patent”;
12. describe methods of promoting sales;
13. identify the techniques of selling;
14. explain the various terms of sales;
15. list the functions of consumer organisations;
16. identify the links in the chain of distribution;
17. identify methods of retailing;
18. list the various forms of transport;
19. explain the importance of transport in marketing;
20. distinguish among the methods used for transporting specific goods;
21. identify the problems likely to be encountered in distribution; and,
22. outline measures to mitigate problems in distribution.

SECTION 6: MARKETING (cont'd)

CONTENT

1. Definition of market and marketing.
2. Marketing activities:
 - (a) market research;
 - (b) pricing;
 - (c) packaging;
 - (d) branding;
 - (e) sales promotion;
 - (f) advertising; and,
 - (g) distribution.
3. Marketing mix:
 - (a) product;
 - (b) price;
 - (c) place; and,
 - (d) promotion.
4. Market research:
 - (a) concept;
 - (b) definition; and,
 - (c) types.

SECTION 6: MARKETING (cont'd)

5. Reasons for conducting market research. Identification of:
 - (a) consumer taste;
 - (b) competition; and,
 - (c) consumer behaviour.

6. Factors that influence consumer behaviour:
 - (a) price;
 - (b) price of substitutes;
 - (c) quality;
 - (d) taste;
 - (e) tradition;
 - (f) income (affordability);
 - (g) spending patterns; and,
 - (h) brand loyalty.

7. Market Structures:
 - (a) perfect competition;
 - (b) monopoly;
 - (c) monopolistic competition; and,
 - (d) oligopoly.

8. Pricing: determinants of price:
 - (a) demand and supply; and,
 - (b) concept of equilibrium price or market clearing price.

SECTION 6: MARKETING (cont'd)

9. Packaging:
 - (a) presentation; and,
 - (b) use of brand names.
10. Concept of copyright:
 - (a) producers or entrepreneurs: those who maintain ownership and control over the product they have created and registered by obtaining a patent; and,
 - (b) consumers: those who may purchase the product but cannot reproduce it for commercial purposes, without permission of the producer.
11. Concept of patent including the concept of the franchisee who is given a patent or official permission to reproduce the product.
12. Methods of promoting sales:
 - (a) advertising:
 - (i) functions and forms;
 - (ii) promotion including trading stamps and coupons; and,
 - (iii) loss leaders.
 - (b) public relations, including business entertainment and the offering of special awards and sponsorship;
 - (c) sales promotion; and,
 - (d) personal selling.
13. Selling:
 - (a) salesmen and their approaches;
 - (b) merchandising and adjusting of pricing policy; and,
 - (c) methods of maintaining good customer-firm relationships, for example, after-sales services.

SECTION 6: MARKETING (cont'd)

14. Terms of Sales:
- (a) cash;
 - (b) credit;
 - (c) hire purchase; and,
 - (d) cash and trade discounts.
15. Functions of consumer organisations:
- (a) the rights and protection of consumers (private organisations and government);
 - (b) role of the Bureau of Standards; and,
 - (c) role of the Ombudsman.
16. The distribution chain:
- (a) manufacturer;
 - (b) wholesaler;
 - (c) retailer; and,
 - (d) consumer.
17. Methods of retailing:
- (a) shops;
 - (b) department stores;
 - (c) mail order;
 - (d) e-commerce;
 - (e) tele-marketing; and,
 - (f) vending machines.

SECTION 6: MARKETING (cont'd)

18. Forms of Transport:
 - (a) land;
 - (b) air; and,
 - (c) sea.
19. Importance of transport in domestic, regional and foreign trade.
20. Methods of transporting specific goods:
 - (a) oil and gas – pipelines and tankers; and,
 - (b) timber – rivers and barges.
21.
 - (a) Relationship between the availability of airport, harbour and docking facilities and the efficient distribution of goods.
 - (b) Problems of distribution: delayed shipment, spoilage, misdirection of goods, inadequate warehousing facilities, lack of proper security measures, industrial unrest, ineffective communication.
22. Measures to mitigate problems of distribution.

◆ SECTION 7: BUSINESS FINANCE

SPECIFIC OBJECTIVES

Students should be able to:

1. describe the role of commercial banks;
2. outline the services offered by commercial banks;
3. list the functions of the Central Bank;
4. describe the relationship between the Central Bank and the commercial banks;
5. outline ways used by individuals to manage personal income;
6. identify sources of short-term and long-term financing;
7. differentiate between saving and investment; and,
8. explain the role of the stock market.

CONTENT

1. Functions of commercial banks.
2. Services offered by commercial banks.
3. Functions of the Central Bank.
4. The regulatory role of the Central Bank in its dealings with commercial banks.
5. Allocation of income relative to commitments through the use of a budget.
6. Sources of short-term and long-term financing including loans from government agencies.
7. Forms of savings:
 - (a) as deferred income and investment as risk bearing to make profit;
 - (b) forms of savings, for example:
 - (i) Sou sou (meeting-turn; partner; box hand);
 - (ii) credit unions;

SECTION 7: BUSINESS FINANCE (cont'd)

- (iii) banking; and,
 - (iv) insurance.
 - (c) forms of investment, including the stock market and the use of personal funds to create or participate in a business; credit union; unit trust (mutual funds); property.
8. The role of the stock market:
- (a) concept of the stock market (risks and benefits);
 - (b) terminologies (bull, bear, stag, cross list); and,
 - (c) on-line trading.

◆ SECTION 8: ROLE OF GOVERNMENT IN AN ECONOMY

SPECIFIC OBJECTIVES

Students should be able to:

1. outline the responsibilities of government in an economy;
2. identify ways by which business could protect the environment;
3. describe measures used by governments to protect consumers;
4. identify ways by which government regulates business activity;
5. state the purposes of taxation;
6. distinguish between direct and indirect taxes;
7. distinguish between progressive, regressive and proportional taxation;
8. outline forms of assistance offered by government to businesses; and,
9. evaluate the impact on the country with respect to social services provided by government.

CONTENT

1. Responsibilities of government in an economy:
 - (a) security of the State;
 - (b) protection and general welfare of citizens;
 - (c) job security and severance benefits to workers;
 - (d) protection of the environment; and,
 - (e) maintenance of a safe environment for investors.
2. Adherence by businesses to laws, including laws governing taxation, labour and the environment.
3. Consumer protection legislation, including regulations on price controls, food and drug standards, hire purchase legislation.
4. For example, by devising laws related to zoning and disposal of waste.

SECTION 8: ROLE OF GOVERNMENT IN AN ECONOMY (cont'd)

5. The role of taxes in raising revenue, income redistribution and control of spending.
6. Direct taxes and indirect taxes.
7. Concepts of progressive, regressive and proportional taxation.
8. Forms of government assistance to business, including institutions for lending capital, training and technical assistance, research and information centres, subsidies and grants.
9. Impact of social services provided by government:
 - (a) healthcare – a healthy population;
 - (b) National Insurance Scheme – provision and security for the elderly;
 - (c) education – an informed and literate population; and,
 - (d) roads and transportation – access to goods and services.

◆ SECTION 9: SOCIAL ACCOUNTING AND GLOBAL TRADE

SPECIFIC OBJECTIVES

Students should be able to:

1. outline the factors that determine a country's standard of living;
2. distinguish between a country's standard of living and its quality of life;
3. explain the concept of national income and its variants;
4. explain the approaches used to measure national income;
5. distinguish between economic growth and development;
6. describe the role of education in economic growth and development;
7. outline the reasons for international trade;
8. differentiate between balance of trade and balance of payments; and,
9. outline the measures which a country may adopt to address balance of payments problems.

CONTENT

1. Indicators of a country's standard of living (factors indicating a country's wealth):
 - (a) level of consumption of goods and services;
 - (b) average disposable income of the population;
 - (c) level of national ownership of capital equipment;
 - (d) access to modern technology; and,
 - (e) level of investment in research and technology.
2. Indicators of a country's quality of life (factors indicating the extent to which a population enjoys the benefits of its wealth):
 - (a) extent of security enjoyed (level of crime);
 - (b) availability of health, educational and recreational facilities;
 - (c) diet and nutrition;

SECTION 9: SOCIAL ACCOUNTING AND GLOBAL TRADE (cont'd)

- (d) life expectancy;
 - (e) rate of infant mortality; and,
 - (f) access to public utilities, such as, electricity and potable water.
3. The concept of national income and its variants.
4. Approaches to measure:
- (a) Gross Domestic Product (GDP);
 - (b) Gross National Product (GNP);
 - (c) National Income (NI);
 - (d) Per Capita Income; and,
 - (e) Advantages and disadvantages of different approaches used to measure national income.
5. Concepts of economic growth, negative growth, growth without development, the quantitative nature of growth and the qualitative nature of development.
6. The role of human resource development in economic growth and development.
7. Reasons for international trade.
8. Concepts of balance of trade and balance of payments.
9. Measures to address balance of payments problems:
- (a) tariffs;
 - (b) licences;
 - (c) quotas;
 - (d) exchange control;
 - (e) devaluation;
 - (f) borrowing from another country;
 - (g) accepting gifts from other countries;
 - (h) importing on credit; and,
 - (i) drawing on the resources of the International Monetary Fund or other international financial institutions.

◆ SECTION 10: REGIONAL AND GLOBAL BUSINESS ENVIRONMENT

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the functions of major economic institutions and systems;
2. identify major economic problems in the Caribbean; and,
3. outline possible solutions to economic problems in the Caribbean.

CONTENT

1. Major Economic Institutions and Systems:
 - (a) Caribbean Community (CARICOM);
 - (b) Caribbean Single Market and Economy (CSME);
 - (c) Caribbean Development Bank (CDB);
 - (d) World Bank;
 - (e) Inter-American Development Bank (IADB);
 - (f) Organisation of Eastern Caribbean States (OECS);
 - (g) Organisation of American States (OAS);
 - (h) Economic Commission for Latin American Countries (ECLAC);
 - (i) Association of Caribbean States (ACS);
 - (j) European Union (EU);
 - (k) World Trade Organization (WTO);
 - (l) Caribbean Basin Initiative (CBI);
 - (m) Organisation of Petroleum Exporting Countries (OPEC);
 - (n) Eastern Caribbean Common Market (ECCM);
 - (o) North American Free Trade Agreement (NAFTA);
 - (p) Caribbean Canadian Agreement (CARIBCAN);
 - (q) Free Trade Area of the Americas (FTAA).



SECTION 10: REGIONAL AND GLOBAL BUSINESS ENVIRONMENT (cont'd)

2. Major economic problems in the Caribbean: unemployment, population density, migration, debt burden, sourcing capital and raw materials, economic dualism in the region.
3. Possible solutions to economic problems:
 - (a) access to Foreign Direct Investment (FDI);
 - (b) development of human resources; and,
 - (c) development of manufacturing sector.

◆ GUIDELINES FOR THE CONDUCT OF THE SCHOOL-BASED ASSESSMENT IN PRINCIPLES OF BUSINESS

School-Based Assessment (SBA) is an integral part of student assessment in the course covered by this syllabus. It is intended to assist students in acquiring certain knowledge, skills and attitudes that are associated with the subject. The activities for the School-Based Assessment should form part of the learning activities to enable the student to achieve the objectives of the syllabus.

During this course of study, students obtain marks for the competencies they develop and demonstrate in undertaking their SBA assignments. These marks contribute to the final marks and grades that are awarded to students for their performance in the examination.

The guidelines provided in this syllabus for selecting appropriate tasks are intended to assist teachers and students in the selection of assignments that are valid for the purpose of School-Based Assessment. The guidelines provided for the assessment of these assignments are intended to assist teachers in awarding marks that are reliable estimates of the achievement of students in the School-Based Assessment component of the course. In order to ensure that the scores awarded by the teachers are consistent with the Caribbean Examinations Council's standards, the Council undertakes the moderation of a sample of the SBA assignments marked by each teacher.

School-Based Assessment provides an opportunity to individualise a part of the curriculum to meet the needs of students. It facilitates feedback to the student at various stages of the experience. This helps to build the self-confidence of students as they proceed with their studies. The SBA also facilitates the development of critical skills and abilities and enhances the validity of the examination scores on which candidate performance is reported. School-Based Assessment, therefore, makes a significant and unique contribution to both the development of relevant skills and the testing and rewarding of students for the development of those skills. The guidelines provided in this syllabus are intended to assist students and teachers in undertaking the SBA.

RESEARCH PROJECT

The School-Based Assessment component of the Principles of Business syllabus is a single guided research project for school candidates. Candidates are required to write a business plan for a specific functional area of a business. The project should be based on the theme ESTABLISHING A BUSINESS. Students should apply the knowledge and skills incorporated in Profile Dimension 2: PRODUCTION, MARKETING AND FINANCE. The business plan should be on **EITHER, Production, Marketing OR Finance. Each aspect has its own criteria and mark scheme which should be used by the teacher to allocate marks (see the criteria and mark schemes on pages 37 – 42).** All entrepreneurial activities selected must be within the law and must lend themselves to research and application of principles identified in the mark scheme on pages 37 – 42 of the syllabus.

SBA REQUIREMENTS

Students may work individually or in groups to conduct research. However, each candidate must produce a complete report. No two reports from the same group should be identical.

Students doing more than one subject in the Business cognate group may submit one SBA under a theme which covers this group.

The report should *not exceed 1,000* words, (not including appendices). Wherever a candidate exceeds the maximum length for the project by more than 10 per cent, the teacher must impose a penalty of 10 per cent of the score that the candidate achieves on the project. On the candidate's script, the teacher should clearly indicate the candidate's original score – that is, the score before the deduction is made – the marks which are to be deducted, and the final score that the candidate receives after the deduction has been made. Only the final score is to be indicated on the record sheets which are submitted to **CXC®**.

PROJECT REPORTS

A student's report should be presented in an ordinary and inexpensive soft folder bearing the student's name, registration number, name of subject, school, centre number and the date submitted.

The report may also be submitted electronically.

MANAGEMENT OF THE PROJECT

School-Based Assessment tasks should be completed in the course of normal teaching time and supervised and marked by the teacher. Although some of the data collection and research work must be undertaken outside of normal school time, the teacher must be satisfied that the work submitted for assessment is the student's own work.

The teacher must:

1. provide assistance to students in the selection of projects;
2. advise students of the nature of the task, the scope and depth required to fulfill it and the availability of resource materials;
3. monitor students' progress by advising them of the quality of their work and recommending ways to improve the quality of the project;
4. collect and grade students' projects;
5. keep records of students' marks and submit these, together with samples of their work, as requested by **CXC®**; and,
6. ensure that the SBA guidelines are closely followed and the marking criteria are adequately met.

MARK SCHEME FOR RESEARCH PROJECTS

Students are to choose ONE aspect of the establishment of a business, namely, Production, Marketing or Finance. Each aspect has its own criteria and mark scheme and the relevant ones should be used by the teacher to allocate marks.

The project should be marked out of 40, weighted as follows:

Organisational Principles (P1)	-	10 marks
Production, Marketing and Finance (P2)	-	20 marks
The Business Environment (P3)	-	10 marks

ESTABLISHING A BUSINESS: PRODUCTION

CRITERIA	P1	P2	P3	TOTAL
<ul style="list-style-type: none"> • Description of the business <ul style="list-style-type: none"> - type of business - nature of business - objectives/mission statement <i>(any two, 1 mark; all three 2 marks)</i> 	02			02
<ul style="list-style-type: none"> • Justification of location <ul style="list-style-type: none"> - state location <i>(1 mark)</i> - outline three reasons to justify location <i>(3 marks)</i> 		04		04
<ul style="list-style-type: none"> • Selection of appropriate labour <ul style="list-style-type: none"> - type of labour necessary <i>(1 mark)</i> - number of persons to be employed and their duties or functions <i>(2 marks)</i> - outline one reason why this type of labour is necessary <i>(1 mark)</i> 		04		04
<ul style="list-style-type: none"> • Sources of fixed and working capital <ul style="list-style-type: none"> - identify sources of fixed capital and give examples <i>(2 marks)</i> - identify sources of working capital and give examples <i>(2 marks)</i> 		04		04
<ul style="list-style-type: none"> • Role of the entrepreneur <ul style="list-style-type: none"> - define the role of the entrepreneur <i>(1 mark)</i> - outline three functions of the entrepreneur <i>(1 mark each)</i> 	04			04
<ul style="list-style-type: none"> • Type of production <ul style="list-style-type: none"> - identify the type of production <i>(1 mark)</i> - describe the type of production <i>(1 mark)</i> 		02		02
<ul style="list-style-type: none"> • Levels of production <ul style="list-style-type: none"> - identify the level of production <i>(1 mark)</i> - describe the level of production <i>(1 mark)</i> 		02		02
<ul style="list-style-type: none"> • Quality control measures <ul style="list-style-type: none"> - describe two quality control measures the business should adhere to <i>(1 mark each)</i> 		02		02
<ul style="list-style-type: none"> • Use of technology <ul style="list-style-type: none"> - identify two types of technology used <i>(1 mark)</i> - outline how the technology used is used to enhance the efficiency of the business <i>(1 mark)</i> 	02			02

CRITERIA	P1	P2	P3	TOTAL
<ul style="list-style-type: none"> • Linkages <ul style="list-style-type: none"> – state the type of linkage to be derived from the business (1 mark) – outline one benefit of that type of linkage (1 mark) 		02		02
<ul style="list-style-type: none"> • Potential for growth <ul style="list-style-type: none"> – explain potential for growth <u>internally</u> and <u>externally</u> (2 marks each) 	02		02	04
<ul style="list-style-type: none"> • Government regulations <ul style="list-style-type: none"> – identify government regulations that impact on the business (1 mark) – explaining how it impacts (1 mark) 			02	02
<ul style="list-style-type: none"> • Ethical issues <ul style="list-style-type: none"> – discuss one ethical issue relating to production, showing how it impacts on the business (2 marks) 			02	02
<ul style="list-style-type: none"> • Communication of information in a logical way using correct grammar <ul style="list-style-type: none"> – Demonstrates: <ul style="list-style-type: none"> ➢ excellent command of the English Language (3 marks) ➢ good command of the English Language (2 marks) ➢ fair command of the English Language (1 mark) – Overall presentation: <ul style="list-style-type: none"> ➢ title page, table of contents, bibliography (1 mark) 			04	04
Total	10	20	10	40

ESTABLISHING A BUSINESS: MARKETING

CRITERIA	P1	P2	P3	TOTAL
<ul style="list-style-type: none"> • Description of the business <ul style="list-style-type: none"> – type of business – nature of the business, that is, industry type – objectives/mission statement <i>(any two, 1 mark, all three 2 marks)</i> 	02			02
<ul style="list-style-type: none"> • Organisation of marketing department <ul style="list-style-type: none"> – <u>identify</u> and <u>describe</u> organisational structure of the marketing department with the aid of a diagram (2 marks) – describe the roles/functions of personnel in the marketing department (2 marks) 	04			04
<ul style="list-style-type: none"> • Market research <ul style="list-style-type: none"> – target population (qualitative and quantitative) – price – competitors – substitutes – sales forecast (assess/describe) discuss any three (2 marks each) 		06		06
<ul style="list-style-type: none"> • Product/service <ul style="list-style-type: none"> – describe branding and/or packaging relating to the product 		04		04
<ul style="list-style-type: none"> • Pricing strategy <ul style="list-style-type: none"> – <u>illustrate</u> and <u>justify</u> the pricing strategy used (1 mark each) 		02		02
<ul style="list-style-type: none"> • Place (distribution on channels) <ul style="list-style-type: none"> – describe distribution channels used (2 marks) – limitations (1 mark) – other suitable alternatives (1 mark) 		04		04
<ul style="list-style-type: none"> • Promotion mix <ul style="list-style-type: none"> – discuss the various promotional strategies used by the business (advertising, sales promotion, after sales services, public relations, personal selling, promotional pricing. Any two (2 marks each) 		04		04
<ul style="list-style-type: none"> • Use of technology <ul style="list-style-type: none"> – identify two types of technology used (1 mark each) – outline how the technology used is used to enhance the efficiency of the business (2 marks) 	04			04

CRITERIA	P1	P2	P3	TOTAL
<ul style="list-style-type: none"> • Customer complaints <ul style="list-style-type: none"> – <u>illustrate</u> by way of an <u>example</u> how the business addresses consumer issues/complaints. (2 marks) 			02	02
<ul style="list-style-type: none"> • Government regulations <ul style="list-style-type: none"> – identify government regulations that impact on the business (Health and Safety Act, trade license, copyright laws, patent, import and export license, etc.) (1 mark) – explain how it impacts (1 mark) 			02	02
<ul style="list-style-type: none"> • Ethical issues <ul style="list-style-type: none"> – discuss one ethical issue relating to marketing (copyright infringements, expiry dates, false advertising, pollution, product safety and labelling etc.) showing how it impacts on the business (2 marks) 			02	02
<ul style="list-style-type: none"> • Communication of information in a logical way using correct grammar <ul style="list-style-type: none"> – Demonstrates: <ul style="list-style-type: none"> ➢ excellent command of the English Language (3 marks) ➢ good command of the English Language (2 marks) ➢ fair command of the English Language (1 mark) <p>Overall presentation:</p> <ul style="list-style-type: none"> ➢ title page, table of contents, bibliography (1 mark) 			04	04
Total	10	20	10	40

ESTABLISHING A BUSINESS: FINANCE

CRITERIA	P1	P2	P3	TOTAL
<ul style="list-style-type: none"> • Description of the business <ul style="list-style-type: none"> – type of business – nature of the business, that is, industry type – objectives/mission statement (any two, 1 mark, all three 2 marks) 	02			02
<ul style="list-style-type: none"> • Purposes for which finance is needed <ul style="list-style-type: none"> – state at least two with examples (4 marks) – state two purposes without examples for which finance is needed (2 marks) – state one purpose without examples (1 mark) 		04		04
<ul style="list-style-type: none"> • Organisational chart <ul style="list-style-type: none"> – draw chart (1 mark) – name chart (1 mark) – describe relationship (1 mark) – appropriateness of chart (1 mark) 	04			04
<ul style="list-style-type: none"> • The cost of producing goods <ul style="list-style-type: none"> – distinguish between prime and overhead expenses (1 mark) – identify the types of expenses (1 mark) – reasons for the different types of expenses (1 mark) 		03		03
<ul style="list-style-type: none"> • Capital goods <ul style="list-style-type: none"> – identify the main capital goods as they relate to the business (3 marks) 		03		03
<ul style="list-style-type: none"> • Sources of finance <ul style="list-style-type: none"> – justify sources of finance related to the particular business (2 marks) 			02	02
<ul style="list-style-type: none"> • Collateral <ul style="list-style-type: none"> – discuss the importance of collateral as it relates to the business (2 marks) 	02			02
<ul style="list-style-type: none"> • Capital instruments <ul style="list-style-type: none"> – describe the capital instruments used in the business under equity and debts (4 marks) 		04		04
<ul style="list-style-type: none"> • Implication of capital mix selected <ul style="list-style-type: none"> – state implication and give a reason (2 marks) – state implication without a reason (1 mark) 		02		02
<ul style="list-style-type: none"> • Projected performance <ul style="list-style-type: none"> – trading and profit and loss account which shows gross profit and net profit (2 marks) 		04		04

CRITERIA	P1	P2	P3	TOTAL
<ul style="list-style-type: none"> - balance sheet with liability and capital (2 marks) 				
<ul style="list-style-type: none"> • Use of technology to enhance efficiency of business <ul style="list-style-type: none"> - identify two types of technology used (1 mark) - outline how the technology used is used to enhance the efficiency of the business (1 mark) 	02			02
<ul style="list-style-type: none"> • Identify government regulations impacting on the business <ul style="list-style-type: none"> - identify government regulations that impact on the business (1 mark) - explain how it impacts (1 mark) 			02	02
<ul style="list-style-type: none"> • Ethical issues <ul style="list-style-type: none"> - discuss one ethical issue relating to finance, (fraud, money laundering etc), showing how it impacts on the business (2 marks) 			02	02
<ul style="list-style-type: none"> • Communication of information in a logical way using correct grammar <ul style="list-style-type: none"> - Demonstrates: <ul style="list-style-type: none"> ➢ excellent command of the English Language (3 mark) ➢ good command of the English Language (2 marks) ➢ fair command of the English Language (1 mark) - Overall presentation: <ul style="list-style-type: none"> ➢ title page, table of contents, bibliography (1 mark) 			04	04
Total	10	20	10	40

◆ GUIDELINES FOR THE ALTERNATIVE TO THE SCHOOL-BASED ASSESSMENT

The Principles of Business syllabus is intended to prepare candidates to take their place in the economic system as productive members of society. It is also intended to provide a basis for further studies in specialised business areas.

Paper 032, offered to Private Candidates, is the Alternative to School-Based Assessment (SBA) of the **CXC**[®] examination in Principles of Business. Private candidates are required to write Paper 032 in addition to Paper 01 (a multiple choice paper) and Paper 02 (an essay paper).

The Alternative to the School-Based Assessment in Principles of Business (Paper 032), takes the form of a written examination in lieu of the SBA (Paper 031) for school candidates. This paper will be based on the same area of the syllabus as the SBA component defined in the syllabus and weighted in the same way as the Paper 031, as shown in the table below.

WEIGHTING OF PAPER (032) SBA				
Proficiency	Profile 1 (Organisational Principles)	Profile 2 (Production, Marketing and Finance)	Profile 3 (The Business Environment)	Total
General	10	20	10	40

Paper 032 is based on a case study. Candidates are required to answer 14 compulsory questions which are marked out of 40. The questions may be arranged into sub-parts and the total marks gained will account for 20 per cent of the overall final mark. Candidates are allowed One hour to answer the questions. Candidates are advised to familiarise themselves with the Objectives and Content of Section III, Establishing a Business, in order to prepare adequately for Paper 032. **Please note that candidates taking Paper 032 are NOT required to submit a project.**

◆ REGULATIONS FOR PRIVATE CANDIDATES

Private candidates must be entered for the examination through the Local Registrar in their respective territories and will be required to sit Papers 01, 02, and **EITHER** Paper 031 or Paper 032.

Paper 031 is a single guided research project for candidates whose research must be monitored by tutors in a recognised educational institution. The reports must be original work and must be validated by the principal and the candidates' tutors.

Paper 032 is a written examination designed for candidates whose research projects cannot be monitored by tutors in a recognised educational institution and who have been assigned by the Local Registrar to write Paper 032 at a designated examination centre.

◆ REGULATIONS FOR RESIT CANDIDATES

Resit candidates who have obtained a **MODERATED** score of 50 per cent or more of the SBA marks will not be required to repeat this component of the examination provided that they write the examination in the academic year immediately following their first sitting of the examination. Resit candidates who failed to achieve 50 per cent of the total SBA marks must repeat the project during the academic year in which the examination is repeated. Resit candidates must indicate at registration that they are resit candidates.

◆ REGULATIONS FOR THE JANUARY SITTING

1. All candidates for the January sitting who are taking **CSEC®** Principles of Business examination for the first time **MUST** write Paper 032.
2. There is no SBA option (Paper 031) available for January candidates.
3. Resit candidates fall into two categories:
 - (a) those resit candidates who wrote Paper 031 (SBA) in the year immediately preceding the January examination. Those who obtained a **MODERATED** score of 50 per cent or more are **NOT** required to write Paper 032 in January;
 - (b) those resit candidates who wrote Paper 032 (Alternative to SBA) in the year immediately preceding the examination. Those who obtained a **MODERATED** score of 50 per cent or more are **NOT** required to rewrite Paper 032 in January.
4. A candidate who qualified under 3(a) and 3(b) above who obtained a **MODERATED** score of 50 per cent or more, but who wish to try to improve on his/her grade may write Paper 032 in January.
5. All resit candidates who did **NOT** satisfy the 50 per cent requirement (either on 031 or 032) are required to write Paper 032 in January.

◆ LIST OF SUGGESTED RESOURCE MATERIALS

The following is a list of materials which might be used in the implementation of the Principles of Business syllabus. The list is neither prescriptive nor exhaustive but serves only to indicate possible sources which may be helpful to both teachers and students.

1. Newspapers – All major papers
2. Canabusiness
3. Central Banks and Bank Reports
4. Insurance Company Reports

5. Caribbean Business Week Reports
6. Annual Business Reports
7. Perspectives of Businesses
8. Consumer Magazines
9. Central Banks Quarterly Reports
10. World Bank Reports
11. United Nations Reports
12. CARICOM Reports
13. Caribbean Development Bank Reports
14. Organization of the Eastern Caribbean States (OECS) Publications
15. Resource Personnel in the Community

Resources

The subject Panel for the **CSEC**[®] Principles of Business syllabus has reviewed the resources below, and recommends them as useful for the study of the syllabus.

Luthra, V. *Business Studies Companion – An Essential Dictionary of Accounting, Economics and Management*, Port-of-Spain: Infocorp. Limited, 2005.

Robinson, K. and Hamil, S. *Principles of Business*, Kingston: Carlong Publishers, 2001.

Western Zone Office
7 March 2017



CARIBBEAN EXAMINATIONS COUNCIL

Caribbean Secondary Education Certificate®
CSEC®



PRINCIPLES OF BUSINESS

Specimen Papers and Mark Schemes/Keys

Specimen Paper: - Paper 01
Paper 02
Paper 03

Mark Scheme and Key: - Paper 01
Paper 02
Paper 03



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**

**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.

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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 one of the following is NOT a function of money:
- (A) Measure of value
 - (B) Medium of exchange
 - (C) Not divisible
 - (D) Store of value
3. From which one of the following commercial organizations might any member of the public be allowed to purchase shares?
- (A) Government agency
 - (B) The Central Bank
 - (C) Co-operatives
 - (D) Private Companies
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. Production of goods and services
 - II. Creation of jobs
 - III. Maximization of sales
 - IV. Education of workers
- (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

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) acceptance of loss
(B) fear of failure
(C) opposition to change
(D) taking risks
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) effects of large scale production
(B) economies of scale
(C) risk-bearing economies
(D) economies of concentration
16. Which of the following should a feasibility study include?
- I. An overview of the business
 - II. The growth potential of the business
 - III. The profitability of the business
 - IV. The family background of the partners
- (A) I only
(B) I, II and IV only
(C) I, II and III only
(D) All of the above

GO ON TO THE NEXT PAGE

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) was 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) Pay the amount stated
(B) Request that the cheque be deposited
(C) Ask for identification
(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) provision of raw materials
(D) manufacture of goods
23. Which of the following are features of a cottage industry?
- I. Minimal investment
 - II. Production of exports
 - III. Family help
 - IV. Mass production
- (A) I and II only
(B) I and III only
(C) II and III only
(D) II and IV only
24. Which one of the following is NOT a primary industry?
- (A) Mining
(B) Building
(C) Fishing
(D) Farming

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 one of the following document 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

GO ON TO THE NEXT PAGE

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) An indirect channel
 - (B) A single channel
 - (C) A retail outlet
 - (D) A direct channel
35. Which one of the following is a function of a commercial bank?
- (A) Refusal of deposits
 - (B) Barring of long term financing
 - (C) Making the various currencies
 - (D) Lending of depositor's funds
36. On which one 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) banking
 - (B) commerce
 - (C) capital
 - (D) saving
39. One of the major functions of a central bank is to
- (A) issue notes and coins
 - (B) accept deposit accounts
 - (C) make loans and advances
 - (D) issue stocks and shares
40. Which of the following describes a 'stock market'?
- I. A place where brokers and jobbers may be found
 - II. A type of warehouse
 - III. A place shares are bought and sold
 - IV. The most perfect competitive market
- (A) I, II and III only
 - (B) I, III and IV only
 - (C) I, II and IV only
 - (D) II, III and IV only

GO ON TO THE NEXT PAGE

41. The responsibilities of government include
- I. the preservation of law and order
 - II. the encouragement and promotion of investment
 - III. the provision of proper infrastructure
 - IV. the 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 and III only
(D) All of the above
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. Sales Tax
 - III. Inheritance Tax
 - IV. Land Tax
- (A) I only
(B) I and II only
(C) II and IV only
(D) III only
46. A tax levied in excess of the standard rate on earned income is
- (A) surtax
(B) corporation tax
(C) purchase tax
(D) capital gains tax
47. Governments establish National Insurance Schemes in order to
- (A) prevent devaluation of a nation's currency
 - (B) provides benefits to employees after retirement
 - (C) protect employees from victimisation at the workplace
 - (D) provides 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. Distribution of wealth
 - III. Level of taxation
 - IV. Level of consumer spending
- (A) I and II
(B) I and IV
(C) I, II and IV
(D) II, III and IV

GO ON TO THE NEXT PAGE

49. Gross National Product may be defined as the total goods and services

- (A) exported by a specified period
- (B) owned by a specified period
- (C) imported by a specified period
- (D) produced by a specified period

50. Which of the following indices is the BEST measure of the economic growth of a country?

- (A) Level of exports
- (B) Gross domestic product
- (C) Population
- (D) Standard of living

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	230
Capital	40	130
TOTAL	510	540

52. The current account balance when the figures above are extracted is

- (A) -\$30 m
- (B) +\$50 m
- (C) +\$60 m
- (D) +\$110 m

53. Which of the following would NOT be used by the government in an attempt to decrease the imports of a country?

- (A) Licence
- (B) Ban
- (C) Subsidy
- (D) Quota

54. A quota can BEST be described as a

- (A) ban on the sale of foreign goods
- (B) restriction on the quantity imported
- (C) licence to import unlimited foreign goods
- (D) tariff on extraregional 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 the Caribbean territories

GO ON TO THE NEXT PAGE

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 is
- (A) imports more goods and services than it exports
(B) exports more goods and services than its imports
(C) overpopulated while the other is underpopulated
(D) technologically advanced while the other is technologically retarded
58. Which one of the following does NOT enhance economic growth?
- (A) Improved technology
(B) Foreign investment
(C) Political instability
(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. Establishment of markets
 - III. Provision of technical expertise
 - 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

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE
EXAMINATION

PRINCIPLES OF BUSINESS

SPECIMEN PAPER 2016

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

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

SPEC 2016/01240020



TEST CODE 01240020

JANUARY 2017

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION

PRINCIPLES OF BUSINESS

SPECIMEN PAPER

Paper 02 – General Proficiency

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper comprises 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. 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.**

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

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01240020/SPEC 2016

“*”Barcode Area”*”
Sequential Bar Code

Answer ALL questions.

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)

(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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DO NOT WRITE IN THIS AREA

- (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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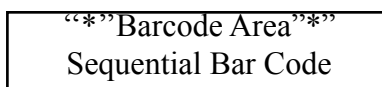
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(6 marks)

Total 20 marks

GO ON TO THE NEXT PAGE



- (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)

DO NOT WRITE IN THIS AREA

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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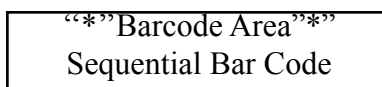
(4 marks)

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

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(2 marks)

GO ON TO THE NEXT PAGE



- (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)

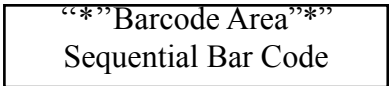
- (ii) Outline ONE measure that producers could take to avoid **each** problems identified.

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(4 marks)

Total 20 marks

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DO NOT WRITE IN THIS AREA

5. (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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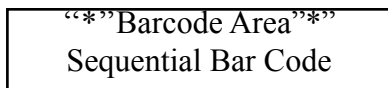
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(4 marks)

GO ON TO THE NEXT PAGE



- (c) Explain TWO ways in which government could improve the education sector.

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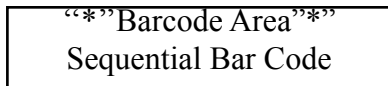
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(6 marks)

Total 20 marks

END OF TEST

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



DO NOT WRITE IN THIS AREA

01240020/K/MS/

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

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EXAMINATION

PRINCIPLES OF BUSINESS

PAPER 02

KEYS AND MARK SCHEME

MAY/JUNE

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 1

- (a) (i) Profit refers to the surplus **(1)** after expenses are deducted from revenues **(1)** OR the money a business makes **(1)** after accounting for all the expenses. **(1)**

Profit = Total Revenue **(1)** Total Expenses **(1)**

Definition 2 marks

(2 marks)

- (ii) Enterprise is another name for business. **(1)** It refers to entities set up for business. **(1)** OR by public or private sector.

Enterprise describes the actions of someone who shows some initiative **(1)** by taking a risk by setting up, investing in and running a business. **(1)**

Definition 2 marks

(2 marks)

- (iii) Specialization refers to the division of labour **(1)** into specific tasks, **(1)** OR the breaking down of specific tasks and assignments **(1)** into smaller ones. **(1)**

Specialization is the production process which uses division of labour **(1)** to produces large numbers of goods at the lowest possible cost. **(1)**

Definition 2 marks

(2 marks)

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 1 cont'd

(b) (i) Franchises in the Caribbean: include

- Kentucky Fried Chicken
- SubWay
- Fridays

For correctly identifying any two franchises; 1 mark each

(2 x 1) = (2 marks)

(ii) Characteristic of forms of business

a) Partnership

- Partnership is an association of two or more persons
- Profits and losses of a partnership are shared by co-owners
- Two or more individuals manage or operate a partnership
- Owners of a Partnership pools money, skills and other resources
- All owners of a partnership are equally and personally liable for debts

b) Cooperative

- Cooperatives are organizations formed by groups with similar objectives/or interests
- Cooperatives pool the resources of their members to afford costs of production
- Cooperatives have common features but the overall characteristics are determined by the type of cooperative, that is, whether it is a producers, buyers or financial cooperative.
- Members of a cooperative finance the through the purchase of shares
- Cooperative is governed by annual general meetings
- Cooperatives often hire managers outside their membership to run the entity

c) Sole Proprietorship

- Sole proprietorship is owned by one person
- This form of business is unincorporated
- Owner of a sole proprietorship pays personal income tax
- Sole proprietorship is the simplest form of business to set up
- The personal assets of the owner of a sole proprietorship can be claimed to cover debts
- Sole Proprietorship is not a separate legal entity from the owner as is a corporation

Stating any two characteristic of each type of business organization; 1 mark each

(2 x 3) = (6 marks)

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 1 cont'd

(c) Role of stakeholders in business

(i) Employers

- Employers manage businesses by planning, organizing, leading, controlling and making decision **(1)** in the best interest of the owners and investors of the business. They are stewards of the business and are expected to operate in an ethical and socially acceptable manner **(1)**. They are responsible for identifying the expertise and resources needed for success **(1)**.
- Employers are responsible for achieving organizational goals and ensuring the right resources are in place **(1)** to ensure the best possible chance of success. Therefore, they must plan and strategize taking their business environment into consideration when making decisions and setting goals **(1)**. Employers must approach business with a willingness that will allow for flexibility and equity for all involved **(1)**.
- Employers have a responsibility to fair treatment of employees **(1)** and for making sure the business is meeting its financial and tax obligations **(1)**. They must be aware of all laws and regulations that affect the business they operate and must ensure that they operate within the boundaries created by these laws and regulations **(1)**. Employers must maintain proper data and records for the business and as required by law.

(ii) Employees

- Employees are required to carry out the activities assigned to them by their employers **(1)**. They are responsible for operating with the best interest of their employers in mind and for doing the duties laid out in their job descriptions **(1)** so as to contribute to the success of the business. Their priority should be the growth and survival of the business **(1)** and not the intentional undermining or destruction of the business.
- Employees are responsible for safe guarding the assets and reputation of the organization **(1)** with which they work and for not misrepresenting their employers or binding them to unfair contracts and illegal or unethical arrangements. **(1)** They are responsible for keeping employers aware of all developments **(1)** related to the business and for communicating their needs and those of their co-workers and customers to their managers **(1)** so that necessary decisions or changes can be made.

For comprehensive description; 3 marks each

(3 x 2) = (6 marks)

Partial description; 1 - 2 marks each

Total 20 marks

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 2

(a) (i) Functions of a manager:

- Planning
- Organizing
- Directing
- Controlling
- Delegating
- Motivating
- Negotiating
- Leading

For listing any four functions; 1 mark

(4 x 1) = (4 marks)

(ii) Guidelines for establishing good management and employee relations

- Establishing clear lines of communication and chain of command
- Keeping workers informed about what is happening in the organization
- Supervisors should keep management informed about workers' concerns
- Ensuring workers understand their jobs and can respond appropriately
- Inform workers of management expectations in terms of performance and behaviour
- Adopting a style of leadership that makes workers feel that their inputs are important
- Providing opportunities for management and employees to socialize and get to understand each other's personalities and challenges

For each stating any three guideline; 1 mark each

(3 x 1) = (3 marks)

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 2 cont'd

(b) (i) Characteristics of a good leader

- Ability to stay focused under pressure
- Exercise flexibility when necessary
- Inspire workers to do their jobs
- Command respect , trust, confidence of the workers
- Handle problems of workers effectively
- Make intelligent decisions
- Delegate effectively
- Show good judgment
- Get the job done
- Take the lead

For identifying any three characteristic; 1 mark each

(3 x 1) = (3 marks)

(ii) Differentiating between leadership styles

- Participatory a participatory leader is democratic and involves workers in decision making while an autocratic leader makes decision without involving the workers **(1)**
- A participatory leader accepts ideas, suggestions and recommendations from workers at all levels thereby making workers feel like they have a say and that their input is important and valued. **(1)** An autocratic leader on the other hand, exerts a lot of control and does not always investigate incidents to the extent necessary **(1)**
- Unlike the autocratic leader the participative leader does not believe that he/she must have full control of the entire decision making. An autocratic leader survives by issuing threats and by instilling fear in workers. He gets persons to work through control and without attention given to workers points of view.

For clear differentiation; 2 marks each

(2 x 2) = (4 marks)

For defining without differentiating 1 mark each

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 2 cont'd

(c) Ways in which organizations benefit from teamwork

- Members of a team become knowledgeable about all aspects of the work and the results of their efforts. **(1)** This is a strength for the organization since the team can survive the loss of members without having to discontinue work or start all over **(1)**. Teamwork empowers members as well as improves the likelihood of success of initiatives and projects. Having teams work on projects provides for continuity in the carrying out of activities. **(1)**
- Teamwork leads to creative problem solving, pooling of resources, ideas and expertise. **(1)** Organizations can benefit from improvement in quality of work and more motivated workers as a result of teamwork. **(1)** Because several members of the organization are involved, when the work as teams they are able to attain greater control over the tasks assigned. **(1)**

For comprehensive explanation; 3 marks each

(3 x 2) = (6 marks)

Partial explanation; 1 - 2 marks each

Total 20 marks

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 3

- (a) (i) Migration refers to the movement of people **(1)** from one region **(1)** or country **(1)** to settle elsewhere **(1)**.

Definition

(2 marks)

- (ii) Positive effects of migration

- Remittances from nationals abroad boost home country's foreign currency earnings
- Transfer of skills gained by returning nationals
- Recruitment of skilled professionals
- Relief of unemployment problem
- Reduction in overpopulation

For stating any one positive effect; 1 mark

(1 mark)

Negative effects of migration

- Decrease in labour force
- Depletion of skilled human resources (brain drain)
- Reduction in tax revenue
- Pressure on social services
- Difficulty of some groups to integrate into society

For stating any one negative effect; 1 mark

(1 mark)

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 3 cont'd

(iii) Reasons for migration:

- (Local conditions/circumstances may push citizens to seek opportunities in other regions, **(1)** while the appeal of a better life elsewhere may pull citizens from their homes) **(1)**
- One reason for migration is unemployment **(1)**. If residents cannot find work in their region or country, they are often forced to seek opportunities elsewhere **(1)**. Within some countries, these opportunities might be in towns and cities **(1)** and this leads to a drift from rural to urban areas **(1)**.
- The prospect of better and more appealing educational opportunities **(1)** can also contribute to migration. If there are limited opportunities and institutions **(1)** in a local area or country, residents will look for areas where their needs can be met **(1)**, thus causing migration to take place.
- Anticipation of a better standard of living **(1)** is a popular reason for both internal and external migration. Depressed living standards **(1)** create dissatisfaction and disaffection **(1)** and leads many residents to seek living in more developed areas and countries **(1)** in the hope of making a better life **(1)** for themselves and their families.

For outlining any two reasons; 2 marks each

(2 x 2) = (4 marks)

For partial outline; 1 mark each

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 3 cont'd

(b) (i) Characteristics of subsistence production:

- Family involvement
- Limited resources
- Little technology
- Mainly agricultural in nature

For listing any two characteristics 1 mark each

(2 x 1) = (2 marks)

(ii) Capital-intensive production vs labour-intensive production

Capital-intensive production uses a greater proportion of capital **(1)** than labour in the process of creating goods and services. Production processes are heavily dependent on fixed capital **(1)** in the form of machinery and equipment **(1)**. This form of production is driven by technology **(1)** and is characterized by much automation **(1)**.

Labour-intensive production, on the other hand, uses a greater proportion of labour **(1)** as a factor of production than capital. While capital assists in production, there is a large pool of labour **(1)** from which to draw. The emphasis in this form of production is on human effort **(1)** more so than technological aids since machinery is expensive to acquire and maintain **(1)**.

For clearly showing the difference between concepts, at least two distinguishing points; 2 marks each

(2 x 2) = (4 marks)

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 3 cont'd

(c) Advantages of CAD

- With the use of CAD, designs can be modified easily and quickly **(1)**, thus resulting in enormous saving of time **(1)**. CAD relieves the designer of the tedium **(1)** involved in design, as time-consuming and laborious tasks are undertaken with far less effort **(1)**.
- CAD also contributes to a significant reduction in usage of paper for drafts **(1)**, thus resulting in conservation of material resources **(1)**. Performing design tasks electronically is conducive to green initiatives **(1)**, leading to less environmental damage **(1)** as fewer trees need to be cut down to produce paper **(1)**.

Other advantages include:

Uniformity of product

- Accuracy
- Reduction in human error

Disadvantages of CAD

- CAD requires a large capital outlay on equipment **(1)** which makes the initial investment costly **(1)**. In addition, hardware needs to be upgraded in a timely manner **(1)** and this is an additional cost consideration. To keep pace with technology, it might also be necessary to update software **(1)**. Added to this are the on-going costs of maintenance **(1)** as well as replacement of consumables like ink and toner cartridges and print heads **(1)**.
- A major disadvantage of CAD is the loss of data **(1)** resulting from computer viruses **(1)**. Files can become corrupted **(1)** and in some cases make it difficult to recover **(1)** elements of a design or complete designs. Computer viruses often cause designers to lose control **(1)** of their work and this leads to severe frustration **(1)**.

Other disadvantages include:

- Delays and loss resulting from power outages
- Prolonged learning curve

For full explanation of advantages/disadvantages; 3 marks each
(2 x 3) = (6 marks)

For satisfactory discussion; 2 marks each

For weak discussion; 1 mark each

Total 20 marks

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 4

- (a) (i) A contract is a legally binding agreement **(1)** between two or more persons by which rights and obligations are created. **(1)**

Definition

(2 marks)

Full definition 2 marks

Partial definition 1 mark

- (ii) Features of a contract:

a) Offer and acceptance: An offer is a clearly communicated proposal by one party to enter into a contract and for a contract to exist. **(1)** This must be agreed to or accepted **(1)** by the other party.

b) Consideration: This refers to what is exchanged **(1)** between the two parties to ensure that there is a legal obligation. In most cases, this represents the price paid **(1)** and must be lawful, real, possible and present **(1)**.

Full outline two features 2 marks each

(4 marks)

Partial outline 1 mark

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 4 cont'd

- (b) (i) A Simple contract is an agreement entered into on a daily basis **(1)** which satisfies the conditions required for contracts **(1)**. It may be oral, written or implied (by conduct) **(1)**. A specialty contracts, on the other hand, is written **(1)** and must be signed, sealed and delivered **(1)**. Specialty contracts are also referred to as contracts by deed **(1)** or contracts under seal **(1)**.

For distinguishing between contracts (2 x 2) = (4 marks)
For full distinction 4 marks
For partial distinction 1 mark

Examples of simple contracts:

- Purchase of goods
- Transportation
- Supply of services

Any correct examples of specialty contracts **(1 mark)**

- Mortgages
- Sale of land
- Insurance
- Hire purchase

Any correct examples **(1 mark)**

- (ii) Ways of terminating contracts:

- Agreement
- Performance
- Breach
- Frustration
- Lapse of time

For listing any ways; 1 mark each (2 x 1) = (2 marks)

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 4 cont'd

(c) **Circumstances under which a contract may be rendered invalid:**

- In some cases, contracts may meet specified conditions but contravene common law **(1)** and existing legislation **(1)**. The agreement between a client and owner of a brothel whose services satisfy the basic elements of a contract for services will be deemed to be invalid since prostitution in most countries is an illegal act **(1)**.
- If it can be proven that one of the parties was subject to duress **(1)** when entering into contractual relations, the contract may be rendered invalid **(1)**. It is assumed that the parties to contracts are free moral agents **(1)** and are acting of their own free will **(1)**. Any contract entered into which can be shown to lack these conditions will be rendered invalid **(1)**.
- A contract which involves some action which contravenes society's values **(1)** or which goes against the "public good" **(1)** would be deemed to be unenforceable and invalid **(1)**. In countries where the possession and use of marijuana is unlawful **(1)** attempting to bind a party to a contract to supply marijuana **(1)** would be thwarted and the contract deemed invalid **(1)**.

Explaining two circumstances

(2 x 3) = (6 marks)

Identifying circumstance 1 mark

Elaborating 2 marks

Total 20 marks

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 5

(a) (i) Ways in which government can regulate business activity:

- Passing laws to protect the environment and persons who live in it. (1) They can do so by devising zoning laws to prevent firms from setting up commercial activities in residential areas. (1)
- Setting rules as to how firms should dispose of their waste (1) to avoid them becoming health hazards. (1)
- Insisting that stipulated guidelines on how to set prices (1) and apply a penalty for those businesses that do not comply. (1)
- Helping businesses to expand by giving them low interest loans. (1) Firms that qualify can use these funds to grow their businesses. (1)
- Requiring that firms protect the safety of their workers (1) by following occupational health and safety regulations. (1)
- Setting up schools to provide specialized training, for example, in tourism and transportation sectors where employers must send workers for training. (1) This will assist firms within these industries to get trained workers which will help to enhance the productivity of their business. (1) (4 marks)

(ii) Measures governments can take to protect consumers:

- Governments can make laws to provide a code of conduct for the operation of businesses (1). This will ensure that businesses maintain the standards set out in the law (1). This will ensure that orders governing business relationships are maintained.
- Governments also require businesses to be licensed to conduct or sell certain products (1). These license should be renewed after a number of years (1).
- Governments can set price controls (1) to ensure that merchants do not overcharge for their goods and services. (1) That basic food items are within the reach of consumers. (1)
- Governments legally require certain businesses, especially those who sell food items to be regularly inspected (1) so that they are operating in harmony with health regulations (1).
- Governments also have in place bureaus of standards (1) to ensure compliance with packaging, weights and measures (1).

Describing two measures 2 marks each

(2 x 2) = (4 marks)

Identifying measure 1 mark

Elaborating 1 mark

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 5 cont'd

(b) Ways in which your country can benefit from improved roads and transportation.

- Improved roads and transportation can result in increased output of goods and services **(1)** if firms are able to get their raw materials delivered to them on time. This means workers will be able to produce goods and services on time **(1)** resulting in filling orders on time and greater profitability for firms. **(1)**
- The improvement in roads and transportation can help to move workers to their jobs on time **(1)** which means they can give the required numbers of hours on the job this translates to greater profitability. **(1)**
- Better roads and transportation means firms can supply goods and services to consumers quicker and easier **(1)**. The more goods and services produced and sold **(1)**, the greater profits. **(1)**
- Better roads means less wear and tear on vehicles, so firms will not need to spend as much to repair vehicles **(1)** and therefore costs will be lower **(1)** and this could increase profits **(1)**

Outlining three ways 2 marks each

(3 x 2) = (6 marks)

Identifying ways 1 mark

Elaborating 1 mark

PRINCIPLES OF BUSINESS
PAPER 02
KEY AND MARK SCHEME

Question 5 cont'd

(c) Ways in which government could improve the education sector in a country:

- Increasing the number of schools and training institutions to prepare teachers and lecturers for the classroom **(1)**. Facilities should be located where students have easy, access. **(1)** The facilities should be properly outfitted with the equipment and other resources to enhance for students learning. **(1)**
- Ensuring that these centres of learning are properly equipped to empower trainers to execute training **(1)** in a manner that they can pass on the necessary pedagogical and soft skills to teachers/instructors in training. This would save time and energy in facilitating training **(1)** enhancing learning and improve the human resources of the country **(1)**.
- Setting as priority, the training of teachers/instructors/lecturers to provide the highest quality **(1)** instruction. **(1)** Government can subsidize the training **(1)** and bond them to work for a period of time within the country when they graduate **(1)**.
- Monitoring and upgrading the curriculum used in the training of these teachers **(1)** so that they meet the needs of the country **(1)** as well as satisfy international standards **(1)**.

For explaining two ways; 3 marks each

(2 x 3) = (6 marks)

Identifying ways; 1 mark

Elaborating; 2 marks

Total 20 marks



TEST CODE **01240032**

SPEC 2016/01240032

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

**CARRIBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION**

PRINCIPLES OF BUSINESS

SPECIMEN PAPER

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**

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

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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

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

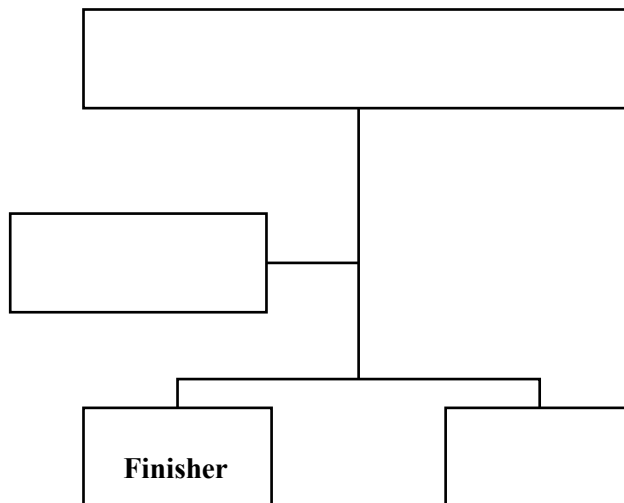
Identify the kind of business based on the type of ownership.

.....

(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

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

.....
.....

(1 mark)

(ii) Government

.....
.....

(1 mark)

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

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

(2 marks)

4. Ethical Issues

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

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

(2 marks)

Total 10 marks

GO ON TO THE NEXT PAGE

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.

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

(4 marks)

6. Competition

Identify TWO competitors of Poplen Iron Works.

.....
.....

(2 marks)

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

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

(4 marks)

GO ON TO THE NEXT PAGE

8. Target Market

Identify TWO groups of potential customers of Poplen Iron Works.

.....
.....

(2 marks)

9. Promotional Strategies

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

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

(3 marks)

10. Distribution Strategies

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

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

(2 marks)

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

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

(3 marks)

Total 20 marks

GO ON TO THE NEXT PAGE

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.

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

(2 marks)

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

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

(2 marks)

GO ON TO THE NEXT PAGE

12. Government Regulations

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

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

(2 marks)

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

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

(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.

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

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION

PRINCIPLES OF BUSINESS

PAPER 032

KEYS AND MARK SCHEME

MAY/JUNE

Principles of Business
Paper 032
Key and Mark Scheme

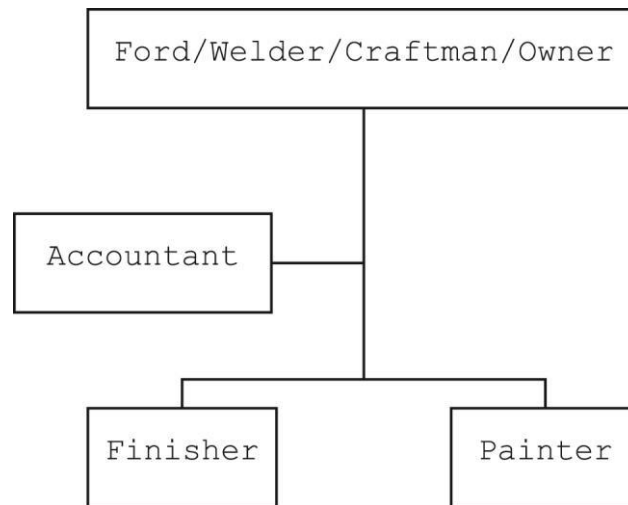
1. Type of business

Sole trader

For identifying the type of business

(1 mark)

2. Organizational chart showing the structure for Poplen Iron Works.



**For completing the chart - 1 mark for each correct position on each level
(3 x 1) = (3 marks)**

Principles of Business
Paper 032
Key and Mark Scheme

3. Management Functions

- (a) (i) How Ford Poplen demonstrates his responsibility to Society
- To avoid air and noise pollution he has relocated his business to the commercial district.
 - To avoid conducting business in a residential area he has chosen to relocate his business.
- (ii) How Ford Poplen demonstrates his responsibility to government
- To satisfy government regulations with respect to tax obligations Ford Poplen has employed an accountant to organize his finances.
 - To satisfy government regulation with respect to zoning he has removed his business from a residential area and placed it in a commercial district.

For citing one evidence of each 1 mark each (2 marks)

- (b) How Ford Poplen executed the management function of 'organizing'
- Organizing: He has employed two workers to help in different areas of production to reduce his workload so he can be involved in other areas of the business (1) as well as an accountant to organize his finances. (1)

For describing how the management function was executed; 2 mark (2 marks)

4. Ethical Issues

Unethical business practices in which the firm was engaged

- Failing to maintain proper accounting for the business because this means the firm cannot report its costs and sales and therefore may not report correctly for taxation purposes. (1)
- Locating in a residential area, thus failing to observe zoning laws. (1)
- Polluting the environment: noise pollution and paint odour which can cause health issues. (1)

For stating any two ethical issues; 1 mark each

(2 x1) = (2 marks)

10 marks

Principles of Business
Paper 032
Key and Mark Scheme

5. Reasons why the firm may not be making as much sales as it could

- The firm needs to increase the promotion of its products. More promotion should lead to greater sales.
- The firm needs to produce goods with a distinctive brand **(1)** to appeal to the tourist market. **(1)**
- The durability of the products **(1)** reduces the number of repeat buyers. **(1)**

For outlining two reasons; 2 marks each

(2 x 2) = (4 marks)

Identifying reason 1 mark

Elaborating 1 mark

6. Competitors of Poplen Iron Works

- Producers of grills and gates
- Other craft producers
- Gift shops

For identifying any two competitors; 1 mark each

(2 x 1) = (2 marks)

7. Advantages Poplen is LIKELY to have over his competitors

- Poplen produces a variety of products **(1)** and they could excel in the business by selling to a variety of markets. **(1)**
- Poplen's products are of a high quality **(1)** and therefore can hold its own against any competitors. **(1)**
- Poplen produces unique products **(1)** so will be able to appeal to persons who like unique and custom made items. **(1)**

Outlining any two advantages

(2 x 2) = (4 marks)

Identifying advantage 1 mark

Elaborating 1 mark

8. Groups of customers who are likely to purchase from Poplen

- Tourist
- owners of gift shops and flower shops
- metal art lovers
- persons wanting grills and gates, such as home owners and business persons

For identifying any two target markets; 1 mark each

(2 x 1) = (2 marks)

Principles of Business
Paper 032
Key and Mark Scheme

9. Promotional strategies that could help the firm to increase its sales
- The firm could promote sales by placing an advertisement on the van. **(1)** This would be inexpensive **(1)** and would acquaint persons about the firm and its products as the van drives around in the various communities in the area. **(1)**
 - The use of the Internet is another important way in which the firm can sell its products locally and internationally. **(1)** The initial costs of building the website may be costly **(1)** but over time there will be savings as only maintenance of the site would be necessary. **(1)**
 - Fliers and business cards are also important in promoting the products offered by Poplen. **(1)** These are relatively inexpensive ways of promoting the products of the business and they can reach a relatively large cross section of the population. **(1)**

For discussion any one strategy

(3 x 1) = (3 marks)

Identifying strategy 1 mark

Elaborating 1 mark

10. (a) Ways in which the firm can distribute its products to its market
- The firm can use its own transport to deliver the goods.
 - It can distribute from the business place where customers purchase directly.
 - It can sell to wholesalers who can sell to retailers

For stating any two ways of distributing products; 1 mark each

(2 x 1) = (2 marks)

- (b) Evaluate the advice given to Ford Poplen by the President of the Small Producers' Association.

A distinctive brand could result in highlighting the uniqueness of his products, **(1)** which could mean greater visibility and greater demand especially from tourists. **(1)** On the other hand he might spend too much money on branding the product and may not get it back in a timely manner which could inhibit the growth of his business. **(1)**

For fully evaluating advice

(3 x 1) = (3 marks)

Response include pros 2 marks

And cons 1 mark

20 marks

Principles of Business
Paper 032
Key and Mark Scheme

11. (a) Sources of Finance that Poplen Iron works obtained capital to expand the business

- Credit Union
- Personal savings.

For listing sources; 1 mark each

(2 x 1) = (2 marks)

(b) Reasons why the Poplen Iron Works may be having a cash flow problem

- Its main customers require a 30 days credit.
- The business was expanded with insufficient capital.
- The firm does not have accurate records of its finances and therefore not capable of predicting and making the right decisions.

For stating any two reasons; 1 mark each

(2 x 1) = (2 marks)

12. Ways in which Poplen Iron Works can contribute to the growth and development of the economy

- The firm's production of goods **(1)** can add to the gross domestic production of the economy. **(1)**
- The firm also employs persons who earn income **(1)** and this helps to add to the gross domestic production and improve their standard of living. **(1)**
- The firm utilizes local raw materials which can create linkages with other industries **(1)** and therefore provide more employment for persons working in these industries. **(1)**
- If Poplen Iron Works exports **(1)** then it would earn foreign currency for the country. **(1)**

Outlining any one way 2 marks

(2 x 1) = (2 marks)

Identifying way 1 mark

Elaborating 1 mark

Principles of Business
Paper 032
Key and Mark Scheme

13. Government regulations to which Poplen Iron Works must adhere

- The firm must keep proper accounting records and pay correct amount for taxes.
- The firm should observe zoning laws and set up the business only in commercial and manufacturing areas.
- The firm needs to register vehicles and ensure that they are road worthy.
- Poplen must pay workers fair wages and pay statutory deductions related to these wages to the government.

For identifying any two regulations; 1 mark each

(2 x 1) = (2 marks)

14. Executive Summary

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

Poplen Iron Works is a sole trader business operating for two years, producing grills, gates and unique gifts and art items. While the firm seems to have the potential to succeed, it is strapped for cash because it is not marketing its products well, and keeping proper accounts which are necessary if the firm is to make better decisions. It has the potential to contribute to the growth and development of the economy primarily providing employment and using local raw materials and forming linkage. However it needs more financing to purchase raw materials, employ more workers and market its products.

**For writing including information from the three sections of the plan;
2 marks**

For including information from one or two areas of the plan; 1 mark

(2 marks)

10 marks



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PRINCIPLES OF BUSINESS

PAPER 02 – GENERAL PROFICIENCY

KEY AND MARK SCHEME

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
KEY

1(a) Differences between a centrally planned economic system and a market economy:

Centrally Planned	Market Driven
<ul style="list-style-type: none"> • The State owns and controls the factors of production • The State dictates what shall be produced and in what quantities • The State dictates the distribution of wealth. • There is total control of the economy by the government. • There is no competition between producers of goods and services. • Quotas of essential goods to be produced are determined by the State 	<ul style="list-style-type: none"> • Private individuals and organizations own the functions of production. • The consumers' choice and the laws of demand and supply determine what shall be produced and in what quantities. • Individuals are free to choose how they will spend their money. • There is very little or no government intervention. • There is competition between the various producers of goods and services for a share of the market. • A large variety of goods and services are produced to satisfy the needs of the consumers.

(b) Examples of countries with

- (i) a planned economy – Cuba, China
- (ii) a mixed economy – Barbados, Trinidad, St Vincent

(c) Advantages that the partnership type business has over a sole proprietorship:

- More persons are available to provide more capital
- The everyday duties can be shared with other partners
- Should the business fail, partners will help to bear the losses
- More business ideas can be pooled and sourced
- Specialization can occur on a small scale

(d) Reasons why it would be beneficial to convert from a partnership to a public limited liability company:

With the Public Limited Liability Company (PLLC)

- there is limited liability for shareholders.
- death of a shareholder does not affect the business.
- more capital available than for partnership.
- shares can be sold to the public at large on the Stock Exchange.
- it is a legal entity which can sue and be sued.
- PLLC has the ability to employ the best experts/specialists.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
KEY

(e) Explanation of terms:

(i) Public Sector

The public sector is that part of the economy made up of enterprises owned and operated by either national or local government-created bodies. It is financed from taxes and rates. For example, departments of state, including social services, Health, Education, armed services, local authorities, public corporations and nationalized industries.

(ii) The Private Sector

The private sector is that part or sector of the economy that is owned and operated by private citizens, either as individuals or collectively. It is financed by persons/individuals who purchase shares or make investment on their own account. For example, sole traders, partnerships, private and public limited liability companies.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
MARK SCHEME

	Profiles			TOTAL
	P1	P2	P3	
<u>Question 2</u>				
(a) For stating TWO features of cottage industries (1 mark each) (2 X 1) For giving TWO examples of cottage industries. (1 mark each) (2 X 1)		4		
(b) For defining the following terms: (i) land (ii) labour (iii) capital (iv) enterprise (2 marks each) (4 X 2) For giving ONE example of each factor of production (1 mark each) (4 X 1)		12		
(c) For illustrating how TWO factors in (b) can be used in a cottage industry. (2 marks each) (2 X 2)		4		
Total Marks		20		20

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
KEY

2(a) Features of a cottage industry:

- Operates out of the home, church hall, or community centre
- Utilizes locally obtained raw materials
- Uses mainly manual labour and a few small machines
- Employs family members mainly
- Requires some skill or dexterity to produce the items
- Small scale operation
- Provides income for those engaged in it
- Flexible work hours

Examples of cottage industries:

- Leather craft items
- Knitting/embroidery/crochet
- Handicraft items
- Shell-craft
- Straw-craft

(b) Definition of terms as factors of production and examples.

(i) Land – natural resources, gifts of nature

For example:

- mineral deposits – gold, bauxite, oil
- sunshine and rainfall, rivers, ponds and seas
- deserts and forests
- site for the location of a business

(ii) Labour – human resources, capabilities and skills of workers, for example, competencies to perform various jobs and occupations.

(iii) Capital – past human effort, wealth set aside to produce further wealth, assets such as tools, equipment, machinery, buildings, money used to acquire natural and human resources.
For example, a popcorn machine produces popcorn (consumer goods).

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
KEY

- (iv) Enterprise – managerial and entrepreneurial ability, the ability to combine the other factors into productive activity, vision and creativity.
- (c) Illustration of how factors of production can be used in a cottage industry:

An individual may observe that a great deal of coconut shells are available locally. His/her insight and entrepreneurial skill will suggest to him/her that this material can be shaped and fashioned, using human labour, into several useful things, including ornaments and jewelry. Knives, paint, sandpaper and capital would be needed to carry out the conversion of the coconut shell into something of value. The finished products could be sold locally to tourists.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
MARK SCHEME

Question 3				
	P1	P2	P3	TOTAL
<p>(a) For describing the given activities of a marketing manager. <div style="text-align: right;">(2 marks each) (2 X 4)</div> </p> <p>(b) For outlining TWO reasons for conducting market research. <div style="text-align: right;">(2 marks each) (2 X 2)</div> </p> <p>(c) For discussing FOUR factors that must be considered when marketing the new brand of sneakers. <div style="text-align: right;">(2 marks each) (4 X 2)</div> </p> <p style="text-align: right;">Total Marks</p>		8		
		4		
		8		
		20		20

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
KEY

3(a) Marketing activities:

- (i) Pricing – relates to the setting of prices and pricing policies to gain market attention.
- (ii) Sales promotion – short-term incentives given by a business to encourage sales.
- (iii) Branding – promotion of a product by name, sign, logo, symbol or a combination of these.
- (iv) Packaging – use of the container or wrapper of a product as a promotional strategy.

(b) Reasons for conducting market research:

- To study the factors which interplay to affect consumer behaviour.
- To examine what the market is like for a product.
- To obtain relevant information on:
 - The product/consumer, for example, who buys, how.
 - The Market, for example, size ease of entry
 - Competition, for example, how many and who
 - Cost considerations
 - Distribution systems available

(c) Factors that must be considered when marketing the new brand of sneakers:

- The market for sneakers – The size and structure of the market as well as the ease of entry must be estimated.
- The product/consumer – Who buys sneakers, how do they buy? Frequently or once a year? Is there a strong brand loyalty? How will they react to the new brand?
- The competition – how many suppliers are there? Who are they? Can you find a niche or will you be squeezed out? Can you match the going price?
- Costs – How much will it cost to penetrate the market? Will the price at which you can sell cover all costs and give you a profit margin?
- The distribution systems – Are the dealers selling through wholesalers, retailers or agents? How can you organize to distribute differently?

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
MARK SCHEME

Question 4	Profiles			TOTAL
	P1	P2	P3	
<p>(a) For defining the word “entrepreneur”.</p> <p style="text-align: right;">(2 marks)</p> <p>For identifying FOUR characteristics that John should Possess to be a successful entrepreneur.</p> <p style="text-align: right;">(1 mark each) (4 X 1)</p>	6			
<p>(b) For outlining the reason why John may want to establish his own business.</p> <p style="text-align: right;">(2 marks each) (2 X 2)</p>	4			
<p>(c) For identifying TWO government regulations with which John must comply when establishing his restaurant.</p> <p style="text-align: right;">(2 marks each) (2 X 2)</p>	4			
<p>(d) For identifying FOUR sources from which John may obtain capital for his business.</p> <p style="text-align: right;">(1 mark each) (4 X 1)</p> <p>For explaining the significance of capital.</p> <p style="text-align: right;">(2 marks)</p>	6			
Total Marks	20			20

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY

KEY

4(a) Definition of the term entrepreneur:

An entrepreneur is one who organizes the other factor of production to produce goods and services, provides capital to start up and takes risk in investing the capital.

- organizing
- provision of capital
- risk-taking

Characteristics of successful entrepreneurs:

Ability to:-

- work hard
- take calculated risks
- plan
- organize
- lead by example
- motivate
- think
- make decisions
- train people
- manage people
- be persistent
- persevere
- create
- be flexible
- be innovative

(b) John may have decided to establish his own business in order to achieve:

- financial independence
- self-fulfillment
- self-esteem
- self-actualization
- personal goals

(c) Government regulations John must comply with when establishing his restaurant:

- Must be examined by a Medical Officer and obtain a Food Badge.
- Must observe all Bureau of Standards regulations.
- Must observe all Ministry of Health regulations with reference to food handling and preparation.
- Must obtain certificate for VAT or GCT.
- Must comply with all Statutory Regulations
- Must comply with Town and Country Planning and Environmental Authority Regulations.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
KEY

(d) Sources of capital:

- Personal savings
- Private sources – family members, friends
- Loans from private financial institutions
- Loans from Banks, Credit Unions
- Loans from government institutions
- Profits from operations

Significance of collateral:

Collateral refers to assets belonging to the borrower which lenders can dispose of in the event that the borrower cannot repay the loan. These assets serve as a backing for the loan.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
MARK SCHEME

Question 5	Profiles			TOTAL
	P1	P2	P3	
<p>(a) For outlining TWO reasons why documentation is important in business.</p> <p style="text-align: right;">(2 marks each) (2 X 2)</p>	4			
<p>(b) For explaining the purpose of the following transport documents:</p> <p style="margin-left: 40px;">(i) Import license (ii) Bill of lading (iii) Airway bill</p> <p style="text-align: right;">(2 marks each) (3 X 2)</p>	6			
<p>(c) For outlining THREE factors that must be considered in deciding what method of payment to use.</p> <p style="text-align: right;">(2 marks each) (3 X 2)</p>	6			
<p>(d) For distinguishing between the following documents:</p> <p style="margin-left: 40px;">(i) Open cheque and crossed cheque (ii) Manager's cheque and certified cheque</p> <p style="text-align: right;">(2 marks each) (2 X 2)</p>	4			
Total Marks	20			20

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY

KEY

5(a) Reasons why documentation is important:

- To provide proof that the transaction occurred.
- To be used as reference in the event that a query is made.
- To provide information to customers.
- To provide information that will be used for inventory control.
- To ensure the amounts due to suppliers of goods and services.

(b) The purpose of

(i) Import license:

- Indicates that permission has been granted to import specified goods.
- Specifies what and how much is to be imported.
- Indicates the names of the importing and exporting countries.

(ii) Bill of lading:

- Used in shipping goods from one port to another.
- Entitles the holder to full title to the goods and is usually done in triplicate.
- Can be endorsed to another person who would then have title to the goods.
- Can be used as collateral security.

(iii) Airway bill:

- Used in shipping good by air
- Does not give title to the goods
- Informs the holder that the goods have been sent.
- States the description and destination of goods transported by air.

(c) Factors to take into consideration when deciding what method payment to use:

- The amount to be paid
- The destination (local or overseas).
- Distance between sender and receiver.
- Urgency.
- Convenience.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY

KEY

(d) Distinction between the following:

(i) An Open Cheque and a Crossed Cheque

- Open Cheque – easily encashed,
 - can be cashed across the counter at the bank on which it is drawn,
 - can possibly be cashed by the wrong person
- Crossed Cheque – cannot be encashed
 - must be lodged to the payee’s account
 - has two parallel transverse lines drawn across the face of the cheque.

(ii) A Manager’s Cheque and a Certified Cheque

- Manager’s Cheque – used in situations where large sums of money are involved.
 - availability of money involved must be verified before cheque is issued.
- Certified Cheque – used under circumstances in which special request is made for a banker’s verification before cheque is used.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
MARK SCHEME

Question 6	Profiles			TOTAL
	P1	P2	P3	
<p>(a) For distinguishing between direct and indirect taxation.</p> <p style="text-align: right;">(3 marks each)</p> <p>For giving an example of direct taxation.</p> <p>For giving one example of indirect taxation.</p> <p style="text-align: right;">(1 mark each)</p>			5	
<p>(b) For distinguishing between regressive and proportional system of taxation.</p> <p style="text-align: right;">(3 marks)</p> <p>For giving TWO appropriate examples.</p> <p style="text-align: right;">(1 mark each)</p>			5	
<p>(c) For identifying TWO social services.</p> <p style="text-align: right;">(1 mark each) (2 X 1)</p> <p>For stating how the services contribute to the development of your country.</p> <p style="text-align: right;">(2 marks each) (2 X 2)</p>			6	
<p>(d) For discussing TWO measures used by government to protect consumers.</p> <p style="text-align: right;">(2 marks each) (2 X 2)</p>			4	
Total Marks			20	20

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY

KEY

6(a) Distinguishing between “direct” and “indirect” taxation:

Direct taxation is one where the incidence and the impact fall on the same person whereas indirect taxation is one where the incidence and the impact fall on different people.

Examples of direct taxation:

- Personal income tax.
- Corporation tax.
- Capital gains tax.
- Capital transfer tax.

Examples of indirect taxation:

- Customs duty
- Excise duty
- Purchase tax
- Value added tax

(b) Distinguishing between regressive taxation system and proportional taxation system giving an example each:

A regressive taxation system is one where the fraction of income paid in taxes decreases as income increases and increases as income decreases. For example, if the tax paid by the wealthy represents a smaller proportion of their income than it represents of the income of a poorer person. Whereas, a proportional taxation system is one where every taxpayer pays the same proportion of his income in taxes.

Examples:

Regressive taxation system:

- Income = \$1,000 Tax payable = \$100 = 10%
- Income = \$ 200 Tax payable = \$ 30 = 15%

Proportional taxation system:

- Income = \$1,000 Tax payable = \$100 = 10%
- Income = \$ 200 Tax payable = \$ 20 = 10%

(c) Social services provided by governments:

- Education
- Health
- Welfare and culture
- Roads and transportation
- Pensions – Social Security, N.I.S.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY

KEY

The government provides education at various levels and in various disciplines in order to develop the human resources of the country. This would lead to greater production and productivity and reduce unemployment.

Governments in the Caribbean provide National Insurance Schemes. Contributors to the scheme obtain maternity benefits, pension upon retirement, payment for loss of income during illness, disability benefits. This helps to reduce the dependence of workers on others.

The governments provide roads and transportation services. Roads provide the means for moving people, goods and services from one place to another. This assists farmers in taking their produce to markets where they are needed. People can travel to other places to go to work, school or to view the natural beauty of the countryside as tourists. Economic growth and development are thereby encouraged.

(d) Measures used by governments to protect consumers:

- Legislation
- Education and Information
- Support of consumer protection associations
- Government Agencies
- Legislation:
 - The Sales of Goods Act
 - Hire Purchase Act
 - The Fair Trading Act
 - The Food and Drug Act
 - Price Controls
 - The Public Health Act
 - The Standards Act

Discussion:

The discussion must:

- Describe and justify the measure
- Show how the consumer benefits from the implementation of the measure.

For example, through the Standards Act, the consumer is protected against poor quality goods and dangerous substances which producers may add to goods. The consumer may not have the technical expertise to determine how safe the product is and thus depends on government to provide some protection through relevant legislation.

Through consumer protection associations, the consumer is educated and informed about his/her rights and responsibilities, and is made aware of the procedures to follow in seeking redress. These associations are supported and encouraged by governments since they assist in protecting the consumer from unfair business practices.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
MARK SCHEME

	Profiles			TOTAL
	P1	P2	P3	
<u>Question 7</u>				
(a) For identifying TWO major economic institutions. (1 mark each) (2 X 1) For stating ONE function of EACH. (2 marks each) (2 X 2)			6	
(b) For identifying THREE major economic problems. (1 mark each) (3X 1) For outlining ONE possible solution to EACH problem. (2 marks each) (2 X 3)			9	
(c) For distinguishing between standard of living and quality of life. (3 marks) For giving an appropriate example. (2 marks)			5	
Total Marks			20	20

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY

KEY

7(a) Major economic institutions which operate in the Caribbean:

- Caribbean Development Bank
- CARICOM
- ACP – LOME
- CSME
- Eastern Caribbean Common Market
- Inter American Development Bank

Major functions of the Caribbean Development Bank:

- Assist regional member in coordinating their development programmes;
- Mobilize financial resources to support developmental projects;
- Provide technical assistance to members.

Major function of the Eastern Caribbean Common Market:

- Seeks to lower or remove restrictions on free trade.

Major function of CARICOM:

- Seeks to promote one regional state with free movement of people, goods and services.

Major function of CSME

- Facilitate economic development of member states.

(b) Major economic problems in the Caribbean:

- Unemployment
- Inadequate sources of capital
- Economic dualism
- Over-population
- Brain-drain
- Debt-burden

Possible solution to the economic problems:

- Unemployment – provision of education and training in employable skills, provision of jobs.
- Capital shortage – encourage foreign investors to invest in the country; borrow from others.
- Economic dualism – provide development in all sectors of the economy.

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY

KEY

- Brain-drain – offer attractive remuneration to highly qualified and competent persons.
 - Over-population – educate the masses about family planning - size and structure and the financial impact
- (c) The standard of living is total material goods, services, comforts and welfare enjoyed by the people of a country.

The quantity and quality of these goods and services must be taken into account also in determining the standard of living of a country. The level of pollution, the availability of good health care, respect and tolerance for others and the level of crime and violence are non-economic factors which also affect the standard of living of a country.

Whereas the quality of life takes into account all the factors which contribute to the overall standard of living but in addition, emphasis is placed on the freedom of individuals to enjoy peacefully the goods and services which contribute towards their standard of living. If the level of crime is so high that the peaceful enjoyment of property is not possible, then the standard of living may appear to be high, but the quality of life would be very poor.



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PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

Specimen

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

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SECTION I

Answer ALL questions in this section.

- 1(a) State THREE differences between a centrally planned economic system and a market driven economic **(6 marks)**
- (b) Identify a country which has:
- (i) A planned economy
 - (ii) A mixed economy. **(2 marks)**
- (c) Outline TWO advantages that the partnership type business has over the sole proprietorship. **(4 marks)**
- (d) Outline TWO reasons why it would be beneficial to convert a business from a partnership to a public limited liability company. **(4 marks)**
- (e) Explain what is meant by the following terms:
- (i) Public Sector
 - (ii) Private Sector. **(4 marks)**

Total 20 marks

- 2(a) State TWO features of a cottage industry and give TWO examples of cottage industries in your country. **(4 mark)**
- (b) Define the following factors of production and give ONE example of EACH factor:
- (i) Land
 - (ii) Labour
 - (iii) Capital
 - (iv) Enterprise **(12 marks)**
- (c) Illustrate how any TWO factors of production mentioned in (b) can be used in a cottage industry. **(4 marks)**

Total 20 marks

3(a) Describe the following activities of a marketing manager:

- (i) Pricing
- (ii) Branding
- (iii) Packaging
- (iv) Sales Promotion.

(8 marks)

A firm is considering importing a new brand of sneakers for sale in your country. There are many different brands of sneakers already available. You are asked for advice on marketing the new brand.

(b) Outline TWO reasons for conducting market research.

(4 marks)

(c) Discuss FOUR factors that must be considered when marketing the new brand of sneakers.

(8 marks)

Total 20 marks

SECTION II

Answer either question 4 or 5. DO NOT answer both.

4. John Clarke has been working as Operations Manager with a large hotel chain for fifteen years. He now decides to become an entrepreneur by establishing his own restaurant.

(a) Define the term “entrepreneur” and identify FOUR characteristics that John should possess in order to be a successful entrepreneur.

(6 marks)

(b) Outline TWO reasons why John may have decided to establish his own business.

(4 marks)

(c) Identify TWO government regulations with which John must comply when establishing his restaurant.

(4 marks)

(d) Identify FOUR sources from which John may obtain capital for the business and explain the significance of collateral in accessing the required capital.

(6 marks)

- 5(a) Outline TWO reasons why documentation is important in business transactions.
(4 marks)
- (b) Explain the purpose of the following documents used in the transportation of goods:
(i) Import license
(ii) Bill of lading
(iii) Airway bill.
(6 marks)
- (b) Mr Clarke of Company “x” has to make a payment to another company. Outline THREE factors that Mr Clarke must take into consideration when deciding on the method of payment to use.
(6 marks)
- (c) Outline ONE main difference between the following:
(i) An open cheque and a crossed cheque
(ii) A manager’s cheque and a certified cheque.
(4 marks)
- Total 20 marks**

SECTION III

Answer either question 6 or 7. DO NOT answer both.

- 6(a) Distinguish between “direct” and “indirect” taxation, giving an example of EACH.
(5 marks)
- (b) With the aid of an example of EACH, distinguish between a regressive taxation system and a proportional taxation system.
(5 marks)
- (c) Identify TWO social services provided by your government, and state how they contribute to the development of your country.
(6 marks)
- (d) Discuss TWO measures used by your government to protect consumers.
(4 marks)
- Total 20 marks**

7. Caribbean countries have developed their economies through the establishment of a number of institutions and trade agreements.

(a) Identify TWO **major** economic institutions which operate in the Caribbean and state ONE function of EACH.

(6 marks)

(b) Identify THREE **major** economic problems in the Caribbean and outline ONE possible solution to EACH of the problems identified.

(9 marks)

(c) With the aid of an example, distinguish between a country's standard of living and its quality of life.

(5 marks)

Total 20 marks



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PRINCIPLES OF BUSINESS

PAPER 03/2 – GENERAL PROFICIENCY

SPECIMEN

KEY

OPERATIONAL PLAN

Nature and Type of Business

For stating any two factors:

The type of business:

Private limited company

Operating in the level of production:

Tertiary production, i.e providing a service

Operating in a mixed economy, in the private sector

Internal Structure or Organization

- Size of the organization - The organization has one employee who is also the Owner

Owner

He is responsible for driving

Recording the number of trips,

Recording the request for transportation.

Management Functions

Management is responsible for:

Planning – sourcing information from suppliers.

Decision Making – determine the number of trucks, the price per load for trip.

Staffing – determining whether additional staff is required.

Controlling – determining whether the objectives of the business are being met.

Communication – speak to potential clients to get information on the type of trips they require.

Ethical Issues to be taken into consideration include:

- Unfair pricing of transporting the goods
- Illegal trucking
- Unlicensed drivers
- Non payment of Insurance
- Non compliance with government regulations

Executive Summary

This public limited company will extend a service of transporting goods for customers. Somat will ensure that his price is competitive. In an effort to do so, he must take into consideration National Insurance and government regulations.

Any other précis which captures the points identified in the preceding sections of the Operational Plan

MARKETING PLAN

Market Research

- Primary Research – Information via interviews and questionnaires is collected from - customers, competitors, suppliers
- Secondary Research – A study or review of the sales performance of competitors, including the trucking industry where he previously worked.

Industry Trend

- The type of service that is provided – the transporting of goods, Competition that exists in the market – there are two large trucking businesses
- Explain the type of goods consumers require transportation for, examples, building materials
Government regulation influencing the industry
 - License for operating heavy duty vehicles
 - Registration of the business

Size of the market

There are two trucking firms.

Target market

The consumers' taste –

- their need for transportation and their preference to use it for large goods
- the present service cannot accommodate the volume of transportation required

The present service is unreliable

Customers are dissatisfied with the current level of service,

Pricing Strategy

	14,000
$\frac{40}{100} \times 14,000 = 5,600$	5,600
	<u>11,600</u>
	31,200

Promotion Strategy

The business can be promoted via the newspapers, television, internet, radio, business cards.

Distribution Strategy

Identify the business as an intermediary/ middleman in the distribution channel.

The use of trucks to transport the goods/items – the type of trucks appropriate for various goods.

Consumer Organizations

Organizations which assist in resolving the complaints of aggrieved customer;
Fair trading commission.

Executive Summary

Somat, having experience in the trucking industry, will use the information relating to Sales performance to assist in determining the number of vehicles he will purchase. Additionally, he can obtain information from familiar customers/clients who have already indicated their dissatisfaction with the present service.

Any other précis which captures the points identified in the preceding sections of the Marketing Plan.

Required

1. Given that Somat would desire a 40% profit on expenses, calculate the amount of sales he must make in order to realize this.
2. Calculate the net profit figure.

SOLUTION

SOMAT LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST DECEMBER 2007

Sales	31,200	(1 mark)	
Less:			
Cost of Goods Sold	<u>11,600</u>		
Gross Profit			19,600
Less:			
Expenses			
Advertising	100		
Insurance (goods & vehicle)	7,000		
Driver's License	150		
Driver's Permit	400		
Wages	3,000		
Road Tax	250		
Fuel	1,300		
Maintenance	<u>900</u>		
		(3 marks)	<u>14,000</u>
Net Profit (40% of the expenses)		(1 mark)	<u>5,600</u>

Total marks 5

SOMAT LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 2007

Fixed Assets		200,000	
Current Assets			
Stock	8,600		
Cash	<u>7,000</u>		
		<u>15,600</u>	
			215,600
Current Liabilities (There are none)			<u>00,000</u>
Working Capital			<u>215,600</u> (1 mark)
Financed by:			
Capital	10,000		
Net Profit	<u>5,600</u>		
			15,600 (1 mark)
Long term Liabilities			
Loan			<u>200,000</u> (1 mark)
			<u>215,600</u>

Total marks 3



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PRINCIPLES OF BUSINESS

PAPER 03/2 – GENERAL PROFICIENCY

SPECIMEN

MARK SCHEME

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

OPERATIONAL PLAN	P1	TOTAL
<u>Nature and Type of Business</u> <ul style="list-style-type: none"> • For identifying the nature and type of business. 	2	
<u>Internal Structure or Organization</u> <ul style="list-style-type: none"> • For outlining the internal structure or organization of the business • Organization Chart may be used. • Responsibilities of employees. 	2	
<u>Management Functions</u> <ul style="list-style-type: none"> • For describe Management Functions. 	2	
<u>Ethical Issues</u> <ul style="list-style-type: none"> • For identifying ethical issues. 	2	
<u>Executive Summary</u> <ul style="list-style-type: none"> • For a concise and comprehensive conclusion. 	2	
TOTAL		<i>10</i>

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

MARKETING PLAN	P2	TOTAL
<u>Market Research</u> Describing the: <ul style="list-style-type: none"> • Collection of information by asking questions – (2 marks) (Primary Research) • Collection of data by using information provided by other organizations (Secondary Research). (2 marks) 	4	
<u>Industry Trend</u> For identifying any two of the following: <ul style="list-style-type: none"> • The type service that is provided. • The type of goods for which the customers request transportation. 	2	
<u>Size of the Market</u> <ul style="list-style-type: none"> • For stating that there are two competitors in the industry. 	1	
<u>Target Market</u> <ul style="list-style-type: none"> • For describing the consumers' taste. 	2	
<u>Pricing Strategies</u> <ul style="list-style-type: none"> • For calculating the amount of sales Somat would need to make in order to realize 40% profit on expenses. 	2	
<u>Promotion Strategies</u> <ul style="list-style-type: none"> • For discussing how the business can be promoted. 	4	
<u>Distribution Strategy</u> <ul style="list-style-type: none"> • For identifying the business as an intermediary/middleman in the distribution channel 	2	
<u>Consumer Organizations</u> <ul style="list-style-type: none"> • For stating the existence of agencies or organizations which assist in resolving the complaints of aggrieved customers 	1	
<u>Executive Summary</u> <ul style="list-style-type: none"> • For giving a précis of the above sections. 	2	
TOTAL		20

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
KEY AND MARK SCHEME

FINANCIAL PLAN	P3	TOTAL
<i>Trading and Profit and Loss Account:</i>		
Sales	<i>1</i>	
Expenses	<i>3</i>	
Net Profit	<i>1</i>	
<i>Balance Sheet:</i>		
Total Assets	<i>1</i>	
Placing Net Profit in correct location	<i>1</i>	
Total Capital and Long Term Liabilities	<i>1</i>	
Identifying banks, credit unions, friends and other financial institutions as other resources of capital	<i>2</i>	
TOTAL		<i>10</i>



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**CARIBBEAN EXAMINATIONS COUNCIL
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PRINCIPLES OF BUSINESS

Paper 03/2 – General Proficiency

1 hour

Specimen

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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CASE STUDY

This paper consists of a case study and a template for a Business Plan. Candidates are required to use the information from the case study to complete the Business Plan.

Somat's Dream

Somat conducted a market research in the trucking industry. The research revealed the

- price per load charged by the trucking firms in the industry
- fuel consumption of different trucks and
- cost of maintaining the vehicles

Other operating costs Somat would have to consider include the following data:

EXPENSES	\$ (dollars)
Road tax	250
Vehicle Insurance	2000
Goods in transit Insurance	5000
Wages	3000
Driver's license	50
Driver's permit	400
Fuel	1300
Maintenance	900
Advertising	1100

Somat recognized that he would need training if he has to manage all his business operations. Further observation disclosed that there were two large established trucking businesses. However, many clients were unhappy with the level of service received because the trucking firms were unreliable.

Somat was made redundant six (6) months ago and received a severance payment of \$17,000. His intention is to use \$10,000 as initial start up capital. He is trying to source a loan to aid in the purchase of two trucks, at a combined cost of \$200,000.

Somat has been offered a two-year contract to transport goods, with his previous employer. He has decided to establish a private limited company. Somat is extremely excited with his idea and prospects. He is considering advertising, however, he is unsure whether to use the local newspaper or the internet. He has already projected likely promotional expenses.

Somat is concerned about government criticism and scrutiny of the current operators in the industry. Nevertheless, he is still very hopeful that this will be a profitable venture.

BUSINESS PLAN
The Executive Summary
The Operational Plan
The Marketing Plan
The Financial Plan (Financial Statement)

Complete the following Financial Statements**Somat Limited****Trading and Profit and Loss Account for the period ended 31st December 2007**

Sales

Less:

Cost of Goods Sold	<u>11,600</u>
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Gross Profit

Less:

Expenses

Net Profit	----- =====
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Somat Limited**Balance Sheet as at 31st December 2007**

Fixed Assets	-----
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Current Assets

Stock	8,600
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Cash	<u>7,000</u>
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Current Liabilities

Financed by:
Capital

Long term Liabilities

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Required

1. Given that Somat would desire a 40% profit on expenses, calculate the amount of sales he must make in order to realize this.
2. Calculate the net profit figure.