



CARIBBEAN EXAMINATIONS COUNCIL

CSEC[®] Principles of Business

**SYLLABUS
SPECIMEN PAPER
MARK SCHEME
SUBJECT REPORTS**

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LIST OF CONTENTS

CSEC® Principles of Business Syllabus Extract	4
CSEC® Principles of Business Syllabus	5
 CSEC® Principles of Business Specimen Papers and Mark Schemes/Keys	 63
Paper 02 01240020/SPEC	53
Paper 02 01240020/SPEC	74
Paper 03/2 01240032/SPEC	79
 CSEC® Principles of Business Subject Reports	
January 2004	94
June 2004	105
January 2005	121
June 2005	132
May/June 2006	147
January 2007	159
May/June 2007	169
January 2008	184
May/June 2008	192
January 2009	203
May/June 2009	211
January 2010	225
May/June 2010	233
January 2011	246

May/June 2011	263
January 2012	280
May/June 2012	302
January 2013	318
May/June 2013	337
January 2014	353
May/June 2014	369
January 2015	387
May/June 2015	412

Principles of Business Syllabus Extract

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. This 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. It also engages students in conducting research which helps to improve their communication and critical thinking skills and creates an awareness of business ethics and social responsibilities.

The Principles of Business syllabus is arranged into 10 sections:

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



CARIBBEAN EXAMINATIONS COUNCIL

**Caribbean Secondary Education Certificate
CSEC[®]**

PRINCIPLES OF BUSINESS SYLLABUS

Effective for examinations from May/June 2008

Including 2009 amendments

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Contents

RATIONALE.....	1
AIMS	1
GENERAL OBJECTIVES	2
SKILLS AND ABILITIES TO BE ASSESSED	2
STRUCTURE AND ORGANIZATION OF THE SYLLABUS.....	3
SUGGESTED TIME-TABLE ALLOCATION	3
CERTIFICATION	3
FORMAT OF THE EXAMINATIONS	4 - 5
SECTION 1 - THE NATURE OF BUSINESS.....	6 - 8
SECTION 2 - INTERNAL ORGANIZATIONAL ENVIRONMENT.....	9 - 11
SECTION 3 - ESTABLISHING A BUSINESS	12 - 14
SECTION 4 - LEGAL ASPECTS OF BUSINESS	15 - 16
SECTION 5 - PRODUCTION	17 - 19
SECTION 6 - MARKETING	20 - 25
SECTION 7 - BUSINESS FINANCE	26 - 27
SECTION 8 - ROLE OF GOVERNMENT IN AN ECONOMY	28 - 29

SECTION 9 - SOCIAL ACCOUNTING AND GLOBAL TRADE	30 - 31
SECTION 10 - REGIONAL AND GLOBAL BUSINESS ENVIRONMENT	32 - 33
GUIDELINES FOR THE CONDUCT OF THE SCHOOL-BASED ASSESSMENT IN PRINCIPLES OF BUSINESS.....	34 - 41
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 - 44

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.

First Published in 1978
Revised in 1990, 1998, 2006 and
2013

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. sensitize students to the need for responsible social and ethical behavior in their pursuit of business goals;
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;
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;
4. develop reasoned expositions on theories and policies used in business.

◆ **STRUCTURE AND ORGANIZATION OF THE SYLLABUS**

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

PROFILE DIMENSION 1 - ORGANIZATIONAL PRINCIPLES

- SECTION 1 - THE NATURE OF BUSINESS
- SECTION 2 - INTERNAL ORGANIZATIONAL 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 TIME-TABLE 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. Organizational Principles;
2. Production, Marketing and Finance;
3. The Business Environment.

◆ **FORMAT OF THE EXAMINATIONS**

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

- (i) (i) Organizational Principles
- (ii) (ii) Production, Marketing and Finance
- (iii) (iii) The Business Environment

Paper 02
(2 hours) A structured Essay Paper consisting of seven questions divided into two sections. Candidates will be required to answer a total of five questions from both sections.

Section A will consist of three compulsory questions from Sections 1, 2, 5, 6 and 7 of the syllabus.

Section B will consist of four questions, two questions from Sections 1 - 8 and two questions from Sections 8 - 10. Candidates will be required to answer two questions from this section.

Candidates must answer all three questions from Section A and two out of the four questions from Section B. Each question will be worth 20 marks. Questions on Section A should contribute 60 marks and questions on Section B should contribute 40 marks.

School-Based Assessment (SBA)

Paper 03/1 A School-Based Assessment (SBA) component covering the Profile Dimensions of the syllabus. Details are given on page 34 - 41.

Paper 03/2 A case study for private candidates only. Details are given on pages 42.
(1 hour)

Distribution of Items for Paper 01 (Multiple Choice Test)

Section No.	Section Title	No. of Items
	<u>Profile Dimension 1 - Organizational Principles</u>	
1	The Nature of Business	5
2	Internal Organizational Environment	6
3	Establishing a Business	5
4	Legal Aspects of a Business	4

Section No. Profile Dimension 2 - Production, Marketing And Finance

5	Production	7
6	Marketing	7
7	Business Finance	6

Section No. Profile Dimension 3 - The Business Environment

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: Organizational 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 03/1 SBA	Paper 03/2* Alternate Paper	Total	(%)
Profile 1	20	40	10	10	70	(35)
Profile 2	20	40	20	20	80	(40)
Profile 3	20	20	10	10	50	(25)
Total	60	100	40	40	200	(100)
(%)	(30)	(50)	(20)	(20)	-	-

*Private candidates will sit Paper 03/2 in lieu of the SBA. The allocation of marks will be the same as for the SBA (Paper 03/1). Details of Paper 03/2 or the Alternative to the School-Based Assessment are given on pages 42.

◆ 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 organizations 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;
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) organization;
 - (h) economy;
 - (i) producer;

THE NATURE OF BUSINESS (cont'd)

- (j) consumer;
 - (k) exchange;
 - (l) goods;
 - (m) services;
 - (n) market;
 - (o) commodity;
 - (p) capital;
 - (q) labour;
 - (r) specialization.
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;
 - (d) tele-banking and e-commerce.
3. Reasons for establishing a business.
4. Forms of business organizations 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 nationalized industries;

THE NATURE OF BUSINESS (cont'd)

- (g) local and municipal authorities;
 - (h) government departments;
 - (i) concept of private and public sectors.
5. Types of economic systems:
- (a) traditional (subsistence);
 - (b) command or planned (socialist);
 - (c) free or capitalist;
 - (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 ORGANIZATIONAL 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 organizational charts;
5. interpret organizational 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 organization;
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 organization;
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 organization;
13. outline strategies for effective communication within an organization;
14. explain the concept of a Management Information System (MIS);
15. outline the benefits and challenges of a Management Information System in business;
16. discuss the personal needs that are satisfied through employment.

CONTENT

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

INTERNAL ORGANIZATIONAL ENVIRONMENT (cont'd)

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

INTERNAL ORGANIZATIONAL 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 organization:
 - (a) definition;
 - (b) advantages;
 - (c) disadvantages.
13. The communication process and strategies for effective communication within an organization.
14. The concept of MIS in an organization (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;
 - (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);
 - (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 organizations;
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;
16. explain the consequences of unethical and illegal practices in business.

CONTENT

1. The concept of entrepreneurship.
2. Role of the entrepreneur in conceptualizing, planning, accessing funds, organizing, 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.*

ESTABLISHING A BUSINESS (cont'd)

3. Personal traits and leadership qualities:
 - (a) creative;
 - (b) innovative;
 - (c) flexible;
 - (d) goal-oriented;
 - (e) persistent;
 - (f) persevering;
 - (g) propensity to take calculated risks.
4. Reasons for wanting to start a business:
 - (a) desire for financial independence;
 - (b) self-fulfillment;
 - (c) self-actualization.
5. Steps for establishing a business:
 - (a) conceptualization;
 - (b) research (market probe);
 - (c) identification of resources (financial, human, material);
 - (d) creation of business plan;
 - (e) acquisition of funds;
 - (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.

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 organizations.
11. Sources of capital including venture capital.
12. Collateral:
 - (a) concept;
 - (b) evaluation of different types;
 - (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;
 - (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;
17. explain how insurance facilitates trade.

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;
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.

PRODUCTION (cont'd)

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).
5. Migration and its positive and negative effects on the labour force.
6. Importance of entrepreneurial organizational 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);
 - (d) service (transport, communication, tourism).
10. Cottage Industries:
 - (a) home-based;
 - (b) mainly manual;
 - (c) small scale;
 - (d) use of local raw material;
 - (e) use of family members as labour.
11. Linkage Industries:
 - (a) backward;
 - (b) forward.

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;
 - (i) governmental regulation.
13. Functions of a small firm.
14. Growth of a Business and effects on:
 - (a) organizational structure;
 - (b) capital;
 - (c) labour;
 - (d) scale of production (economies of scale);
 - (e) use of technology;
 - (f) potential for export.
15. Capital-intensive versus labour-intensive production in developing countries, mechanization 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 organizations;
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;

MARKETING (cont'd)

21. identify the problems likely to be encountered in distribution;
22. outline measures to mitigate problems in distribution.

CONTENT

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

MARKETING (cont'd)

5. Reasons for conducting market research. Identification of:
 - (a) consumer taste;
 - (b) competition;
 - (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;
 - (h) brand loyalty.

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

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

MARKETING (cont'd)

9. Packaging:
 - (a) presentation;
 - (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;
 - (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;
 - (iii) loss leaders.
 - (b) public relations, including business entertainment and the offering of special awards and sponsorship;
 - (c) sales promotion;
 - (d) personal selling.
13. Selling:
 - (a) salesmen and their approaches;
 - (b) merchandising and adjusting of pricing policy;
 - (c) methods of maintaining good customer - firm relationships, for example, after-sales services.

MARKETING (cont'd)

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

MARKETING (cont'd)

18. Forms of Transport:
 - (a) land;
 - (b) air;
 - (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;
 - (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;
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;

BUSINESS FINANCE (cont'd)

- (iii) banking;
 - (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);
 - (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;
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;
 - (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.

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) health care – a healthy population;
 - (b) National Insurance Scheme – provision and security for the elderly;
 - (c) education – an informed and literate population;
 - (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;
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;
 - (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;

SOCIAL ACCOUNTING AND GLOBAL TRADE (cont'd)

- (d) life expectancy;
 - (e) rate of infant mortality;
 - (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;
 - (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) licenses;
 - (c) quotas;
 - (d) exchange control;
 - (e) devaluation;
 - (f) borrowing from another country;
 - (g) accepting gifts from other countries;
 - (h) importing on credit;
 - (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;
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) Organization of Eastern Caribbean States (OECS);
 - (g) Organization 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) Organization of Petroleum Exporting Countries (OPEC);
 - (n) Eastern Caribbean Common Market (ECCM);
 - (o) North American Free Trade Agreement (NAFTA);

REGIONAL AND GLOBAL BUSINESS ENVIRONMENT (cont'd)

- (p) Caribbean Canadian Agreement (CARIBCAN);
 - (q) Free Trade Area of the Americas (FTAA).
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;
 - (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 individualize 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 34 - 41).** 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 34-41 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:

- (a) provide assistance to students in the selection of projects;
- (b) advise students of the nature of the task, the scope and depth required to fulfill it and the availability of resource materials;
- (c) monitor students' progress by advising them of the quality of their work and recommending ways to improve the quality of the project;
- (d) collect and grade students' projects;
- (e) keep records of students' marks and submit these, together with samples of their work, as requested by CXC;
- (f) 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: Organizational

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 (any two, 1 mark; all three 2 marks) 	02			02
<ul style="list-style-type: none"> Justification of location <ul style="list-style-type: none"> – state location (1 mark) – outline three reasons to justify location (3 marks) 		04		04
<ul style="list-style-type: none"> Selection of appropriate labour <ul style="list-style-type: none"> – type of labour necessary (1 mark) – number of persons to be employed and their duties or functions (2 marks) – outline one reason why this type of labour is necessary (1 mark) 		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 (2 marks) – identify sources of working capital and give examples (2 marks) 		04		04
<ul style="list-style-type: none"> Role of the entrepreneur <ul style="list-style-type: none"> – define the role of the entrepreneur (1 mark) – outline three functions of the entrepreneur (1 mark each) 	04			04
<ul style="list-style-type: none"> Type of production <ul style="list-style-type: none"> – identify the type of production (1 mark) – describe the type of production (1 mark) 		02		02
<ul style="list-style-type: none"> Levels of production <ul style="list-style-type: none"> – identify the level of production (1 mark) – describe the level of production (1 mark) 		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 (1 mark each) 		02		02
<ul style="list-style-type: none"> Use of technology <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

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 (any two, 1 mark, all three 2 marks) 	02			02
<ul style="list-style-type: none"> • Organization of marketing department <ul style="list-style-type: none"> – <u>identify</u> and <u>describe</u> organizational 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 labeling 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) 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: 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"> Organizational 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 		04		04

CRITERIA	P1	P2	P3	TOTAL
and net profit (2 marks) - 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 PRINCIPLES OF BUSINESS ALTERNATIVE TO 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 specialized business areas.

Paper 03/2, 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 03/2 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 03/2), takes the form of a written examination in lieu of the SBA (Paper 03/1) 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 03/1, as shown in the table below.

WEIGHTING OF PAPER (03/2) SBA				
Proficiency	Profile 1 (Organizational Principles)	Profile 2 (Production, Marketing and Finance)	Profile 3 (The Business Environment)	Total
General	10	20	10	40

Paper 03/2 is based on a case study. Candidates are required to answer fourteen 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% of the overall final mark. Candidates are allowed 1 hour to answer the questions. Candidates are advised to familiarize themselves with the Objectives and Content of Section III, Establishing a Business, in order to prepare adequately for Paper 03/2. **Please note that candidates taking Paper 03/2 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 03/1 or Paper 03/2.

Paper 03/1 is a single guided research project for candidates whose research must be monitored by tutors in a recognized educational institution. The reports must be original work and must be validated by the principal and the candidates' tutors.

Paper 03/2 is a written examination designed for candidates whose research projects cannot be monitored by tutors in a recognized educational institution and who have been assigned by the Local Registrar to write Paper 03/2 at a designated examination centre.

◆REGULATIONS FOR RESIT CANDIDATES

Resit candidates who have obtained a **MODERATED** score of 50% 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% 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

- i. All candidates for the January sitting who are taking CSEC Principles of Business examination for the first time **MUST** write Paper 03/2.
- ii. There is no SBA option (Paper 03/1) available for January candidates.
- iii. Resit candidates fall into two categories:
 - a. those resit candidates who wrote Paper 03/1 (SBA) in the year immediately preceding the January examination. Those who obtained a **MODERATED** score of 50% or more are **NOT** required to write Paper 03/2 in January;
 - b. those resit candidates who wrote Paper 03/2 (Alternative to SBA) in the year immediately preceding the examination. Those who obtained a **MODERATED** score of 50% or more are **NOT** required to re-write Paper 03/2 in January.
- iv. A candidate who qualified under iii(a) and iii(b) above who obtained a **MODERATED** score of 50% or more, but who wish to try to improve on his/her grade may write Paper 03/2 in January.
- v. All resit candidates who did **NOT** satisfy the 50% requirement (either on 03/1 or 03/2) are required to write Paper 03/2 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 Nation 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 CXC Principles of Business syllabus has reviewed the resources below, and recommends them as useful for the study of the syllabus.

- | | |
|----------------------------|---|
| Luthra, V. | <i>Business Studies Companion – An Essential Dictionary of Accounting, Economics and Management</i> , Port-of-Spain: Infocorp. Limited, 2005. |
| Robinson, K. and Hamil, S. | <i>Principles of Business</i> , Kingston: Carlong Publishers, 2001. |

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CARIBBEAN EXAMINATIONS COUNCIL
CARIBBEAN SECONDARY EDUCATION CERTIFICATE
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PRINCIPLES OF BUSINESS

PAPER 02 – GENERAL PROFICIENCY

KEY AND MARK SCHEME

PRINCIPLES OF BUSINESS
PAPER 02 – GENERAL PROFICIENCY
MARK SCHEME

<u>Question 1</u>	Profiles			TOTAL
	P1	P2	P3	
(a) For stating THREE differences between a centrally planned and a market driven economic system. (2 marks each) (3 X 2)	6			
(b) For identifying a country with (i) a planned economy (ii) a mixed economy (1 mark each) (2 X 1)	2			
(c) For outlining TWO advantages the partnership type business has over sole proprietorship. (2 marks each) (2 X 2)	4			
(d) For outlining TWO reasons why it would be beneficial to convert from a partnership to a public limited liability company. (2 marks each) (2 X 2)	4			
(e) For explaining the terms: (i) Public Sector (ii) Private Sector (2 marks each) (2 X 2)	4			
Total Marks	20			20

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

Question 2	Profiles			TOTAL
	P1	P2	P3	
<p>(a) For stating TWO features of cottage industries</p> <p style="text-align: right;">(1 mark each) (2 X 1)</p> <p>For giving TWO examples of cottage industries.</p> <p style="text-align: right;">(1 mark each) (2 X 1)</p>		4		
<p>(b) For defining the following terms:</p> <p style="padding-left: 20px;">(i) land (ii) labour (iii) capital (iv) enterprise</p> <p style="text-align: right;">(2 marks each) (4 X 2)</p> <p>For giving ONE example of each factor of production</p> <p style="text-align: right;">(1 mark each) (4 X 1)</p>		12		
<p>(c) For illustrating how TWO factors in (b) can be used in a cottage industry.</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

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

<u>Question 3</u>				
	P1	P2	P3	TOTAL
(a) For describing the given activities of a marketing manager. <div style="text-align: right;">(2 marks each) (2 X 4)</div>		8		
(b) For outlining TWO reasons for conducting market research. <div style="text-align: right;">(2 marks each) (2 X 2)</div>		4		
(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>		8		
Total Marks				
		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="padding-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="padding-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

<u>Question 6</u>	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. <div style="text-align: right;">(1 mark each) (2 X 1)</div> For stating ONE function of EACH. <div style="text-align: right;">(2 marks each) (2 X 2)</div>			6	
(b) For identifying THREE major economic problems. <div style="text-align: right;">(1 mark each) (3X 1)</div> For outlining ONE possible solution to EACH problem. <div style="text-align: right;">(2 marks each) (2 X 3)</div>			9	
(c) For distinguishing between standard of living and quality of life. <div style="text-align: right;">(3 marks)</div> For giving an appropriate example. <div style="text-align: right;">(2 marks)</div>			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.
- (b) Identify THREE **major** economic problems in the Caribbean and outline ONE possible solution to EACH of the problems identified.
- (c) With the aid of an example, distinguish between a country's standard of living and its quality of life.

(6 marks)

(9 marks)

(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>



TEST CODE 01240032

FORM TP 01240032/SPEC 2006

**CARIBBEAN EXAMINATIONS COUNCIL
CARIBBEAN SECONDARY EDUCATION CERTIFICATE
EXAMINATION®**

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.**

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

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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

11,600

Gross Profit

Less:

Expenses

Net Profit

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

Fixed Assets

Current Assets

Stock 8,600

Cash 7,000

Current Liabilities

=====

Financed by:

Capital

Long term Liabilities

=====

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.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE**

JANUARY 2004

PRINCIPLES OF BUSINESS

PRINCIPLES OF BUSINESS

GENERAL PROFICIENCY JANUARY 2004

GENERAL COMMENTS

The January 2004 examination in Principles of Business was offered for the fifth year. It includes a School-Based Assessment (SBA) component for the resit candidate and the case study for Private Candidates.

This year 1913 candidates entered for the General Proficiency examinations. It consisted of the following papers:

Paper 1	Multiple choice
Paper 2	Essay Paper
Paper 3/1	School Based Assessment (SBA) (Resits)
Paper 3/2	Alternative to SBA (Private Candidates)

DETAILED COMMENTS

Paper 01 Multiple Choice

Paper 01 consisted of 60 multiple choice items taken from the three profiles of the syllabus. The performance of the candidates on Paper 01 was satisfactory. The mean score was 36.74.

Paper 02 Essay

Questions 1, 2, and 3 were compulsory. The candidates were given the option to do either Question 4 or 5, Question 6 or 7, and Question 8 or 9.

Question 1 (Compulsory)

This question tested candidates' knowledge of a Management Information System. The question was attempted by 94 per cent of the candidates. Only 35 per cent of them gave satisfactory responses. The mean score was 2.77 out of a total of 10.

Part (a) was not very well done by the majority of the candidates as they were unable to define 'Management Information Systems'. Many candidates restricted its meaning to technology used in production, or 'using computers', but were unable to state the applications.

Part (b) was not generally well done, as the majority of the candidates were unable to identify the functional areas of a business. Those who could, generally did well and were able to state how Management Information Systems would be applied to each functional area of a business. Many candidates confused the functional areas with functions of management.

Part (c) was not generally well done by the candidates. Candidates were unable to show how the use of Management Information Systems could make a business operation more competitive.

Question 2 (Compulsory)

This question tested the candidates' understanding of centralization, location of industries and economies of scale. The mean score was 4.53 out of a total of 10 marks.

Approximately 60 per cent of the candidates gave satisfactory responses. Of this cohort, just over half had a difficulty with the concept "economies of scale".

Part (a) of this question was fairly well done. Weaker candidates however, gave responses better suited for Part (b) in this section.

Part (b) was generally well done by all candidates. However, Part (c) proved to have discriminated between the strong and the weak candidates. Only those candidates who were especially strong were able to respond adequately.

Part (c) elicited responses on the advantages of a sole tradership over a company. Most responses focused on "all the sole trader keeping all the profits."

Part (d) required an explanation of one of the responses to Part (c). Candidates who gave accurate responses to Part (c), also gave reasonable explanations to Part (d).

Question 3 (Compulsory)

This question tested candidates' understanding of Government responsibilities to citizens, subsidies, price control, principles of insurance and collateral. The mean score was 9.82 out of a total of 20 marks.

It was attempted by 99 per cent of the candidates 65 per cent of whom gave satisfactory responses.

Part (a) of the question was generally well done. The majority of the candidates gave accurate responses.

Part (b) of the question was satisfactorily done. However some candidates were unable to generate suitable definitions for subsidies and price control. In a number of cases, candidates stated that a subsidy is a loan from government.

Part (c) was also satisfactorily done. Half of the candidates gave correct responses for both Parts (c) (i) and Part c (ii). The weaker candidates however, did not identify the principles of insurance in Part (c) (i). However, they tried to explain what the principles were in their own words in Part (c) (ii) and for the most part gave reasonable responses.

Part (d) of the question was answered creditably by most candidates.

ORGANIZATIONAL PRINCIPLES

Question 4 (Optional)

This question tested candidates' understanding of partnerships and private limited companies. It was attempted by 27 per cent of the candidates and 35 per cent of them gave satisfactory responses. The mean score was 9.97 from a total of 20 marks.

Part (a) was generally well done as the majority of the candidates were able to identify characteristics of a partnership. The weaker candidates however, were unsure of the number of members and misunderstood the concept of limited liabilities as it applied to partners.

Part (b) of the question was attempted by a few candidates. However, those who attempted it responded adequately.

Part (c) was generally well done as the majority of the candidates were able to identify disadvantages of partnership. Some candidates misread disadvantages for advantages and hence responded inappropriately.

Part (d) was not very well done as not many candidates were able to discuss the advantages of converting from a partnership to a private limited company.

Part (e) was fairly well done as candidates were able to identify government regulations which had to be satisfied before operating a private limited company.

Question 5 (Optional)

This question tested candidates' understanding of the functions of a business, the functions of management and the functional areas of a business.

It was attempted by 72 per cent of the candidates 70 per cent of whom gave satisfactory responses. The mean score was 11.36 out of a total of 20 marks.

Part (a) of the question was generally well done. The weaker candidates confused the functions of a business with the functions of management or the functional areas of a business.

Part (b) was generally well done. Candidates were given four functions of management which they were asked to describe. Many candidates were unable to describe these functions without including the named function in their description.

Part (c) was also generally well done. The majority of the candidates were able to state the major activities of the functional areas which were given.

Part (d) was fairly well done although many candidates did not specify how the business could benefit from a team approach to management. Instead they identified ways in which consumers would benefit.

PRODUCTION AND MARKETING

Question 6 (Optional)

This question tested candidates' understanding of the factors responsible for the loss of customers and the specific marketing strategies which could be employed to reverse such situations. It also tested the candidates' knowledge of how business can maintain good relations with customers and suppliers in the event of closure.

This question was attempted by 58 per cent of the candidates. Approximately 80 per cent of the candidates who attempted this question gave good responses. The mean score on this question was 13.68 out of a total of 20.

Part (a) of the question was generally well done.

Part (b) was also generally well done. However, some candidates explained the points given in Part (a) rather than suggesting the strategies to tackle them as was asked by the question.

In Parts (c) and (d), candidates gave some very good responses which showed creativity and the use of initiative.

Question 7 (Optional)

This question tested the candidates' understanding of promotion in marketing as well as the benefits firms gain through cooperation. It was attempted by 36 per cent of the candidates. The mean score was 11.53 out of a total of 20 marks.

In Part (a) the majority of candidates were able to identify the methods of promoting sales. The majority of candidates were able in Part (b), to explain ways the firm could obtain information about trends in the clothing industry. However they were unable to give well reasoned explanations.

In Part (c), the candidates, for the most part, were able to explain the three ways the clothing store could benefit from its relationship with the designing stores. However the weaker candidates that gave sketchy responses did not offer much of an explanation.

Part (d) required candidates to discuss ways in which designing stores could benefit from their relationship with clothing stores. Most candidates were able to identify ways in which benefits can be derived, but were unable to generate a discussion on the benefits.

Teachers are encouraged to ensure that their students are able to write in complete sentences and explain concepts well. By giving them more written exercises and guided research, they should be able to express themselves better in the written papers.

FINANCE AND INTRODUCTION TO ECONOMICS

Question 8 (Optional)

This question was attempted by about 19 per cent of the candidates. Of those who attempted the question, about 80 per cent achieved at least half the marks. The mean score was 11.11 out of a total of 20.

Part (a) of the question was well answered by the candidates, most of whom recognized international trade as trade amongst countries of the world.

Part (b) of the question tested candidates' knowledge of the difference between "unfavourable balance of trade" and "unfavourable balance of payments". Many candidates did not recognize that balance of trade involves imports and exports of

goods only. Some candidates gave the same response for Parts (b)(i) and (b) (ii) of the question. A few candidates were unfamiliar with the concepts. They treated the term “unfavourable” as importation of poor quality goods and or goods that did not arrive on time or were not paid for on time.

Part (c) required candidates to state two reasons for international trade. The majority of candidates were able to give two acceptable reasons.

Part (d) tested candidates’ knowledge of measures to address unfavourable balance of trade and unfavourable balance of payments problems. About 10 per cent of the candidates were aware of the specific measures governments can use to address these problems.

Part (e) of the question was either omitted or very poorly done. Candidates insisted on writing on the effects of unfavourable balance of trade and balance of payments on governments rather than on the citizen of the country. Many candidates failed to explain the points and therefore failed to gain full marks.

Question 9 (Optional)

This question was attempted by about 77 per cent of the candidates 50 per cent of whom gave very good responses. The mean score was 13.70 out of a total of 20. This question tested candidates’ understanding of money, central banks, commercial banks, taxation and environmental protection.

Part (a) of the question was well done. However, some candidates confused the functions of money with its characteristics.

Part (b) was generally well done. Candidates showed good understanding of the difference in the functions of the commercial and central banks.

In Part (c) (i), most students were able to list the purposes of taxation.

Part (c) (ii) posed difficulty for some candidates who failed to show how the purposes of taxation can help in improving the standard of living.

PAPER 03/2
Case Study
Alternative to the SBA

GENERAL COMMENTS

The Paper 03/2 required candidates to study a case and answer 14 questions. The case incorporated the three profiles.

The marks were allocated as follows:

Profile 1	-	12 marks
Profile 2	-	12 marks
Profile 3	-	<u>16</u> marks
TOTAL		<u>40</u> marks

The mean score was 25.49 and marks ranged from 0 to 39.

ORGANIZATIONAL PRINCIPLES
Questions 1 - 4

Candidates performed well on this profile. Many candidates scored the full 12 marks allocated to this profile.

Question 1

This question required candidates to identify the type of business organization referred to in the case and to list two of its features. Many candidates correctly identified the business as a Private Ltd. Co. The weaker candidates identified it as a partnership, presumably because the business was formed by four brothers. Candidates who identified the business as a partnership incorrectly mentioned features of a partnership instead of a Private Limited Company.

Question 2

This question required candidates to state four functions which the manager of Solstice Ltd is expected to perform. Most candidates scored full marks. The weaker candidates confused functions of management with the responsibilities of management.

Question 3

Candidates were required to outline three benefits which the business will enjoy if it installs a Management Information System. This was generally well done. Candidates demonstrated a high level of comprehension of MIS.

Question 4

Candidates were asked to identify the type of industry to which Solstice belonged and to give another example of a business in the same industry. Most candidates did not identify service industry as the industry. They were, however, able to give correct examples of similar businesses.

PRODUCTION AND MARKETING

Questions 5 - 8

The performance on this profile was satisfactory.

Question 5

Most candidates correctly identified the factors which influenced the location of Solstice Ltd.

Question 6

Candidates were required to discuss three benefits which the company will enjoy by having a chain of supermarkets. Most candidates stated the benefits which the country will enjoy rather than which the company will enjoy. Consequently, they lost valuable marks.

Question 7

Candidates were asked to list three methods which the company must use to promote the launch of its first branch and to explain how one of these methods operate. Candidates demonstrated a sound understanding of the promotional methods which the company could use and were able to explain the operation of these methods.

Question 8

This question required candidates to discuss the benefits of a firm having its own brand name and to outline a marketing difficulty which the company might face. The responses showed that candidates had a very good grasp of these concepts and their impact in the market place.

FINANCE AND INTRODUCTION TO ECONOMICS

Questions 9 - 14

The performance of candidates on this profile was satisfactory. Some candidates scored full marks on this profile.

Question 9

Candidates were required to list three types of insurance coverage which would be relevant to Solstice's business. Most candidates were able to identify the types of insurance which were relevant to the case. The weaker candidates, however, identified insurance principles instead of types of insurance.

Question 10

This question required the candidates to identify two ways in which the company can contribute to the economy. Candidates demonstrated a sound knowledge of the contribution made by a company to the economy of a country.

Question 11

Candidates were required to assess the impact on a business of:

- (a) an increase in interest rates;
- (b) and a decrease in interest rates. This question posed the greatest difficulty. Candidates were unable to state how an increase or decrease in interest rates would affect a business. Some interpreted interest rate as a tax.

Question 12

This question required candidates to outline two strategies which Solstice Ltd might use to raise funds to expand the business. Very few candidates identified strategies such as obtaining a loan or reinvesting the profits made by the business. Many suggested raising funds by having a party or concert.

Question 13

Candidates were asked to list two transport documents which Solstice Ltd was likely to use. Considering that the company would be trading both locally and in foreign markets, a large number of documents would satisfy this question. However, the weaker candidates listed birth certificates and passports instead of documents like import licence, Bill of Lading and Airway bill.

Question 14

This question required candidates to identify three methods of payment customers might use when making purchases from the company.

Most of the candidates scored full marks on this question. They displayed knowledge of a wide range of instruments which could be used to make payment.

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

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION
JUNE 2004**

PRINCIPLES OF BUSINESS

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PRINCIPLES OF BUSINESS

GENERAL COMMENTS

The June 2004 examination in Principles of Business (POB) was offered for the twenty-fifth year. This was the sixth year in which the revised POB syllabus, which includes a School-Based Assessment (SBA) component, was examined.

This year 37 066 candidates wrote the General Proficiency examinations and 256 candidates wrote the Basic Proficiency. Both the General and the Basic proficiency examinations consisted of three papers:

Paper 01	–	Multiple Choice
Paper 02	–	Essay Paper
Paper 03/1	–	School-Based Assessment (SBA)
Paper 03/2	–	Alternative to SBA (Private candidates)

GENERAL COMMENTS

General Proficiency

Paper 01 – Multiple Choice

Paper 01 consists of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on Paper 01 was quite outstanding.

The mean mark was 42.86 out of 60. Approximately 94 per cent of the candidates scored half or more of the marks for this paper. No candidate earned full marks, however, 6 candidates earned 59 out of 60 marks on this paper.

Paper 02 – Essay

Paper 02 comprises two sections. In Section I, candidates were required to answer 3 compulsory questions; one on each profile. In Section II, candidates were required to choose 1 question from each of the three profiles. The mean mark was 56.66. Three (3) candidates earned full marks, while 6 candidates earned 99 out of the 100 marks available on this paper. Approximately 65 per cent of the candidates earned more than half the available marks on this paper.

Paper 03/1

Paper 03/1, the School Based Assessment (SBA) is offered to school candidates. Candidates were required to undertake an investigation and produce a written report which spans the three profiles.

Performance on this paper was quite good. The mean mark was 27.64 out of 40 marks. 429 candidates earned full marks. Approximately 89 per cent of the candidates earned more than half the available marks on this paper.

Paper 03/2

Paper 03/2, the Alternative to the SBA, is an external examination offered to private candidates. For this examination candidates were required to answer 14 structured compulsory questions on a case-study spanning the three profiles.

Performance on this paper was fair. The mean mark was 22.03 out of 40 marks. One candidate earned full marks on this paper. Approximately 67 per cent of the candidates earned more than half the available marks on this paper.

Detailed Comments

Paper 02 – Essay

Section I – Compulsory

Question 1

Question 1 tested candidates' ability to distinguish between

- (a) a planned economy and a market driven economy,
- (b) the private sector and the public sector, and to
- (c) state the legal requirements for a public limited company before it commences operation.

It was attempted by about 90 per cent of the candidates. Candidates' performance was generally fair. The mean mark was 4.74 out of 10. Approximately 10 per cent of the candidates scored full marks.

Part (a) of the question was generally well done. The weaker candidates were unable to state three differences as required.

Part (b) posed a great deal of difficulty, as many candidates were unable to distinguish between public and private sector. In many instances, they distinguished between public and private limited companies. Some candidates also confused the sectors with the characteristics of the planned and market driven economy.

On the whole Part (c) of the question was well done. Many candidates scored the maximum available marks for this part of the question. However, some candidates stated the legal requirements of the public limited company after it commenced operation instead of before it commenced operation as was required.

Question 2

Question 2 tested candidates' knowledge of

- the benefits of small firms to Caribbean countries,
- the ways in which small firms are different from large organizations, and
- the features of cottage industries.

It was attempted by 94 per cent of the candidates. The mean mark was 5.78 out of 10.

Part (a) of the question posed a great level of difficulty because some candidates were unable to differentiate between the benefits of small firms to the Caribbean and the features of small firms.

Part (b) of the question was satisfactorily done. However, some candidates were unable to differentiate between limited and unlimited liabilities, and small and large firms. Additionally, some candidates attempted to describe firms generally without indicating whether they were referring to small firms or large firms.

Part (c) of the question was generally well-answered. However, some candidates misinterpreted the word "features" and gave "examples".

Question 3

Question 3 tested the candidates understanding of demand and supply and market structures. It was attempted by approximately 98 per cent of the candidates. The mean mark was 8.16 of 20 marks.

Most candidates scored only 50 per cent or less marks for Part (a). Few candidates were able to give complete and accurate definitions of demand and supply. One of the essential aspects of "at a price" was evident in only a minority of the candidates' responses. Some candidates explained the laws of demand and supply instead of defining the terms "demand" and "supply".

Part (b) of the question was generally well done. Most candidates were able to list two (2) factors affecting the demand for coffee sold by Mary.

Part (c) and (d) required specific knowledge of market structures. Many candidates did not respond to these sections. Of those who responded, very few gave suitable answers.

In Part (c) (i), only a small number of candidates were able to give the name of the market structure required. Some confused monopolistic competition with monopoly and a large number named business units such as partnership and private limited companies. In a few instances economic systems were also given. Some candidates responded with the answer “sole trader”, it was evident that they felt that “sole trader” and “monopoly” are synonymous.

Although many were not able to correctly name the market structure for part (c) (i), they were able to score points in (c) (ii) as the characteristics they gave were in line with those required for monopoly. Others however, simply gave the characteristics of business units or economic systems, consistent with their answers for (c) (i).

As with (c) (i), few candidates were able to name the correct market structure required for (d) (i). Some answers were very general, such as “imperfect competition” and “oligopoly”.

Some candidates scored marks in (d) (ii) even though they failed to do so for (d) (i). However, as with (c) (ii), some candidates gave characteristics of business units and economic systems in line with their response to (d) (i). Some candidates compared market structures in their responses to (c) (ii) and (d) (ii) instead of stating the specific characteristics of the market structures.

Part (e) of the question was omitted by a number of candidates. Many of those who attempted it did not reflect the effects of Susan’s opening of a shop on the PRICE of the coffee sold by Mary. These candidates expounded other general effects.

SECTION II – OPTIONAL

Profile 1

Candidates were required to answer either Question 4 or Question 5

Question 4

This question was designed to test candidates’ understanding and analysis of

- a) leadership styles,
- b) how a leader’s action may affect the business operations,
- c) qualities of a good manager,
- d) how the lack of a particular quality can affect the business, and
- e) responsibilities of management to employees.

It was attempted by about 50 per cent of candidates, with the majority of them giving satisfactory responses, and more than half scoring between 16 and 20 marks. The mean mark was 16.55 out of 20 marks.

It was evident that the majority of candidates were familiar with this aspect of the syllabus. They demonstrated the ability to analyze the situation presented and suggested plausible outcomes. However, some candidates confused leadership styles with either types of economic systems or types of business units. Others were uncertain of the differences between an autocratic and a democratic leader. While some candidates knew the term “laissez-faire”, they were not aware of its meaning, as many of them thought it meant a lazy leader.

The major misconceptions noted in the responses were

- many candidates confused functions of management with qualities of a leader, and
- rather than focusing on management responsibilities to employees, some candidates stated the responsibilities to owners/shareholders, customers and even government.

Recommendation to teachers:

- Ensure that students understand the different leadership styles as well as the correct spelling of these terms. Students must use the jargon of the subject.
- Use role play and case studies to highlight the differences in leadership styles.
- Emphasize qualities of the effective managers by citing examples within the school community, nationally, regionally and internationally.
- Discuss how leaders affect their teams' performance. Examples may be drawn from business.

Question 5

This question tested candidates' understanding of the concept "contracts"; its features, breach of contracts and remedy, ways in which a contract can be terminated, and to apply the concepts to a case study.

It was attempted by 52 per cent of the candidates, 75 per cent of whom gave satisfactory responses (scoring between 12 – 16 marks)

Part (a) of the question was generally well done. However, about 20 per cent of the candidates failed to define contracts as agreements which are "legally binding" or "enforceable at law".

Part (b) was also satisfactorily done by the candidates who performed well in Part (a). Some candidates however, confused 'conditions of a valid contract' with 'ways of terminating a contract' and some with 'principles of insurance'.

Part (c) posed some difficulty to candidates as they failed to conceive of the concept of "offer" and to determine that information was requested and supplied.

The better candidates were able to give reasons why (c) (i) was not an "offer" and detected "invitation to treat" or serious intention to create a contract.

Part (d) (i), 70 per cent of the candidates gave a good response for "breach of contract". Responses to (d) (ii) ranged from court fines, heavy penalties to sue the party.

Part (e) seemed difficult to some candidates who confused the conditions of a valid contract with the ways in which a contract may be terminated. The good candidates gave good responses.

Part (f) was fairly well done as 50 per cent of the candidates detected that Luton would not be successful in court and gave supportive reasons. The weaker candidates suggested that Luton would succeed in court because they failed to recognize that there was no "firm offer" and therefore no contract.

In some cases candidates used colloquial expressions such as "legit" for legal and "death" and "fight" for remedies of breach of contract.

Profile 2

Candidates were required to answer either Question 6 or Question 7

Question 6

Question 6 was attempted by approximately 55 per cent of the candidates. The responses were generally satisfactory.

The question tested candidates' understanding of "tourism" as a product and its benefits to the region.

Part (a) required candidates to state the benefits of tourism to a country. This was generally well done.

Part (b) asked candidates to state two disadvantages of tourism. Some of the weaker candidates failed to respond to this part of the question.

In part (c) where candidates were required to give three advantages and three disadvantages of advertising tourism as a region, candidates encountered two main problems. Firstly, candidates seemed to have had difficulty differentiating between advantages and disadvantages. Secondly, the concept "tourism product" was seen as a tangible product by many students and not as a service. This part of the question posed the most difficulty.

In part (d), candidates were required to state two methods, other than advertising, that a country can use to promote its tourism products. Candidates responded well to this part of the question. However, about 50 per cent of candidates had no clear concept of advertising. They presented other methods of advertising, rather than giving alternative promotional methods.

Teachers need to make clear distinction between advertising in general as apposed to advertising a 'product'. Teachers also need to give students the opportunity to engage in more problem solving activities. Students should be encouraged to use the technical terms associated with the subject rather than native jargon.

Question 7

This question was intended to test the candidates' understanding of the concept of marketing and in particular, marketing research.

This question was not a popular choice, as only approximately 40 per cent opted for it.

Generally, the responses were good. Approximately 65 per cent of the candidates scored between 15 and 20 marks.

In Part (a), many candidates failed to provide an adequate definition for 'market research' with the majority providing a definition for 'marketing' or 'research' instead.

Part (b) was well done but in Part (c), some candidates failed to provide proper explanations. Instead, they associated the success of the business to the types of information given.

Part (d) was fairly well done, however, some candidates had difficulty in applying their knowledge of marketing to the situation given.

Profile 3

Candidates were required to answer either Question 8 or Question 9

Question 8

This question tested candidates' knowledge and understanding of taxation and environmental issues.

Approximately 80 per cent of candidates attempted this question and the majority gave good responses.

Part (a) (i) of question 8 was generally well done. Candidates were able to correctly identify the purposes of taxation. However, responses could be enhanced by the use of appropriate economic jargon e.g. redistribution of income, curb inflation, stabilize the economy, control of the economy and finance government expenditure.

In Part (a) (ii), candidates did not clearly make the distinction between direct and indirect taxes. Candidates should have mentioned the impact and the incidence of tax. Despite this, most candidates were able to give appropriate examples.

While candidates were able to demonstrate a general understanding of the concept of standard of living, in Part (a) (iii), they were unable to give an explicit definition of the term.

- (b) (i) Candidates were able to earn full marks in this part of the question. They demonstrated a comprehensive understanding of environmental issues with reference to the manufacturing, tourism and agricultural industries.
- (ii) Desirable responses should have included specific measures such as: legislation, education, use of technology to reduce waste and to a lesser extent clean up campaigns and reafforestation.

RECOMMENDATIONS

- Teachers should give precise definitions of terms and concepts such as direct taxes, indirect taxes and standard of living
- Students should be made more aware of examples of specific taxes with reference to their own economies and be able to classify such taxes.

More emphasis should be placed on developing the use of subject matter vocabulary and not rely on layman expressions.

Question 9

This question tested candidates ability to:

- Identify major economic institutions of the Caribbean and their functions.
- Explain the term "economic dualism" and its effects on a country.
- Differentiate between "savings" and "investment".
- State the importance of foreign investment to the Caribbean.

The question was attempted by approximately 10 per cent of the candidates. Those who answered the question either scored very high or very low marks. The majority of the candidates scored low marks.

Part (a) was poorly done as candidates were unable to identify the economic institutions of the Caribbean. Many candidates gave other types of institutions for e.g. commercial banks, central banks, Kentucky.

The responses to part (b) followed from the poor responses in part (a).

In part (c), the performance was average. Those who responded gave the appropriate definitions and effects of economic dualism on a country.

In part (d), the performance was good. The better candidates were able to differentiate between “savings” and “investment.”

Part (e) was generally well done by most candidates who also did well in the other sections of the question.

GENERAL COMMENTS

Basic Proficiency

Paper 01 – Multiple Choice

Paper 01 consists of 60 multiple choice items taken from the three profiles of the syllabus. Performance on Paper 01 was fairly good. The mean mark was 35.77 out of 60 marks. No one scored full marks on this paper. However, 82 per cent of the candidates scored more than half the available marks on the paper.

Paper 02 – Essay

Paper 02 comprises two sections. In Section I, candidates were required to answer 3 compulsory questions; one from each profile. In Section II, candidates had to choose 1 question from each profile. Performance on this paper was unsatisfactory. The mean was 28.11 out of 60. Forty-five per cent of the candidates earned more than half the available marks on this paper.

Paper 03/1

Paper 03/1, the School Based Assessment (SBA), is offered to School candidates. Candidates were required to undertake an investigation and produce a written report, spanning the three profiles. The performance on this paper was satisfactory. The mean mark was 18.15 out of 30. Seventy-four per cent of the candidates earned at least half of the available marks on this paper.

Paper 03/2

Paper 03/2, the Alternative to the SBA, is an external examination offered to private candidates. For this paper, candidates were required to respond to 14 compulsory structured questions based on a case study spanning the three profiles. Performance on this paper was very poor. The mean mark was 7.04 out of 30. Only twelve per cent of the candidates earned half the available marks on this paper.

Detailed Comments

Paper 02 – Essay

Section 1 – Compulsory

Question 1

This question was designed to test candidates' ability to:

- Define and state the characteristics of the sole trader.
- Identify regulatory practices instituted by the government for the setting up of business.

Question 1 was poorly done by a large number of candidates. Out of a possible 8 marks, 39 per cent of the candidates scored 1 – 3 marks, 29 per cent scored 4 – 5 marks and approximately 4 per cent did not attempt this question.

The responses in Part (a) were generally clear and acceptable. The weaker candidates claimed that the sole trader managed a business on behalf of the actual owner(s).

In part (b), the candidates who experienced problems with this part confused characteristics with examples. Additionally, there were too many one-word answers that were not self-explanatory. As such, candidates could not be credited for some of their attempts.

In part (c), most candidates had a general idea of situations related to government regulations, however, many answers were too vague.

Recommendations

Teachers should highlight the importance of the various government regulations together with the possible consequences of not having those regulations. In addition, teachers should attempt to update their students about current regulations. The National Budget may provide a good source for such information. No community is without a sole trader and as such teachers should assist students in analysing the business activity of vendors, parlours, small shops, garages etc., people who they deal with everyday.

Question 2

This question tested candidates' knowledge and understanding of various forms of transportation and the advantages and disadvantages of these.

Approximately 51 per cent of the candidates who attempted this question obtained high scores (between 6 to 8 inclusive). Very few candidates did not respond to this question.

In part (a), approximately 40 per cent of the candidates failed to give the methods of transportation e.g. Road, Rail, Sea etc. Instead, they gave several examples of transportation by road, e.g. car and bus.

In part (b), 30 per cent of the responses were not fully developed. For example, candidates mentioned that transportation by road is cheap whereas a better response would have been that it is cheaper than some other method of transport being discussed.

Candidates' inability to identify the methods of transportation resulted in their inability to answer part (c) of the question.

Recommendations

Teachers should distinguish between the 'methods' of transport and the various examples of each using examples that candidates can relate to.

Question 3

This question was designed to test candidates' ability to:

- Lists types of risks.
- Distinguish between 'insurance' and 'assurance'.
- Explain the principles upon which insurance is based.
- List the functions of the commercial bank.
- Differentiate between short-term and long-term capital.

This question was attempted by approximately 97 per cent of the candidates. However, only 29 per cent of the candidates were able to obtain a score between 7 and 14.

In part (a), candidates were able to clearly identify the risks. However, many candidates were unable to make the distinction between 'insurance' and 'assurance'.

Part (b) presented some challenge to the candidates. Many candidates had no idea of the concepts 'proximate cause' and 'insurable interest'. Approximately 20 per cent of the candidates failed to respond to this part of the question.

In part (c), most candidates gave good answers. They were best able to say how loans can be used to assist the business, however, they experienced difficulty with regards to the services offered by the other commercial bank.

Part (d) proved to be problematic for most candidates. In general, responses referred to 'short periods' of time and 'long periods' of time, as opposed to specific time periods in terms of months or years. The weaker candidates were of the view that short-term capital was used by small businesses and long-term capital by large businesses.

Recommendations

Teachers should use a wide range of real examples apart from those provided in the textbooks to illustrate the principles of insurance.

The subtleties of Proximate cause, contribution and subrogation should always be emphasised as critical elements in discussions on insurance.

SECTION II OPTIONAL

Profile 1

Candidates were required to answer Question 4 or Question 5

Question 4

This question tested:

- Candidates' understanding of the conditions under which a contract is valid. The differences between a simple contract and a social agreement.
- The ways by which a contract may be terminated or discharged.

Question 4 was attempted by approximately 36 per cent of the candidates. Generally, the question was fairly well done. Over 60 per cent of the candidates obtained at least half of the available marks for this question.

In part (a), many candidates were able to recognise a contract to be an agreement, but approximately 40 per cent of them failed to define it as a legally binding agreement.

In part (b), many candidates could not list four clear requirements of a valid contract, but about 80 per cent of them were able to give two clear features of the speciality contract.

Part (c) of the question was poorly handled. Over 80 per cent of the candidates could not distinguish between a simple contract and a social agreement. Many of them felt that a simple contract had to be in writing. Additionally, they failed to recognise that a social agreement did not necessarily mean that there was face-to-face contact.

In part (d), candidates responses to this question were favourable with most of them identifying death and bankruptcy as the main reasons for the termination of a contract. Their main difficulty was with the use of the correct terminology as well as with spelling.

Recommendations

It might be a good idea to use a wide range of situations that students are familiar with to assist them with clarifying the technical differences between a simple contract and a social agreement. Role-play can be a useful tool for reinforcing the point. Numerous examples can be found around them, such as, everyday agreements between friends and family. Contracts that we discharge everyday, that we take for granted. e.g. purchasing a bus ticket, it's consequences, positive and negative and how it can be terminated or discharged, buying an E Card or an ordinary telephone card.

Question 5

This question tested candidates' ability to:

- Identify ways in which management can improve workers' performance.
- Define the term trade union
- List the roles of a trade union

Question 5 was attempted by 64 per cent of the candidates, and generally, the question was well done.

In part (a), candidates were not able to adequately identify the reasons why most people work. Their responses were limited to the satisfaction of basic needs such as food, shelter and clothing. Most candidates did not mention the broad categories of needs e.g. physiological, psychological and social.

Part (b) of the question was generally well done. Acceptable responses included improved working conditions and monetary incentives.

In part (c), approximately 40 per cent of the responses did not define 'trade union'. In many cases candidates erroneously suggested that the trade union was directly involved in some trade.

In part (d), those candidates, who correctly defined 'trade union', were able to articulate how they assist their members.

Recommendations

Maslow's hierarchy of needs can be used as a guide when teaching the broad categories of needs. This will help students to get a greater appreciation for the various types of needs:- basic, safety, social, esteem and self-actualisation.

Profile 2

Candidates were required to answer either Question 6 or Question 7

Question 6

This question was designed to test candidates' understanding of:

- linkage industries and the types of linkages.
- the benefits of cottage industries.

Question 6 was attempted by approximately 40 per cent of the candidates.

The term linkage was not well defined and the responses clearly showed that candidates were not very knowledgeable about the different types of linkages.

In part (a), many of the responses were vague. Candidates did not indicate that the output of one firm was the input for others. In many cases, the concept of linkages was confused with horizontal integration.

While the answers to part (b) of the question were rich with examples, very few candidates clearly identified and linked the terms 'forward linkage' and 'backward linkage' to their general discussion.

In part (c), the responses were generally weak and many candidates seemed to lack an understanding of cottage industries.

Recommendations

Many examples from the larger industries, within the candidates' community, neighbourhood or school environment can be used to clearly distinguish between backward and forward linkages. e.g. poultry farming, pottery etc.

Question 7

This question tested candidates' ability to:

- Differentiate between packaging and labelling
- Identify the functions of packaging and branding.

Approximately 60 per cent of the candidates attempted this optional question. Sixteen per cent of the candidates obtained at least 70 per cent of the available marks. The majority of candidates scored less than 6 out of 10 marks.

In part (a), most candidates showed a comprehensive understanding of labelling and packaging thereby obtaining full marks in this section.

In part (b), most candidates were only able to give two ways in which packaging can lead to increased sales. Acceptable responses included the fact that packaging can be used to attract customers.

In part (c), most candidates were only able to give one reason why branding is an important marketing tool, e.g. branding distinguishes one product from other competing products.

Recommendations

A useful tool might be the use of a wide cross section of brands for a variety of products. Students can identify why they have a preference for different brands. This tool can help candidates to identify and remember a number of reasons why branding may be important.

Profile 3

Candidates were required to answer either Question 8 or Question 9

Question 8

This question tested candidates' ability to:

- Define demand
- Explain how price is affected by demand
- Discuss factors affecting demand

Question 8 was attempted by 87 per cent of the candidates. Most candidates found this question to be very challenging. Forty-eight per cent of the candidates scored less than 4 marks. Thirty-three per cent scored between 4 and 6 marks, and nineteen per cent above 6.

In part (a), many students were unable to define the term demand. They confused it with the literal definition of the term demand. In many instances when it was defined, candidates failed to capture both 'willingness' and 'ability' to buy goods at a certain price. Most responses dealt with desire only.

In part (b), most candidates discussed how price would impact on demand rather than how demand would impact on price.

Part (c) was fairly well done. Acceptable responses included income, availability of the good, price of substitutes and the choice of different types of coffee.

Recommendations

Emphasis should be placed on distinguishing between how changes in demand can impact on prices; and how changes in prices can impact on the quantity of demand. The use of diagrams in determining demand and supply schedules, price changes, changes in supply and demand, shortages and surpluses may prove to be very effective aids to a better understanding of the concepts related to supply and demand.

Question 9

Candidates were required to:

- Identify the major economic institutions associated with, or which are of the Caribbean and state their functions
- State the importance of foreign investment to Caribbean territories.

Approximately 13 per cent of the candidates attempted this question and 67 per cent of them scored less than 4 out of 20 marks. The majority of candidates failed to score any marks for their answers.

In part (a), very few candidates were able to identify at least one economic institution such as CARICOM., C.D.B. or O.E.C.S. Many candidates confused 'economic institutions' with 'economic systems'. As such most responses included information about planned, mixed and free economies. A few responses included 'banking' and 'insurance', which were also unacceptable.

In part (b), most of the responses were irrelevant because of the failure to name at least one institution in part (a).

Part (c) was particularly problematic for most. The minority of candidates correctly identified employment as a way in which foreign-owned businesses could assist Caribbean countries.

Recommendations

Teachers need to ensure that students are aware of the economic developments in the region, taking into account the influence of Caricom and the impact of foreign investment. The use of the newspaper in the classroom is important in keeping abreast of these developments, their advantages and disadvantages. Awareness of other areas or aspects of the integration process, outside of Caricom, and the impact of free trade on the region as a whole can be part of open discussions in the classroom, a simple newspaper headline could be a good set induction.

School-Based Assessment

General Proficiency

General Comments

Assignments

The topics chosen were generally appropriate and candidates showed evidence of the use of knowledge and enquiry skills.

Responses

Responses indicated an understanding of the topic, but careful analysis was lacking. Many responses were not well structured.

Language and Presentation

The use of graphs, tables and charts should be encouraged for the enhancement of projects. Attention should be paid to the relevance of these charts to the topic.

Suggestions for Improvement

Teachers need to reread the section of the syllabus that deals with the SBA as guidelines were not always followed carefully.

For example marks were not awarded to students for expanded discussion of some points while marks were sometimes awarded inaccurately.

Candidates should guard against presenting too much irrelevant information. In many instances, too much attention was paid to computer graphics which is not awarded any marks. They should stick rigidly to the guidelines and mark scheme for maximum credit.

Performance of Candidates

There was a noted improvement in the quality of the candidates' SBA. Projects were generally well presented with the required information on the folder and inside pages.

Most candidates identified the research sources. Candidates, however should be encouraged to utilize acceptable and proper formats of research acknowledgement. Candidates must be reminded that table of contents and the numbering of pages are important aspects of the research presentation. Grammatical and spelling errors greatly detract from the research presentation and hence should be avoided.

While many teachers complied with the SBA requirements, some did not present the mark scheme for the individual candidates as required. Teachers also need to pay closer attention to marking guidelines as marks were not always appropriately awarded. Key words like identify and discuss are good indicators of how marks should be allocated.

Teachers must ensure that candidates address all the relevant issues i.e. topics and subtopics that are stipulated in the syllabus.

Profile 1

This profile was well done overall. There was an improvement in terms of the discussion related to management and legal issues.

Profile 2

Many candidates did not discuss the factors of production in relation to the business/organization being investigated. Candidates should refrain from plagiarising. Two important topics often omitted are linkages and consumerism. Where these two topics were discussed they revealed that candidates had not grasped these concepts properly.

Profile 3

This revealed that the majority of candidates were able to identify sources of capital but did not discuss the related terms. Many candidates listed the types of insurance but did not discuss the importance of insurance to the business or the implications of not being covered. Discussion on profit-ability remains a problem as many candidates did not assess the business profitability as required. Charts and graphs were inserted but without the relevant discussion.

While graphical and other forms of presentation should be encouraged candidates must utilize these to enhance their written presentation.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE**

JANUARY 2005

PRINCIPLES OF BUSINESS

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PRINCIPLES OF BUSINESS

GENERAL PROFICIENCY EXAMINATIONS

JANUARY 2005

GENERAL COMMENTS

The January 2005 examination in Principles of Business was offered for the sixth year. It included a School-Based Assessment (SBA) component for the resit candidate and the case study for Private Candidates.

This year 1652 candidates entered for the General Proficiency examinations. It consisted of the following papers:

Paper 01	-	Multiple Choice
Paper 02	-	Essay Paper
Paper 03/1	-	School-Based Assessment (SBA) (Resits)
Paper 03/2	-	Alternative to SBA (Private Candidates)

DETAILED COMMENTS

PAPER 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items spanning the three profiles of the syllabus. The performance of the candidates on Paper 01 was satisfactory. The mean score was 34.72.

PAPER 02 – Essay

Paper 02 consisted of 3 compulsory questions (one from each profile) and 6 optional questions (2 from each profile) from which candidates were required to answer 3.

Question 1 (Compulsory)

This question was designed to test the candidates' ability to:

- (a) explain the bartering system;
- (b) identify the problems associated with bartering;

- (c) show how money can be used to overcome the problems of barter and
- (d) outline how a money economy operates.

The question was attempted by 99 per cent of the candidates. The overall performance of the candidates was satisfactory. The mean mark was 6.54 out of a possible of 10 marks.

In parts (a) and (b), the majority of the candidates were able to explain the bartering system and identify the problems associated with bartering. Those candidates who did not perform well in this area seemed to have had very limited knowledge of bartering on a whole.

In part (c), those candidates who could not show how money was used to overcome the problems of bartering chose to explain the problems instead.

Part (d) was not very well done. Instead of explaining how a money economy works, the candidates explained the functions of commercial banks.

Question 2 (Compulsory)

In this question candidates' understanding of the functions of retailers, wholesalers, the threat of the use of the Internet, the World Wide Web and improvements in communication designed for their survival was tested.

The question was attempted by 99 per cent of the candidates. The mean mark was 6.18 out of 10 marks.

Part (a), was generally well done as candidates were able to clearly identify functions of retailers and wholesalers.

Part (b), was also very well done as the majority of the candidates were able to give reasons why wholesalers and retailers are threatened by the use of the Internet and improved communications.

Question 3 (Compulsory)

In this question, candidates' knowledge of demand and supply was tested. The candidates' performance was satisfactory. The mean mark was 10.57 out of a total of 20 marks. The question was attempted by 99 per cent of the candidates.

Part (a) was answered fairly well. However the weaker candidates explained the law of demand or defined supply.

Part (b) was also done well. The weaker candidates failed to outline the factors that would specifically affect demand for ice-cream. Also a few candidates overlooked the fact that the question asked for factors 'other than price' that could cause a decrease in the demand for ice cream.

Part (c) was also fairly well done as candidates discussed the measures that producers could take to raise the demand for ice-cream over time. However the weaker candidates failed to discuss the salient points and gave instead many aspects of one factor. They therefore failed to gain maximum marks.

Part (d) was done satisfactorily by the majority of candidates. However, the weaker ones failed to recognize that they were limited in the use of price as a factor. They also gave factors affecting demand rather than supply.

ORGANIZATIONAL PRINCIPLES

Question 4 (Optional)

In this question, candidates' understanding of organizational structure and functions of certain personnel within an organization was tested.

Approximately 64 per cent of the candidates attempted this question. The majority of them performed very well. The mean mark was 15.84 out of 20 marks.

In Part (a), the majority of candidates were able to correctly define an organizational chart.

In Part (b), most candidates were able to draw an organizational chart. However, very few candidates were able to identify the owners of a private company on that chart. The weaker candidates were not able to identify the levels of responsibility of persons within that chart.

In Part (c), the majority of the candidates were able to clearly outline the advantages of organizational charts. However, the weaker candidates confused this with maps or directories.

In Part (d), the majority of candidates were able to identify the functions of the Managing Director and the Financial Manager. The weaker candidates merely listed the functions of management and some confused the functions of the Managing Director with that of the Personnel Manager.

Part (e) was not very well done. The majority of the candidates were not able to identify who were the actual owners of the business.

Question 5 (Optional)

This question was designed to test candidates' understanding of trade unions, industrial activities and the responsibilities of management to employees.

Approximately 35 per cent of the candidates did this question and performed satisfactorily on it. The mean mark was 10.55 out of 20 marks.

In Part (a), the more knowledgeable candidates were able to identify types of industrial activities but the weaker ones identified methods of resolving industrial problems. Some candidates failed to note that the question restricted them from using "striking".

Part (b) was not very well done as candidates focused on management resolving industrial problems instead of actions that could be taken in retaliation against industrial activities by workers.

Part (c) was also well done. The majority of the candidates were able to explain collective bargaining. A weakness identified in some of the responses was that they failed to identify the parties involved.

In part (d), candidates also performed very well. The weaker candidates identified functions of management instead of the responsibilities of management to employees.

In Part (e), candidates failed to outline the functions of a trade union instead, they merely listed activities. Again candidates failed to

recognize that they were restricted from using the “collective bargaining” function.

PRODUCTION AND MARKETING

Question 6 (Optional)

In this question candidates were expected to demonstrate their understanding of cottage and linkage industries. Approximately 46 per cent of the candidates attempted this question and performed satisfactorily with approximately 60 per cent scoring above ten out of possible 20 marks. The mean mark was 11.81.

Part (a) was generally well done, as candidates were able to define cottage industries.

Part (b) posed a great deal of difficulty for the majority of the candidates, as they were unable to differentiate between backward and forward linkages.

Part (c) was satisfactorily done. The majority of candidates were able to identify two backward linkages of the local wine industry.

Part (d) was also generally well done. Candidates were able to explain how the development of the local wine industry could benefit a Caribbean country.

Part (e) was also very well done. Candidates discussed measures that the state could take to support a local wine industry.

Question 7 (Optional)

This question required candidates to demonstrate their understanding of methods of payments and methods of retailing. Approximately 52 per cent of the candidates chose to do this question with the majority scoring over 10 marks from a possible 20 marks. The mean mark was 12.87.

Part (a) was generally well done. Candidates were able to identify methods of payment for goods.

Part (b) was generally well done, as the majority of the candidates were able to identify methods of payment to a seller of furniture and give reasons for their selection of a particular method of payment.

In Part (c) candidates also performed very well. They were able to identify clearly the retail outlets used.

Part (d) was also very well done. Candidates were able to recommend methods of retailing to an artist quite easily.

Question 8 (Optional)

This question tested candidates' knowledge of international trade and documents used in international trade.

It was attempted by approximately 60 per cent of the candidates. Candidates did not perform well on this question. The average mark was 9.11 out of a possible 20 marks.

In Part (a) (i), the majority of the candidates were able to correctly define international trade.

Part (a) (ii), was also satisfactorily done. Candidates gave the correct reasons why countries trade with each other.

Part (b) (i), was not well done, as candidates could not identify barriers to international trade. Candidates failed to identify government policies against free trade but focused on general information like natural disasters.

Part (b) (ii), was also not done satisfactorily. Candidates were unable to identify why business documents are used in international trade.

In Part (c), very few candidates were able to distinguish between an airway bill and a bill of lading.

Part (d), was very poorly done, as candidates were unable to give advantages of a bill of exchange in international trade.

Question 9 (Optional)

In this question candidates' knowledge of commercial banks and Central Banks, as well as money and capital markets was tested.

It was attempted by approximately 37 per cent of the candidates and the average mark was 8.40 out of 20 marks.

Performance in part (a), was satisfactory, however, the weaker candidates confused the functions of the Commercial banks with the services provided by these banks.

Part (b) (i) was also generally done well, as candidates were able to identify differences between the Central banks and commercial banks.

Part (b) (ii) was also generally done well. However, the weaker candidates were unable to explain ways in which the Central Bank could reduce the commercial banks' ability to make loans.

Part (c), was fairly well done, as candidates were able to identify institutions in both the capital and the money markets. The weaker candidates however, only provided names of companies.

PAPER 03/2

Case Study

Alternative to the SBA

GENERAL COMMENTS

The paper 03/2 required candidates to study a case and answer 14 questions. The case incorporated the three profiles of the subject.

The marks allocated were as follows:

Profile 1 - 12 marks

Profile 2 - 12 marks

Profile 3 - 16 marks

TOTAL 40 MARKS

The mean mark was 20.80 and the marks ranged from 0 to 38.

ORGANIZATIONAL PRINCIPLES

Profile 1

Candidates performed well on this profile. Many candidates scored the full 12 marks allocated to this profile.

The case study tested candidates' understanding of various areas from all three profiles. Generally, the candidates' performance was satisfactory.

Questions 1 and 4 were generally done well while in Questions 2 and 3 candidates experienced some difficulty.

In response to Question 1, the weaker candidates were unable to identify three management functions using the language of the subject and a number of them confused management functions with management responsibilities and functional areas of business.

Question 2 created quite a challenge to the candidates. They displayed very little knowledge and understanding of organizational structure.

In Question 3, candidates demonstrated a lack of knowledge of trade unions.

In Question 4, most candidates identified the leadership style as democratic but the weaker candidates were unable to give a reason for their choice.

Profile 2

Generally Questions 7 and 8 were done well. However in Questions 5, 6 and 7 some difficulty was experienced by the candidates.

Question 5, was challenging. About 90 per cent of the candidates failed to score full marks for this section. While about 50 percent of the candidates identified monopoly as the market situation, most candidates did not state the market situation after the tax was lifted.

In Question 6, candidates' scores were satisfactory.

In Question 9, candidates confused the impact of mechanization on the company rather than on the economy.

Profile 3

Candidates scored heavily on Questions 10 and 13.

In Question 11, candidates cited benefits to the company rather than to the economy.

Question 12 was difficult for many candidates. Most of them demonstrated very little knowledge of balance of trade.

In Question 14, candidates were generally able to identify the likely consequences but failed to adequately develop their responses. The weaker candidates did not understand the concept of 'legal minimum wage', hence failed to give a likely consequence.

Recommendations

- (i) There is need for students to be given a number of varied examples when teaching the different concepts.
- (ii) Teachers must continue to expose students to modern methods of purchasing items such as the Internet.
- (iii) Teachers should spend equal amounts of time on demand and supply as students seem to have more knowledge about demand than supply. Emphasis must be placed on reinforcing the point that factors affecting demand do not directly affect supply and vice versa. Attention must also be focused on differentiating between verb cues such as "list", "state", 'discuss' and so on.
- (iv) Teachers need to focus on ownership of the business.
- (v) Teachers are encouraged to coach students in reading and interpreting questions properly.

- (vi) Teachers need to assist students in identifying backward and forward linkages through the use of many practical examples and field trips.
- (vii) Teachers must be commended for their teaching in the area of banking and should continue to provide students with as many examples as possible to cement the concepts. However, attention must be given to the differences between functions and services of the commercial banks.
- (viii) Teachers should spend some time discussing business documents when teaching international trade and show how these documents are used. Some attention must be given to individual documents like bills of lading, bills of exchange, airway bill, documentary credits and certificates of origin.

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

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION
JUNE 2005**

PRINCIPLES OF BUSINESS

PRINCIPLES OF BUSINESS

GENERAL COMMENTS

The June 2005 examination in Principles of Business (POB) was offered for the twenty-sixth year. This was the seventh year in which the revised POB syllabus, which includes a School-Based Assessment (SBA) component, was examined.

This year 34 603 candidates wrote the General Proficiency examinations and 380 candidates wrote the Basic Proficiency. Both the General and the Basic proficiency examinations consisted of three papers:

Paper 01	–	Multiple Choice
Paper 02	–	Essay Paper
Paper 03/1	–	School-Based Assessment (SBA)
Paper 03/2	–	Alternative to SBA (Private candidates)

GENERAL COMMENTS

General Proficiency

Paper 01 – Multiple Choice

Paper 01 consists of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on Paper 01 was satisfactory.

The mean mark was 34.69 out of 60. Approximately 71 per cent of the candidates scored at least 50 per cent of the marks for this paper. No one earned the maximum mark, however, 5 candidates earned 57 out of a possible 60 marks on this paper.

Paper 02 – Essay

Paper 02 comprises two sections. In Section I, candidates were required to answer 3 compulsory questions; one on each profile. In Section II, candidates were required to choose 1 question from each of the three profiles. The mean mark for Paper 02 was 45.80. Two candidates earned the maximum mark. Approximately 42 per cent of the candidates earned at least 50 per cent of the maximum mark on this paper.

Paper 03/1

Paper 03/1, the School Based Assessment (SBA) is offered to school candidates. Candidates were required to undertake an investigation and produce a written report which spans the three profiles.

Performance on this paper was quite good. The mean mark was 28.69 out of 40 marks. Six hundred and sixty candidates earned the maximum mark. Approximately 90 per cent of the candidates earned at least 50 per cent of the maximum mark on this paper.

Paper 03/2

Paper 03/2, the Alternative to the SBA, is an external examination offered to private candidates. For this examination, candidates were required to answer 14 structured questions on a case-study.

Performance on this paper was less than satisfactory. The mean mark was 17.76 out of 40 marks. No one achieved the maximum mark on this paper, the highest mark was 38 out of 40. Approximately 37 per cent of the candidates earned at least 50 per cent of the maximum mark on this paper.

Detailed Comments

Paper 02 - Essay

Section I - Compulsory

Question 1

This question tested the candidates' knowledge and understanding of government regulations in the formation of a business, and the documents required for formation of companies and partnerships. Approximately 98% of the candidates attempted this question.

Part (a) of the question was satisfactorily done. However, the weaker candidates confused the term "regulate" with "assistance/prevention" and many responses made reference to government assistance to already established businesses or ways in which government could prevent businesses from setting up. Additionally, they overlooked the term "setting up" and focused on "government regulations" of a business.

Part (b) was fairly well done as the majority of the candidates indicated some level of understanding of the word "limited" in the name of a company. However, the weaker candidates explained "limited" in the general meaning of the word instead of explaining its relevance in relation to the company's liabilities.

Part (c) of the question posed the greatest challenge. Some candidates were unable to explain the purpose of the Memorandum of Association and confused it with Articles of Association. In addition, responses for "partnership agreement" were weak, as candidates omitted the main purpose, that is, the sharing of profit and losses as well as interest on capital and drawings.

Question 2

This question was attempted by 96 per cent of the candidates. The question tested candidates' understanding of the terms "productivity" and "capital" and their ability to discuss strategies that can be used to increase the efficiency of labour.

Part (a) of the question required candidates to give a definition of productivity. This section posed the greatest difficulty for most candidates. Only a minority defined productivity as the rate of output in relation to input. The majority of them saw productivity as a 'process' 'the creation of goods' and 'the amount of work done.' Quite a number of them related it to the progress of the business, in terms of profitability rather than relating it to time and unit of input used.

Part (b) of the question required candidates to define capital. This was generally well done. However, too many candidates treated capital only as "money" and not as a stock of goods used in the production process.

Part (c) of the question required candidates to discuss three strategies which could be used to increase the efficiency of labour. This section was well done by most candidates. The areas tested seemed familiar to most candidates.

Question 3

Question 3 was attempted by 95 per cent of the candidates. It was designed to test candidates' understanding of demand and supply, the factors affecting demand and supply, and the ways in which producers or consumers may influence price.

The better candidates demonstrated a comprehensive understanding of the aspects being tested and scored within the range of 16 to 20 marks. The weaker responses indicated that candidates were not too familiar with the concepts of demand and supply. They appeared to be confused, and as a result, their responses were generally poor.

In part (a), the definition given for the term "supply" was incomplete and vague in many instances. Many candidates failed to relate quantity produced to the price and time. Some candidates incorrectly defined demand rather than supply.

Part (b) seemed to have created some difficulties for many candidates. Instead of explaining factors which cause an increase in supply, candidates discussed factors which could lead to an improvement in demand. They focused on the "consumer" aspects like taste and quality instead of addressing "production" factors which could contribute to an increase in supply. Some even discussed the four elements of marketing (production, price, place, promotion). In some cases, candidates correctly identified non-price factors but failed to explain how they contributed to an increase in supply.

Part (c) was generally well done. Candidates were able to outline factors which may cause a decrease in demand for ice-cream; non-price factors like decrease in population; cost of production, fall in the price of substitutes and increase in the price of supplements. However, some of the candidates cited factors which result in an increase in demand and did not relate the factors listed to the demand for ice-cream.

Part (d) required candidates to discuss ways in which producers or consumers may influence the price of cheese. Many candidates correctly identified increases and or decreases in demand and supply but some were unable to relate these changes to the direction of price movements. In this section, many candidates failed to present logical arguments on the ways "producers" and "consumers" may impact price. The weaker candidates discussed strategies for product improvement.

Recommendations

Teachers should ensure that candidates become familiar with the "jargon" of the subject and ensure that they fully understand the key terms – supply and demand. Teachers may cite examples of goods and services within the community/country (with which candidates are familiar) and demonstrate how the various factors affect demand and supply of those commodities or services. Candidates may be assigned project work (on a group basis). Each group could examine the effect of factors on a selected set of commodities, over a period of time. The report from each group would then be presented and discussed. Also, candidates need to be aware of strategies used by consumers and producers to influence price. The use of newspapers/current events in the country/region may be incorporated to greatly enhance the aspects of the syllabus, and contribute to the effective application and better understanding of the concepts.

SECTION II – OPTIONAL

Profile 1

Candidates were required to answer Question 4 or Question 5.

Question 4

Question 4 was attempted by 41 per cent and of the candidates. The question tested the candidates' understanding of the effectiveness of Management Information System (MIS), the functions of management, the functional areas of business and problems related to the expansion of a business. Generally, candidates did not seem to have a very clear idea of the role of MIS.

Part (a) of the question was generally well done. Candidates referred to MIS as only a computerized system. The weaker candidates merely gave a definition of MIS instead of the "role" of MIS. They failed to mention data captured and collected in a scientific manner, which is accurate, relevant, valid, reliable, and timely. However, most of the candidates did indicate that MIS is used in the decision making process.

Part (b) was fairly well done by the majority of the candidates. However, some candidates had an idea of what the management function- "planning" is about, but were unable to express their answers properly. The explanation of "controlling" was often interchanged with that of "coordinating" and "delegating." Most candidates understood what the function of "coordinating" meant, but confused this with controlling.

Generally, candidates indicated one element of each function in their explanation, but this was not enough to earn the two marks awarded for each function. In some cases, they repeated the words "plan", "control", and "coordinate" in their responses.

Part (c) was generally well done. Candidates were able to indicate likely problems an enterprise may be faced with as a result of an expansion of the business. Some candidates, however, suggested problems FDS Ltd. would face "in enforcing" the expansion, for example, "a suitable location", as opposed to problems encountered "as a result of" the expansion, which is what was asked.

Part (d) was poorly done. Candidates' responses bore no relationship to the utilization of MIS in the personnel department.

Part (e) was very well done. The candidates gave excellent responses to the benefits of utilizing a MIS in any economic venture.

Recommendations

To improve the responses of candidates, teachers should emphasize in their lesson deliveries, the definitions of and the differences between each management function. More attention must be given to teaching MIS in the classroom, and teachers should access appropriate and current material available on the topic. Candidates should also be made aware of the meaning and functions of MIS. Students should also be taught specifically about the uses of a MIS in the various departments of a business organization. Students could be taken on field trips or visit websites on the Internet to reinforce concepts. Teachers should also encourage candidates to read the newspaper and listen to current news so that they will be better equipped with knowledge of technological advancement, and how applicable it is to the business sector.

Question 5

This question tested candidates knowledge of the functions of a business, types of economic systems and the importance of effective communication.

The question was attempted by approximately 65 per cent of the candidates. The majority of whom gave satisfactory responses.

Part (a) of the question was generally well done as most of the candidates were able to identify the functions of a business. However, the weaker responses confused functional areas of business and management functions with business functions. To a lesser extent, a few candidates responded by mentioning factors of production and forms of business instead.

In part (b) of the question, the candidates generally performed well. However, some did not make the comparisons accurately. The weaker candidates tended to confuse the free market economic system with the mixed economic system or merely listed the characteristics of the economic systems.

In part (c), the majority of candidates gave satisfactory examples of mixed and planned economies; however, the weaker candidates failed to identify a country with a planned economy.

Part (d) of this question was fairly well done. Again, the weaker candidates gave the general types of internal communication methods instead of the specific ones. Examples of these include: verbal instead of meetings, non verbal instead of letters and memoranda.

In part (e) of the question, the majority of candidates were able to evaluate the effectiveness of internal communication within an organization and to highlight reasons for an effective communication flow. However, some candidates tended to repeat the responses already given in part (e) (i) of the question.

Recommendations

Teachers are encouraged to keep students abreast of what is happening in the current global environment. They also need to expose students to the precise meaning of terms or verb cues used in examination questions for example evaluate, discuss and outline and follow through with a number of examples to reinforce concepts taught.

Profile 2

Candidates were required to answer Question 6 or Question 7

Question 6

This question tested candidates understanding of migration and diversification as well as how the two concepts are related. The question was answered by about 40 per cent of the candidates, the majority of whom gave unsatisfactory responses. Most candidates displayed a lack of understanding of the concept of diversification. They were therefore unable to effectively discuss the impact of migration on diversification.

Part (a) required candidates to define migration and diversification. About 98 per cent of the candidates adequately explained the meaning of migration, however, only about 5 per cent correctly explained the meaning of diversification.

In part (b), candidates demonstrated a good understanding of the reason for migration but most of them did not elaborate on the reasons stated.

Part (c) of the question was fairly well done. Generally, candidates were able to suggest actions that government could take to lessen the migration of skilled workers.

Part (d) posed a great deal of difficulty to candidates who lacked knowledge of the meaning of diversification. Thus many candidates related how migration of skilled personnel impacted on the economy in general rather than specifically on diversification. Candidates who earned marks in the section, did so on the basis of the identification of problems caused by migration, in particular, 'brain drain' and the effects of migration on the economy and the country. Most candidates failed to discuss the impact of migration on diversification.

Recommendations

Teachers need to place more emphasis on the topic of diversification and encourage students to listen to the news and read widely. Students should also be encouraged to use the marks awarded for a question as an indication of the expected response. The stimulus material that is presented in the question should also be used to guide their responses.

Question 7

This question tested candidates' understanding of the principles of marketing with particular reference to research and promotion. Candidates were presented with a scenario and were required to apply these principles in the context of the product given. It was attempted by approximately 55 per cent of the candidates and 60 per cent of them gave satisfactory responses. Candidates performed satisfactorily with an average score of 11 out of a possible 20 marks. Approximately 2 per cent of candidates earned full marks for this question.

Part (a) of the question was generally well done with most candidates correctly identifying at least one purpose of market research. However, a significant number simply gave definitions of market research without providing a reason for it.

Candidates generally scored well in part (b) with many identifying the 4 P's of marketing. However, several candidates simply listed factors to be considered but failed to elaborate on them. Some merely said what each factor was but did not discuss its significance to marketing the product. A number of candidates, in answering (b), stated different types of research as factors to be considered when marketing the product.

Part (c) was not well handled as most candidates failed to differentiate between "promotion" in general and sales promotion. Generally, candidates seemed to have misunderstood sales promotion, confusing it with Advertising, Branding, Job Promotion, Personal Selling, and Public Relations.

Part (d) proved to be a challenge for most candidates and this resulted from their misinterpretation of the concept in part (c). Most candidates described various types of general promotions such as advertising and public relations, instead of sales promotion. Many failed to justify the strategies in the context of the stimulus material, they merely outlined the strategies that they selected instead of describing them as the question required.

A general observation made that pervaded all parts of the question, was that several candidates tended to apply their answers to a range of other items instead of making specific reference to product given in the "stem" of the question, that is, disposable diapers.

Recommendations

Teachers should emphasize the teaching of short term techniques increase sales. They should also help students differentiate between promotion of employees and sales promotion. Types of marketing strategies and forms of promotion should also be emphasized.

Profile 3

Candidates were required to answer Question 8 or Question 9.

Question 8

Question 8 tested candidates' knowledge and understanding of the economic concepts of economic growth, economic development and foreign investment.

This was a very popular question. It was attempted by approximately 90 per cent of the candidates. Generally, the responses were satisfactory, with many candidates scoring over 75 per cent of the available marks.

The candidates performed creditably on parts (a) (ii) and (c) of the question. Weak responses were given in (a) (i), (b) and (d).

Part (a) (i) proved to be challenging for many candidates. They generally had difficulty differentiating between economic growth and economic development. Many defined economic growth as growth in population. In other instances, the answers were vague, for example "economic growth is growth of the economy and economic development is development of the economy." The better responses made reference to quantitative and qualitative aspects of the topic.

Part (a) (ii) was generally well answered. However, many candidates ignored the key words in the question, "major economic problems" and listed general problems facing the Caribbean, for example, social and political problems. However, some candidates gave responses such as balance of payments problems, unemployment and shortage of capital.

Part (b) presented some challenge for candidates. Many did not earn the maximum mark, since they merely listed factors which may lead to economic growth without any elaboration. However the better candidates identified increase in net investment, better utilization of natural resources and improved productivity of the labour force.

The overall performance of the candidates in part (c) was fairly good. The majority of candidates earned the maximum mark. They understood the role of education in promoting economic development. However, the main weakness identified was a failure to link education with economic development. Some candidates made statements about education in general, for example 'education is the key to success.'

Part (d) required a discussion on the benefits of foreign investment to Caribbean countries. The candidates who discussed benefits such as increased availability of foreign exchange, employment opportunities, transfer of skills and linkages earned the maximum mark.

Recommendations

Teachers should engage their students in classroom discussions which encourage higher order thinking. Students also need to be taught how to interpret questions. They need to be familiar with and be able to distinguish between key verbs such as identify, describe, explain and discuss.

The use of newspapers, periodicals and discussions of current affairs are recommended as useful techniques for teaching the objectives tested in this question.

Question 9

This question was designed to test candidates' knowledge and understanding of international trade and its associated financial accounts. This question was not a popular choice among the candidates. It was answered by approximately 16 per cent of the candidates and those responses were mostly very poor. Very few candidates attained 50 per cent of the maximum mark. Those who scored high marks on this question showed a clear understanding of the balance of payments and were able to calculate and differentiate between the balances on the accounts

In part (a) (i) the majority of the candidates were unable to distinguish between a country's terms of trade and balance of trade as they could not define terms of trade. A fair number of candidates gave satisfactory definition for balance of trade. However in some cases, candidates did not relate the balance of trade to goods only, while others confused it with balance of payments. There were also obvious misconceptions between visible and invisible trade.

Part (a) (ii) required candidates to calculate the balance of trade from a given set of figures. Some candidates gave the figure for the current account rather than the balance of trade.

In part (b) where the candidates should have calculated the current account balance, many gave the figure for the balance of trade. Some gave the right figure, but the procedure was incorrect.

In part (c), candidates were required to identify two ways in which a country may have a surplus on its current account. Many candidates could only identify one way for e.g. an increase in exports and a decrease in imports. Other candidates showed a total lack of knowledge of this area.

In part (d)(i), the majority of candidates were able to define the term 'balance of payments', however, a few confused it with 'balance of trade'.

In (d)(ii), the responses were generally weak. The majority of candidates confused deficit financing with solving a balance of payment problem, and therefore discussed ways of correcting balance of payment problems rather than ways of financing the deficit in the balance of payments.

Recommendation

In delivering this aspect of the syllabus, teachers should do more in-depth analysis of the Balance of Payments Accounts. They should emphasize the various accounts and calculation of balances in the account. Additionally, they should make clear distinctions between correcting and financing the balance of payments.

Paper 03/2

School Based Assessment

The overall quality of projects submitted has improved. Candidates have made improvements in their presentation and in their development of the various topics as stipulated in the SBA guidelines.

However, there are some issues which should be addressed. These include the format and print of the SBA samples. A standard print size has been stipulated and hence should be adhered to. Candidates should be encouraged to print their projects or to write legibly.

Many projects also exceeded the word limit. In many cases, some of the information were irrelevant. Candidates should adhere to the SBA requirements. The presentation of the projects should reflect the SBA required format, that is, all relevant topics should be placed in appropriate profile in the correct sequence. Research procedures should be followed, and research sources must be properly identified. Candidates must also use an acceptable format for citing references and writing bibliography.

Generally, topics in Profile 1 were well addressed and developed. However, identification of organization form was still an area of concern; charts were presented with little or no explanation. In many cases management issues, especially management functions, were discussed verbatim, and not made relevant to the organisation in the project.

Profile 2 was generally fairly well addressed. There were notable improvements in the discussion of marketing. However, factors of production were discussed without reference to the organisation, and in a number of instances, one or two factors of production were omitted from the discussion.

An area which requires serious attention is that of 'linkages'. This area was either omitted from the discussion or was not properly addressed. As far as the topic 'Transport, Storage and Consumerism' is concerned, consumerism is still not being appropriately addressed and in some instances not even mentioned.

Performance in Profile 3 has improved. Most topics were adequately addressed except for the topic of 'Profits'. This topic needs to be reviewed by teachers. Generally Capital Sources, Insurance and Economic Contribution were adequately discussed and analysed.

Candidates were required to evaluate each profile and make appropriate recommendations. However, many candidates failed to do this; instead summaries of the topics discussed in the profiles were presented.

Recommendations

The overall quality of the projects can be improved if both teachers and students adhere to the guidelines stipulated by CXC. In addition, teachers need to apply the mark scheme accurately and consistently.

GENERAL COMMENTS

Basic Proficiency

Paper 01 – Multiple Choice

Paper 01 consists of 60 multiple choice items taken from the three profiles of the syllabus. Performance on Paper 01 was unsatisfactory. The mean mark was 28.37 out of 60 marks. No one scored the maximum mark on this paper. However, 44 per cent of the candidates scored at least 50 per cent of the available marks on the paper.

Paper 02 – Essay

Paper 02 comprises two sections. In Section I, candidates were required to answer 3 compulsory questions; one from each profile. In Section II, candidates had to choose one question from each profile pair. Performance on this paper was unsatisfactory. The mean mark was 17.97 out of 60. Only eleven per cent of the candidates earned 50 per cent of the available mark on this paper.

Paper 03/1

Paper 03/1, the School Based Assessment (SBA), is offered to School candidates. Candidates were required to undertake an investigation and produce a written report, spanning the three profiles. The performance on this paper was satisfactory. The mean mark was 17.82 out of 30. Seventy-two per cent of the candidates earned at least half of the available marks on this paper.

Paper 03/2

Paper 03/2, the Alternative to the SBA, is an external examination offered to private candidates. For this paper, candidates were required to respond to 14 compulsory structured questions based on a case study spanning the three profiles. Performance on this paper was fair. The mean mark was 18.27 out of 30. Ninety-one per cent of the candidates earned half the available marks on this paper.

Detailed Comments

Paper 02 – Essay

Section I – Compulsory

Question 1

This question was designed to test candidates' knowledge of the basic elements of the Law of Contracts. Candidates were required to define the term contract, identify the essential elements of a valid contract and show the effect of a counter offer with the use of an example.

Question one was attempted by all candidates with approximately 10 per cent gaining 50 per cent of the maximum marks.

Part (a) was well answered by most candidates who were conversant with the definition of the term.

Part (b) posed very little difficulty for most candidates as they were able to give at least two essential elements of a contract.

Part (c) presented the most difficulty as candidates were unable to give a real example of a counter offer of a contract. This part of the question discriminated the good student from the weak ones.

Recommendations

Teachers need to help students to identify examples of counter offer in everyday life situations.

The use of role playing activity may be useful.

Question 2

Question 2 tested candidates' understanding of public relations. Candidates were required to list and evaluate strategies that a small business would use in its public relations.

Sixty per cent of the candidates scored less than 50 per cent of the maximum mark for this question. However, 5 per cent attained the maximum mark.

Part (a) was generally not well done, despite the provision of stimulus material which should have assisted candidates to conceptualize the term.

Parts (b) and (c) were satisfactorily answered. Many candidates were able to identify strategies, however a few of them confused Sales Promotion with Public Relation.

Recommendations

More concrete examples of Public Relations strategies should be given. The use of School Based Project could assist in this area.

Question 3

This question tested candidates' knowledge of government's role in the society, its responsibility to the citizens as well as Government's Fiscal policy.

Of the candidates attempting the question, 65 per cent attained the maximum mark while 97 per cent gained full marks.

Parts (a), (b) and (c) were well done. Candidates were able to relate the concepts tested to everyday experiences.

Part (d) seemed to have created some challenges. This question focused on knowledge of Government's Fiscal policy as well as other government's mechanisms to raise revenue.

SECTION II – OPTIONAL

Profile 1

Candidates were required to answer Question 4 or Question 5.

Question 4

This question tested candidates' knowledge of types of business organizations and the advantages and disadvantages of the various types.

Eighty-two per cent of candidates attempted this question. Performance was satisfactory as 87 per cent of the candidates scored at least 50 per cent of the available marks.

Parts (a) and (b) were less challenging for candidates since most of them were able to satisfactorily compare the sole trader with the partnership.

Part (c)

Part (c) was very challenging for many candidates. The most common error was candidates misconception that if a partnership is changed to a public liability company, profits would increase and the business would be more successful.

Recommendations

More emphasis should be placed on public limited companies in the classroom.

Question 5

This question was designed to test candidate's knowledge of Industrial Relations and Trade Union in the organization.

Fifteen per cent of the candidates attempted this question. Responses to this question were quite satisfactory with 75 per cent of candidates gaining at least 50 per cent of the available marks.

Part (a) was generally well done by most candidates, however part (b) presented some difficulty. Some candidates demonstrated lack of knowledge of the term Grievance Procedure.

Part (c) was generally good. Most candidates were familiar with activities of the trade union.

Recommendations

More emphasis should be placed on exposing students to technical terms relevant to the topic. The use of role play in the classroom can assist the students in better understanding the topic.

Profile 2

Candidates were required to answer Question 6 or Question 7.

Question 6

This question was designed to test candidates' knowledge of Economies of Scales in production.

Approximately 28 per cent of candidates attempted this question. The responses were generally unsatisfactory.

Part (a) was not well done. Candidates were unable to define the term "Economies of Scale".

Part (b) was not well answered. A few candidates were able to correctly identify and describe the internal economies.

Part (c) had a slightly better response from candidates. However, candidates were unable to give four points to support the existence of small business.

Recommendation

Teachers need to dedicate more time to the teaching of this topic; practical examples should be used to concretize the concepts.

Question 7

This question was designed to test candidates' knowledge of the marketing aspects of business organization; particularly distribution in the export market.

Approximately 63 per cent of candidates responded to this question. The responses were generally satisfactory.

Part (a) was well done. The stimulus material was effectively used.

Part (b) and (c) presented some challenges for candidates. Candidates were unsure of channels of distribution and payment methods in the foreign market.

Part (d) also presented some challenges for candidates. Candidates were unable to identify the change in advertising strategy as it pertains to a foreign market.

Profile 3

Candidates were required to answer Question 8 or Question 9.

Question 8

This question tested candidates' knowledge of International Trade and the documents involved in business transactions abroad.

Forty per cent of the candidates chose this question. Overall, performance on the question was satisfactory with most candidates scoring at least 50 per cent of the maximum mark.

Part (a)

Candidates were able to satisfactorily define International Trade. Over 90 per cent of the were accurate in their responses to this part of the question.

Part (b)

Part (b) was answered well. About 70% of the candidates responded accurately.

Part (c) posed some level of difficulty for the candidates while part (d) proved to be most challenging. Only about four candidates responded appropriately to this part of the question.

Question 9

This question tested candidates' knowledge of Money and Banking, and in particular, methods of payment. The question was attempted by 57 per cent of candidates.

Candidates' responses were generally weak. A few candidates were able to earn the maximum mark in

this question.

Part (a) provided the least difficulty for candidates. However, candidates gave wide and various responses as to the types of cheques.

Parts (b) and (c) were generally well known, nonetheless, inappropriate and irrelevant responses were offered by some candidates.

Part (d) presented the most difficulty. Many candidates had little knowledge of capital and money markets.

Recommendation

Students should be given more exposure to the banking sector. Perhaps field visits or the introduction into the classroom of actual banking documents should be useful.

Paper 03/1

School Based Assessment

Assignments

Appropriate topics were chosen and candidates demonstrated good use of knowledge and enquiry skills in completing the projects. These projects covered all relevant areas in the syllabus.

Candidates' responses and assessment of projects

Most of the responses were well structured but there were a few which represented regurgitation of information from textbooks.

Some candidates presented irrelevant information which indicated very little appreciation of the topic. The layout of the project, in some cases, was disorganised with no clear reference to the Profiles 1, 2, 3 as clearly set out in the syllabus.

Language and Presentation

There was adequate use of graphs, tables and charts although in some instances these bore no relevance to the topic chosen. In some cases incomplete information was given.

Suggestions for improvement

Workshops could be organised in territories where teachers are inconsistent in their marking as compared with the accepted standard and samples of good work examined could be posted on the CXC's website as well as circulated to schools.

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

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

MAY/JUNE 2006

PRINCIPLES OF BUSINESS

PRINCIPLES OF BUSINESS

GENERAL COMMENTS

The June 2006 examination in Principles of Business (POB) was offered for the twenty-seventh year. This was the eighth year in which the revised POB syllabus, which includes a School-Based Assessment (SBA) component, was examined.

This year 39 096 candidates registered for the General Proficiency examinations. The composition of the examination is as follows:

Paper 01	–	Multiple Choice
Paper 02	–	Essay Paper
Paper 03/1	–	School-Based Assessment (SBA)
Paper 03/2	–	Alternative to the SBA (Private Candidates)

GENERAL COMMENTS

General Proficiency

Paper 01 – Multiple Choice

Paper 01 consists of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on Paper 01 was satisfactory.

The mean mark was 31.73 out of 60. Approximately 71 per cent of the candidates scored at least 50 per cent of the marks for this paper. No one earned the maximum mark, however, 5 candidates earned 57 out of a possible 60 marks on this paper.

Paper 02 – Essay

Paper 02 comprises two sections. In Section I, candidates were required to answer 3 compulsory questions; one on each profile. In Section II, candidates were required to choose 1 question from each of the three profiles. The mean mark for Paper 02 was 41.16. Two candidates earned the maximum available mark. Approximately 42 per cent of the candidates earned at least 50 per cent of the maximum mark.

Paper 03/1

Paper 03/1, the School Based Assessment (SBA) is offered to school candidates. Candidates were required to undertake an investigation and produce a written report which spans the three profiles.

Performance on this paper was quite good. The mean mark was 28.73 out of 40 marks. Six hundred and sixty candidates earned the maximum mark. Approximately 90 per cent of the candidates earned at least 50 per cent of the maximum mark on this paper.

Paper 03/2

Paper 03/2, the Alternative to the SBA, is an external examination offered to private candidates. For this examination, candidates were required to answer 14 structured questions on a case-study.

Performance on this paper was less than satisfactory. The mean mark was 13.01 out of 40 marks. No one achieved the maximum mark on this paper, and the highest mark was 38 out of 40. Approximately 37 per cent of the candidates earned at least 50 per cent of the maximum available mark.

Detailed Comments

Paper 02 – Essay

Section I – Compulsory

Question 1

The question was designed to test candidates’:

- understanding of sole trader and private limited company
- the ways in which growth of the business may affect the organizations’ structure.

The question was attempted by approximately 98 per cent of the candidates.

In part (a), some of the advantages given for sole trader were incomplete, in that, some candidates felt that the sole trader does not employ anyone. They felt also that the business is owned and operated solely by the proprietor. Some candidates felt that there was no need for the sole trader to pay taxes. Candidates also confused capital with profit.

Part (b) posed a great deal of difficulties to some candidates. Instead of explaining the benefits that would be enjoyed when converted to a private limited company, these candidates discussed the advantages of a sole trader, whilst some gave the advantages of a public limited company. Limited liability was confused with unlimited liability. They also felt that the owners paid little or no taxes, and instead of making mention of shareholders they stated that capital could be obtained from partners in a partnership. Many candidates interpreted private limited company as private sector, so they went on to list characteristics of the private sector.

In part (c), candidates generally were unable to outline ways in which the growth of the business may affect its organizational structure. However, many of them cited ways which resulted in change in the organizational structure. Some failed to present logical arguments on which the growth of the business may have some effect on the organizational structure, instead they wrote about the organizational chart.

They looked at growth as financial, that is, capital and profit. They also mentioned shareholders affecting the structure of the business on a regular basis.

Recommendations

- Teachers need to ensure that students have a clear understanding of the key terms of the subject. In explaining the concepts of the sole trader and private limited company, teachers may use examples of businesses within the community or country (with which students are familiar), and demonstrate how growth in the various businesses will affect its organizational structure
- Projects should be assigned (on a group basis) where each group examines the effect the growth of the business from sole trader to private limited company may have on the organizational structure. The report from each group should be presented and discussed
- There should be discussion on the difference between the organizational structure and the organizational chart, as too often candidates look at the chart as the structure of the entity itself.

Question 2

This question tested candidate's ability to:

- identify and explain two functions of an entrepreneur
- clearly state and explain three reasons why some entrepreneurs may prefer to keep their businesses small.

This question was attempted by approximately 90 per cent of the candidates, with 80 per cent giving excellent responses.

In Part (a) of the question, approximately 65 per cent of the candidates named the two functions of an entrepreneur but did not explain them to earn the full 2 marks. Some candidates gave the functions of a manager and/or sole trader. Others defined an entrepreneur, others described the characteristics of an entrepreneur as that of a sole trader, instead of giving the functions. Some answers for Part (b) were given in Part (a).

Part (b) of the question was answered better than Part (a). Some candidates cited three very good reasons why some entrepreneurs may prefer to keep their businesses small. Others padded up their responses by repeating the reasons in different ways. A few answered the question in the same way it was asked, for example, "because they prefer to remain small." Some candidates gave their answer as an extension of question one. Responses indicated that some candidates did not understand the term 'limited liability' which was used loosely to refer to less liabilities.

Recommendations

Candidates need to be able to clearly define the terms 'limited liability', 'unlimited liability' and 'economies of scale', as they relate to Principles of Business.

Candidates need to have accurate interpretation of questioning terms, such as outline, name, explain, describe and the like.

Candidates should also pay attention to the presentation of their response and follow the regulations and guidelines, such as, starting each question on a new page. Often it was difficult to distinguish the answers between questions one and two, as they were similarly answered in some cases, without proper numbering.

Question 3

This question was designed to test candidates' ability to:

- describe appropriate credit methods available to businesses from commercial banks
- identify conditions which must be satisfied in order to obtain loans from commercial banks
- identify methods of repayment for loans at commercial banks
- explain how central banks can reduce the capacity of commercial banks to make loans to customers
- identify other institutions offering similar credit facilities to that of the commercial bank.

Approximately 95 per cent of the candidates attempted this question, with only about 40 per cent presenting satisfactory responses. Only a small number of candidates were able to score between 15 and 20 marks.

Part (a) of the question was generally poorly done. Many candidates stated methods of payments for loans instead of credit facilities offered by commercial banks. A few candidates identified credit arrangements, which could be made with Sales Plus Ltd. instead of those, which could be given by the local commercial bank, NNB. Some candidates merely listed the credit methods and failed to describe them as was required by the question.

Part (b) was generally well done. Even the weaker candidates were able to state three conditions which should be met in order to obtain a loan.

The majority of the candidates did not answer part (c) of the question satisfactorily. They were unable to outline three methods of repayment for loans. Many of the candidates gave time periods for paying back the loans instead of methods of repayment. Of the few candidates who were able to identify the methods, the majority merely listed them and failed to go on to outline them as required. This prevented them from scoring full marks.

Part (d) of the question posed great difficulty for most of the candidates. It was evident that there was a lack of knowledge and understanding of monetary policies used to contract loans. Many gave ways, which would result in increasing loans for example 'lower interest rates' and 'giving more time to repay loans'. A few gave fiscal policies instead of monetary policies. In some cases, candidates gave the correct response for example, 'increased interest rates', but their explanation of how this would reduce credit facilities at NNB was incorrect. Some candidates merely listed the points and did not explain them, resulting in the loss of marks.

Part (e) of the question was generally well done. Most candidates identified the credit union. However, there were other satisfactory answers. In a few cases, the candidates gave institutions that do not lend to private individuals and businesses such as the IMF and the World Bank.

Candidates who scored highly on this question displayed proficiency in their ability to accurately interpret the instructional words and the overall question as well as to apply their knowledge of the concepts involved.

Recommendations

Teachers need to help students to distinguish between methods of credit and types of credit repayment. The relationship between central banks and commercial banks should also be emphasized. They should also distinguish between monetary and fiscal policies and indicate those which are contractionary and those which are expansionary.

Some practical application of the topic could be obtained from project work which could be done individually or in groups. In addition, personnel from the banks/financial institutions could be invited to present lectures/demonstrations to clarify issues.

Section II – Optional

Profile 1

Candidates were required to answer Question 4 or Question 5.

Question 4

This question was designed to assess candidates' ability to:

- interpret organizational charts
- distinguish between an organization and an informal group

- define and apply the concept of span of control
- explain and apply the concept of chain of command
- explain the concept of informal channels of communication and state its effect on the functioning of an organization.

The question was attempted by about 45 per cent of the candidates with about 50 per cent of them giving satisfactory responses.

Part (a) of the question was poorly done. Most candidates were not able to identify the type of organizational structure shown in the chart. Some identified it as a type of business, whereas in other instances, they confused the type of organizational structure.

Part (b) was generally well done. However, some candidates had difficulty in making distinctions between an organization and an informal group. Instead, they listed features rather than giving clear differences.

Part (c) (i) was satisfactorily done but many responses confused span of control with chain of command.

Part (c) (ii) of the question did not pose much difficulty, as most candidates were able to identify the span of control of the marketing manager.

Part (d) (i) was fairly well done. However, instead of giving an explanation of chain of command, a number of candidates gave examples. This concept was confused with span of control. Some referred to authority as flowing from bottom up rather than from top down.

Part (d) (ii) was reasonably done. A few candidates reproduced sections of the chart with irrelevant information. The marketing manager, and not the managing director, was seen as the person with whom the consultant would first need to meet to discuss the idea.

Part (e) (i) was satisfactorily done. Most candidates were unable to give the full definition of informal channels of communication; they generally scored a fraction of the mark.

Part (e) (ii) was well done. A large number of candidates in one way or another showed how informal channels of communication could affect the functioning of the organization.

Recommendations

- Teachers need to spend more time sensitizing students on how to interpret information on an organizational chart.
- Candidates need to be guided on how to identify the types of organizational structures based on diagrams.
- More emphasis should be placed on defining terms relating to organizational structure.
- There is a need for clearer distinctions to be made between formal and informal channels of communication.

Question 5

This question tested candidates' knowledge of

- government departments
- the government regulations to be followed when starting a business
- the importance of government regulations
- the contributions that a business makes to the development of a community.

Approximately 70 per cent of the candidates answered this question. Most of them gave satisfactory responses.

Part (a) was well done. However, a number of the candidates wrote unfamiliar acronyms for government departments instead of writing the name in full. The weaker candidates named branches of government such as the police force, courts of justice, hospitals, schools etc. for government departments.

Part (b) was also well done. Some candidates, however, misinterpreted the question and stated two functions of two departments.

Candidates' performance on part (c) was only fair. Most candidates were not able to identify three government regulations. The weaker candidates interpreted nursery school as nursing home or nursing school, therefore the advice given related to these institutions.

Part (d) was poorly done. Most candidates stated one reason to cover all three regulations mentioned in part (c) instead of giving one reason for each regulation.

Part (e) was fairly well done. Candidates were generally able to identify ways in which businesses can contribute to the development of the community.

Recommendations

While it is evident that students are knowledgeable about government departments, teachers need to place more emphasis on government regulations for the establishment of all types of businesses.

Profile 2

Candidates were required to answer Question 6 or Question 7.

Question 6

This question tested candidates understanding of internal economies and diseconomies of scale.

Approximately 25 per cent of the respondents attempted this question.

In part (a), most of the candidates presented appropriate responses. The weaker candidates cited activities taking place in and outside of the business.

In part (b), some of the candidates who attempted this question used effective technical terms demonstrating their understanding of the business jargon. Others offered other explanations which were not necessarily the correct technical terms, but were associated with these concepts.

The weaker candidates gave varied responses such as demand and supply, import and export and economic systems.

For part (c), the responses were generally weak. Approximately half of the candidates failed to identify two different internal economies of scale. Some even repeated what was discussed in part (b). In addition, they were unable to explain how this would reduce cost.

Candidates were generally unable to identify areas of lower production cost.

Part (d) (i) and (ii) were generally well done as most of the candidates gave plausible explanations for the negative consequences they cited.

In part (e), rather than identifying a disadvantage within the firm, many candidates gave a societal problem.

Recommendations

Teachers need to emphasize:

- the distinction between the terms internal economies and diseconomies of scale
- the technical jargon associated with the topic, for example managerial and marketing economies of scale.

Question 7

This question was designed to test candidates understanding of:

- linkage industries
- how these industries can benefit an economy
- government's role in establishing such industries.

Question 7 was attempted by approximately 77 per cent of the candidates. Varied responses were received for different sections of the question. The stronger candidates demonstrated a comprehensive grasp of the concepts relevant to the question while the weaker candidates demonstrated little or no understanding of these concepts.

Approximately 10 per cent of the candidates scored between 15 and 20 marks, approximately 30 per cent scored between 8 and 14 marks and the remaining 60 per cent scored between 0 and 7 marks out of a total of 20 marks.

Part (a) of the question was generally poorly done. The majority of the candidates were not able to accurately define backward and forward linkages.

In part (b), approximately 60 per cent of candidates were able to cite examples of backward and forward linkages in chicken production. In many cases, the correct responses were taken directly from the scenario presented in the question. However, because of a lack of a clear understanding of the concepts in part (a), 40 per cent of the candidates gave forward linkages as examples of backward linkages and backward linkages as examples of forward linkages.

Part (c) was generally well done. However, approximately 40 per cent of candidates failed to highlight benefits accruing to the economies of Aquala and Boluda, providing instead, benefits accruing to the individual firms.

Part (d) (i) was generally well done by approximately 70 per cent of the candidates. They were able to suggest two measures that the government could take to encourage the development of linkage industries

in their own countries. However, the remaining 30 per cent of candidates misinterpreted the question and gave measures to encourage the development of linkage industries in the two countries given in the question, Aquala and Boluda, instead of suggesting measures that could be used in their own countries.

Part (d) (ii), was also generally well done by the candidates who performed well in part (d) (i). The weaker candidates however were not able to clearly illustrate how one of the measures they highlighted in part (d) (i) would be implemented by the government in their country. Approximately 5 per cent of the candidates gave a pictorial representation as their illustration.

Recommendations

Teachers need to:

- emphasize clear definitions of the terms ‘backward’ and ‘forward’ linkages, using the appropriate jargons
- reinforce the definitions by citing clear examples of firms that engage in both forward and backward linkages
- engage students in discussion on the benefits that linkage industries accrue to the economy of their country and other countries in the region
- discuss the importance of linkage industries in the growth and development of individual countries and the caribbean region as a whole.

Profile 3

Candidates were required to answer Question 8 or Question 9.

Question 8

This question tested candidates’ ability to:

- discuss major economic problems in the caribbean
- discuss the role of the IMF in solving economic problems of the caribbean
- outline reasons why government nationalize industries
- state the disadvantages of nationalized industries.

Approximately 40 per cent of candidates attempted the questions and the responses were overall unsatisfactory. The average score was 8 out of 20.

In part (a), most of the responses were satisfactory. Many candidates were able to discuss three major economic problems. However, some merely listed the economic problems.

The responses to part (b) were poor. Most candidates were not aware of the role of the IMF in solving economic problems. Approximately 90 per cent of the candidates scored only one mark for stating that the IMF provides loans.

Part (c) of the question seemed to pose great difficulty. Most of the candidates lacked knowledge of the term nationalized industries. Many candidates merely listed the reasons for nationalizing industries and failed to discuss the points fully.

Part (d) was poorly done. Most candidates failed to score any marks. The respondents misunderstood part (d) and confused the disadvantages with advantages. It was evident that many candidates had no knowledge of the disadvantages of nationalized industries.

Recommendations

Teachers need to ensure that students understand:

- what is required by the various action verbs such as list, state, discuss, outline and explain
- the correct role of the IMF and the distinction between the roles of the IMF and of other financial institutions.

Question 9

This question tested candidates understanding of:

- national income and the use of national income data in planning development for a country
- the ways in which the Caribbean Development Bank assists countries in the region in alleviating their problems
- the reasons why a country engages in international trade.

The question was attempted by over 65 per cent of the candidates with the majority offering satisfactory responses. Part (a) was fairly well done. Few candidates were able to give a comprehensive definition of national income. However, many candidates completely omitted allowances for depreciation. Some weaker candidates confused national income and national insurance or gross national product.

Part (b) required a discussion of three ways in which national income data may be used in planning for development. The responses were generally good. The better responses made reference to standard of living, rate of growth in the economy, relationships between various sectors, management decision making, and changes in income distribution.

Weaker candidates merely listed the uses of the money value of national income. For example, to build roads, schools, provide training, etc.

Part (c) was generally well done. Suitable responses included CDB's role in project planning, implementation and financing, provision of technical assistance, expertise and project development. The weaker candidates confused CDB with other banking institutions, for example, the Central Bank.

The best responses were presented in part (d) with many candidates scoring full marks while demonstrating their knowledge of reasons for international trade.

Recommendations

Teachers are strongly advised to:

- spend more time in explaining the concepts related to national income
- make clear distinction between GDP, GNP, NI, NNP and depreciation, etc.
- focus discussions on the uses of national income statistics in economic decision making, as well as the role played by institutions like the CDB.

Paper 03/2

School-Based Assessment

The overall presentation of the SBA samples has improved. The quality of work reflected an improvement in teachers' guidance and support.

The new system implemented by CXC required five SBA studies per sample per school. This was adhered to by most schools. In keeping with this policy it is expected that a certain level of cooperation be instituted amongst teachers at the schools so as to ensure consistency in the marking. Teachers must ensure that the CXC standards are adhered to when marking the SBA studies.

In terms of presentation, there are still some areas of concern which need to be addressed. Teachers need to ensure that correct font size is utilized. This is a research paper, hence research procedures must be adhered to. While many candidates submitted a bibliography, many were not written in an acceptable format. Appendices are expected to entail relevant information or data that reflect the discussion in the body of the SBA. Therefore, candidates should be encouraged to present only relevant graphs, pictures and other data which should enhance the discussion and presentation.

Profile 1

This profile was generally well done. Candidates however, are still not ensuring that a thorough discussion is given in collaboration with diagrams presented, for example, organizational charts. Many candidates omitted to identify the organizational structure though diagrams were presented. Many candidates' discussion of management issues conflicted with the business/organization type. Despite these shortcomings, discussion of management issues was much improved with most candidates discussing the relevant issues.

As regards legal issues, a number of the discussions seemed inappropriate to the business type. Nevertheless, there was a marked improvement in the candidates' discussion of legal issues. However, candidates should be encouraged to discuss the implications of the absence of certain legal requirements of the organization.

Teachers should ensure that students' evaluation and recommendations reflect the required sub topic as per profile.

Profile 2

Most issues in this profile were adequately addressed. Factors of production were generally well discussed although a few candidates simply discussed the issue without relating it to the specific organization under investigation.

A sub topic which remains a matter of concern is location and linkages. While most candidates addressed matters concerning suitability of location, many still displayed difficulty identifying the opportunities for linkages or rather understanding the concept. Candidates seemed to have difficulty with this concept.

In relation to transport, storage and consumerism issues, candidates generally identified two and omitted discussion of one of the issues. Teachers are reminded that 2 marks should be awarded if all three components are identified and discussed.

Evaluation and recommendations too should reflect the issues discussed in the profile.

Profile 3

This profile was generally well researched and presented. Most candidates were able to fully discuss the issues. The sources of capital as discussed by some candidates conflicted with that of the business form.

As regards profits, candidates must be encouraged to discuss the use of profits as many discussed contributing factors but omitted how profit was used.

Pertaining to the economic contribution, candidates should be informed that sponsorship and contributions to the community in any form are allocated one mark and the other components should be discussed to ensure the attainment of the four marks allocated to this sub topic. While many candidates made statements indicating the organizations' contribution to GDP and GNP, they failed to indicate how these contributions were made.

Finally, marks have been allocated to communication. Teachers are reminded that a total of four marks allocated should reflect work of the entire project and should consider grammar and spelling as well as bibliography, table of contents and other aspects of project presentation. Teachers should also adhere to the SBA guidelines as they relate to candidate sampling and presentation.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION
JANUARY 2007**

PRINCIPLES OF BUSINESS

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PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION
JANUARY 2007

The January 2007 examination in Principles of Business was offered for the eighth year.

This year the candidate entry was 2585. The examination consisted of the following papers:

Paper 01	Multiple Choice
Paper 02	Essay Paper
Paper 03/2	Alternate to SBA (Private Candidates)

DETAILED COMMENTS

PAPER 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items spanning the three profiles of the syllabus. The performance of the candidates on Paper 01 was satisfactory. The mean mark was 36.21. Eighty-one per cent of the candidates scored at least 50 per cent of the maximum available marks on this paper.

PAPER 02 – Essay

Paper 02 consisted of three compulsory questions (one from each profile) and six optional questions (two from each profile) from which candidates were required to answer three. The mean mark was 46.17 out of 100. Forty-one per cent of the candidates scored at least 50 per cent of the maximum available marks on this paper.

PAPER 03/2 – Alternative to SBA

Paper 03/2, the alternative to the SBA, is an examination offered to private candidates. The performance of candidates on this paper was satisfactory. The mean mark was 19.66 out of 40. Fifty-two per cent of the candidates scored at least 50 per cent of the maximum available marks.

SECTION 1 – Compulsory

Question 1

This question tested candidates' knowledge of simple and specialty contracts. The question was attempted by approximately 99 per cent of the candidates. It was generally well done.

Part (a) required candidates to state two differences between simple contracts and specialty contracts. This section was fairly well done but weaker candidates confused features of simple contracts with those of specialty contracts.

Part (b) required candidates to identify two types of transactions which require specialty contracts. This section was very well done and the majority of the candidates were able to score the maximum marks.

Part (c) required candidates to outline two ways by which a contract can be terminated or discharged. This section was also done very well by the majority of the candidates. The major weakness in the response, was candidates' inability to provide plausible explanations.

Recommendation

Teachers should encourage students to examine questions carefully to determine what is required of them.

Question 2

This question tested candidates' knowledge of the levels of production for domestic and export markets, functions of the Bureau of Standards and channels of distribution. Approximately 98 per cent of the candidates attempted this question. Sixty per cent of them displayed a satisfactory level of knowledge where as 25 per cent showed a fair understanding of the topic. The other 15 per cent gave weak responses.

In part (a), approximately 40 per cent of the candidates were able to give satisfactory responses whilst the other 60 per cent gave weak responses.

In part (b), 60 per cent gave favourable answers for the functions of the Bureau of Standards.

Part (c) of the question received a high level of response. Approximately 80 per cent of the candidates gave satisfactory answers.

Part (d) of this question was fairly well done by 70 per cent of the candidates.

Recommendation

Teachers need to emphasize the different levels of production making clear distinction among them.

Question 3

This question tested candidates' knowledge of documents used in international trade and methods of payment for international trade transactions. The question was attempted by approximately 98 per cent of the candidates. This question was not well done

Part (a) required candidates to outline the difference between a bill of lading and an airway bill. This section was fairly well done, with approximately 98 per cent of the candidates scoring 50 per cent of the marks. However, the weaker candidates assumed that the bill of lading was used for transportation by land, and compared air transport with sea transport, instead of comparing the documents.

Part (b) required candidates to identify two other documents that would be needed when exporting goods. This section was poorly done as approximately 80 per cent of the candidates could not identify the documents used in international trade. The weaker candidates identified documents required for setting up businesses as well as general business documents.

Part (c) required candidates to discuss problems that could result from not having the documents. Approximately 85 per cent of the candidates were not able to explain the problems that would arise from not having the documents.

Part (d) required candidates to state reasons for issuing a credit note. This section was fairly well done as approximately 60 per cent of the candidates were able to state the correct reasons. The weaker candidates were of the view that a credit note is issued when giving credit.

Part (e) required candidates to discuss the benefits of using different methods of payment. This section was fairly well done. Approximately 80 per cent of the candidates were able to identify benefits of using standing orders and credit cards. However, less than 5 per cent of the candidates knew the benefits of using letters of credit and documentary credit.

Recommendations

Teachers should clearly emphasize the difference between documents used in local trade and those used in international trade. Emphasis should also be placed on different methods of payment in local and international trade.

SECTION 2 – Optional

Question 4

This question tested candidates' knowledge of the responsibilities of management to employees, the types of industrial action that can be taken by workers, and the functions of trade unions. The question was attempted by approximately 58 per cent of the candidates and the responses were generally good.

Part (a) of the question tested candidates' knowledge of the responsibilities of management to employees. The majority of the candidates did this very well, however, weaker candidates confused responsibilities of management with functions of management.

Part (b) required candidates to identify types of industrial actions. This section was fairly well done.

Part (c) tested candidates' knowledge of the functions of trade unions, other than taking industrial action. The majority of the candidates gave good responses.

Part (d) required candidates' to suggest one reason why management could attribute an 'on the job' accident to negligence of workers. This section was done very well.

Part (e) required candidates to suggest ONE reason why the trade union could blame management for an 'on the job' accident. Again, this was very well answered by the majority of the candidates.

Recommendation

Teachers should ensure that students can make a clear distinction between the responsibilities of management and the functions of management.

Question 5

This question tested candidates' knowledge of economic systems, private and public sector, business documents and the effects of growth on organizations.

The question was attempted by approximately 42 per cent of the candidates. Overall the question was fairly well done by most candidates.

Part (a) tested candidates' knowledge of economic systems. The majority of the candidates were able to identify the economic systems but some failed to describe the systems.

Part (b) required candidates to outline two major differences between private sector and public sector. The majority of the candidates were able to outline one difference between private and public sectors, but only few were able to find two differences. The weaker candidates confused private sector with private companies and public sector with public limited companies.

Part (c) required candidates to explain the purpose of the Memorandum of Association and the Certificate of Incorporation. This part of the question posed the greatest difficulty for candidates with the majority failing to correctly explain the purpose of each document.

Part (d) required candidates to discuss three effects of growth on a business. The majority of the candidates was able to identify the effects of growth but did not explain them. The weaker candidates used words synonymous with growth to explain the effects such as 'expansion'.

Recommendation

Teachers should place greater emphasis on the terms private sector and public sector, since many students still confuse these with private and public limited companies. Greater emphasis should also be placed on the documents used in registering limited liability companies.

Question 6

This question tested candidates' knowledge of 'transportation' in specific cases and the appropriateness of those means of transportation. Approximately 95 per cent of the candidates responded to this question.

Part (a) tested candidates' knowledge of the means of transportation. The majority of candidates, about 90 per cent, responded well.

Part (b) required candidates to identify problems associated with road transportation and discuss solutions to those problems. Again, this was well done.

Part (c) was generally well done.

In Part (d), approximately 80 per cent of the candidates were able to give reasons for insuring goods traded internationally.

This topic appears to have been fairly well taught.

Question 7

This question tested candidates' knowledge, of economies of scale and its impact on a factory. Approximately 5 per cent of the candidates attempted this question.

Overall, the question was not well answered. The average mark was 5 out of 20. Very few candidates were awarded double-digit scores.

Part (a) tested candidates' knowledge of economies of scale. The majority of the responses were weak. Many were unable to differentiate between internal and external economies of scale.

Part (b) required candidates to state advantages and disadvantages of large scale production. Again, this was poorly done.

In Part (c), candidates were given a table to identify the optimum combination of factors. This was also poorly done. The explanations for diminishing returns were weak.

In Part (d), most candidates scored the maximum marks available. They were unable to suggest factors that influenced the location of industrial business.

Recommendation

Teachers need to pay more attention to this section of the syllabus; thus, reinforcing concepts taught.

Question 8

This question tested candidates' knowledge of taxation and the responsibilities of government. It required then to apply this knowledge of taxation to different scenarios. About 52 per cent of candidates attempted this question.

Overall, the responses were satisfactory. Approximately 80 per cent of the candidates received 7–12 of the possible 20 marks.

Part (a) required that candidates distinguish between direct and indirect taxes. This was fairly well done.

Part (b) required candidates to identify three types of taxes and two sources other than taxes of government revenues. This was well done. Candidates were able to identify the three types of taxes as well as other sources. Their responses showed thoughtfulness and application.

Part (c) required a discussion of the effects of taxation on the scenarios of below normal profits, breaking even and above normal profits. This section was poorly done. The responses centred around profits decreasing with no mention of the impact of taxation on production cost and the effect on price and ultimately the response of consumers to the firm's products.

Recommendations

Teachers should emphasize the distinction between forms and types of taxes, the effects of taxation on the firm/business, the distinction between statutory deductions and taxes and interpretation of instructional words such as compare, list and discuss

Question 9

This question tested candidates' knowledge and understanding of money management and budgeting, inflation and standard of living and insurance. Forty eight per cent of the candidates attempted this question.

Part (a) required the candidates to define the terms – money management, inflation and standard of living. Sixty per cent of the candidates gave clear definitions for each concept. The weaker candidates struggled with defining some of the terms, particularly standard of living and inflation.

Part (b) required the candidates to explain 'personal budgeting' and the role it plays in good money management. Eighty per cent of the candidates gave very good responses to personal budgeting but some had difficulty relating this to good money management. Weaker candidates gave the response "money management is how you manage your money".

Part (c) required candidates to advise on the benefits of endowment and term policies in Insurance. This section presented quite a challenge to candidates. This aspect of the syllabus seemed to have been neglected.

Part (d) was very well done. Ninety-eight per cent of candidates were able to identify financial institutions that assist citizens in owning their own homes. However, few candidates gave responses such as Central Bank or insurance brokers.

Part (e) required candidates to explain how the institutions named in (d) assisted citizens in owning a home. The better candidates gave reasonable responses. However, the weaker candidates simply stated that they give loans or mortgages.

Recommendations

Teachers are encouraged to use guest lecturers to promote a better understanding of concepts such as insurance. This will bring to light what obtains in the industry and students can relate to practical situations. Money management and budgeting can be taught using simulation activities that candidates can see budgeting in action.

Paper 3/2

This paper required candidates to study a case and to answer 14 questions that relate to the three profiles of the syllabus.

Profile 1: Organisational Principles

Candidates were required to answer 4 questions on this profile. Their responses were generally satisfactory.

Question 1

Approximately 90 per cent of the candidates correctly identified the business entity presented in the case as a sole trader.

Question 2

About 75 per cent of the candidates could represent the entity on an organization chart. The weaker candidates misplaced positions on the chart or included positions that were not given in the case.

Question 3

Generally candidates were able to identify management functions. However, about 15 per cent of the responses gave a description of the management function instead of naming the function.

Question 4

This question posed the greatest challenge in Profile 1. About 70 per cent of the candidates understood the concept of democratic leadership style. But most of them were unable to state why this leadership style was appropriate for the business in question. Approximately 15 per cent of the candidates did not attempt the question.

Profile 2: Production and Marketing

Candidates were required to answer 4 questions on this profile. Generally the responses were unsatisfactory.

Question 5

This question posed some difficulty. About 10 per cent of the candidates were able to identify four pieces of evidence from the case which indicated that Mr Luna was an entrepreneur. Approximately 50 per cent of the candidates could only identify two pieces of evidence.

Question 6

The responses to this question were fairly good. Approximately 75 per cent of the candidates identified an appropriate linkage industry and followed through with the benefits to the business from the linkage that was formed.

Question 7a

This question was satisfactorily done. Approximately 90 per cent of the candidates accurately stated the possible disadvantages of relocating the restaurant. About 8 per cent stated advantages and another 2 per cent did not attempt the question.

Question 7b

This question was attempted by approximately 95 per cent of the candidates and the responses were satisfactory.

Question 8

The responses to this question was fair with approximately 50 per cent of the candidates describing accurately one method of sales promotion while the other 50 per cent incorrectly stated advertising as the sales promotion method for increasing sales.

Profile 3: Finance and Introduction to Economics

Candidates were required to answer six questions on this profile. The responses were generally satisfactory.

Question 9

Candidates' responses to this question were unsatisfactory. About 40 per cent stated two measures that could be used to secure the daily cash receipts. The weaker candidates misinterpreted the term 'cash receipts' and referred to the document 'receipt' as 'cash'.

Question 10

This question was satisfactorily done. About 65 per cent of the candidates stated the strategies to be employed to maintain market share. However, the weaker candidates were unable to develop their responses to gain full marks.

Question 11

This question was well done. Approximately 90 per cent of the candidates stated the practices to be observed when handling food and thus scored full marks.

Question 12

This question posed some challenge. About 50 per cent of the candidates could not state the benefits of membership in the tourism industry association.

Question 13

The overall responses to this question were quite good. Approximately 80 per cent of the candidates stated the services to be received from the government in return for paying taxes.

Question 14

The responses to this question were quite good. Approximately 85 per cent of the candidates identified the factors that contributed to the economic development of a country.

Comment

Despite the weaknesses identified, it is evident that teachers are succeeding in their attempt to prepare candidates to write this paper and therefore must be commended.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE SECONDARY EDUCATION
CERTIFICATE EXAMINATION**

MAY/JUNE 2007

PRINCIPLES OF BUSINESS

PRINCIPLES OF BUSINESS

GENERAL COMMENTS

The June 2007 examination in Principles of Business (POB) was offered for the twenty-eighth year. This was the ninth and last year in which the current POB syllabus, which includes a School Based Assessment (SBA) component would be examined.

This year 37 346 candidates registered for the General Proficiency examinations. The composition of the examination is as follows:

Paper 01	-	Multiple Choice
Paper 02	-	Essay Paper
Paper 03/1	-	School-Based Assessment (SBA)
Paper 03/2	-	Alternative to the SBA (Private Candidates)

General Proficiency

Paper 01 –Multiple Choice

Paper 01 consists of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on Paper 01 was satisfactory.

The mean mark was 33.13 out of 60. Approximately 67 per cent of the candidates scored at least fifty per cent of the total available marks for this paper.

Paper 02- Essay

Paper 02 comprises two sections. In Section I, candidates were required to answer three compulsory questions; one on each profile. In Section II candidates were required to choose one question from each of the three profiles. The mean mark for Paper 02 was 45 out of 100.

Paper 03/1

Paper 03/1, the School Based Assessment (SBA) is offered to school candidates. Candidates were required to undertake an investigation and produce a written report which spans the three profiles.

Performance on this paper was quite good. The mean mark was 29 out of 40 marks.

Paper 03/2

Paper 03/2, the Alternative to the SBA, is an external examination offered to private candidates. For this examination, candidates were required to answer fourteen structured questions on a case study.

Performance on this paper was less than satisfactory. The mean mark was 14 out of 40 marks. No one achieved the maximum mark on this paper. The highest mark was 28 out of 40 marks.

Detailed Comments

Paper 02 – Essay

Section I – Compulsory

Question 1

This compulsory question tested candidates' knowledge of simple contracts; including definition and essential features and 'breach of contracts'. It was attempted by approximately 93 per cent of the candidates.

Part (a) of the question was very well done as the majority of the candidates were able to define the term 'contract'. The weaker candidates however restricted its meaning to mere 'agreements' or to 'written documents'.

Part (b) of the question was also fairly well done. The majority of the weaker candidates, however, confused simple contracts with specialty contracts. Some candidates also gave 'offer' and 'acceptance' as separate features.

Part (c) of the question was also very well done. The majority of the candidates were able to explain "breach of contracts".

Part (d) required candidates to state whether the complainant in the case would be successful if the matter was taken to the courts. Just over 50 per cent of the candidates were able to give the correct response.

Part (d) was generally not well done as even those candidates who gave a correct response in part (d) were unable to correctly justify their answers. The majority of the weaker candidates said that a contract existed because witnesses were present or that a contract did not exist because the subject was a minor or that no contract had been signed.

Recommendations

Teachers are encouraged to clarify for their students, the major differences between simple and specialty contracts using many different examples to reinforce the concept. Emphasis should be placed on the fact that simple contracts need not be, and usually are not, in writing.

Question 2

This question tested the candidates' ability to identify the criteria used to classify a firm as small in CARICOM countries; to outline some contributions that small enterprises make to the development of an economy and to explain the term "cottage industry", as well as to give examples of cottage industries.

This question was attempted by 89 per cent of the candidates.

Part (a) of the question presented the most difficulty to candidates. The weaker candidates confused the word “CARICOM” given in the stimulus material and so compared “countries” instead of listing the criteria of a small firm. They also showed a lack of understanding of the word “criteria” and thus identified the characteristics of a sole trader; such as “unlimited liability”. Other candidates incorrectly gave ‘location’ as a criterion and still others even gave the factors influencing the location of a business. The contributions of small enterprises were given here as responses rather than in part (b).

Part (b) of the question was widely known. However, the majority of the candidates failed to give proper outlines and thus could not be awarded the maximum 2 marks for each.

Part (c) of the question was fairly well done. However, the weaker candidates clearly did not know the meaning of the term “cottage industry” and indicated that it was a set of buildings or small homes, especially on the beach.

Recommendations

Teachers must ensure that students are coached in how to interpret verb cues given in questions, for example list, outline, discuss and words used in questions like criteria, features, characteristics, contributions and to be able to differentiate among them.

Students should be encouraged to strive to expand their explanations so as to get full marks. Teachers should also help students to see that cottage industries must not be taken in the literal sense of the word and therefore should be properly explained.

Home based aspects of a cottage industry must also be stressed, looking particularly at an industry where things are made mainly by hands in the home. Students must also know that all small businesses are not cottage industries, for example, fishing and farming.

Question 3

This question tested the candidates’ understanding of market structures. It was attempted by approximately 90 per cent of the candidates. While there were some candidates who performed very well, the majority of candidates scored less than half of the total available mark.

Part (a) of the question required a definition of the term, “market structures”. Not many candidates obtained full marks. For the most part, candidates failed to give accurate and concise definitions. In a number of cases, candidates defined “the market”, “marketing strategies” or described the hierarchy of the firm.

Part (b) of the question was generally well done. Most candidates were able to state two features each of perfect competition and monopoly. However, some candidates did not understand these concepts at all. Monopoly was confused with the sole trader by a few candidates.

Part (c) was poorly answered in most cases. Most candidates were not able to show how the monopoly supplier of cellular phones could affect the price of cellular phones. Many responses

indicated how the supplier would affect demand, without going on to show how the change in demand would then affect the price.

In part (d) of the question, only a few candidates indicated acceptable reasons for the intervention of government in monopolies. Those who gave acceptable reasons for the government's intervention did not go on to discuss the points as required by the question. In a few instances, candidates concentrated on how the government would intervene rather than why they would intervene.

In part (e), candidates were generally able to identify the factors which would contribute to the fall in demand for cellular phones and in most cases the factors were thoroughly discussed. The weaker candidates, however, demonstrated that they were not familiar with the factors affecting demand. In some cases, the factors causing a fall in the demand for a particular cell phone competitor were discussed, instead of the factors which would cause the fall in demand overall. A few candidates gave factors which would actually result in a rise in demand.

Recommendations

In the classroom, teachers should give attention to the definition of market structure, pointing out clearly the difference between market structure and the concepts of "the market" and "marketing".

It would be useful also to compare market structures as a means of testing whether or not students really understand the topic. Debates and /or group presentations could be used to highlight the important points relating to this topic.

When teaching the concept of demand, more drills should be used with graphs emphasizing the difference between 'movements along the curve' versus 'shifts of the curve.'

Section II – Optional

Profile 1

Candidates were required to answer Question 4 or Question 5.

Question 4

This question tested candidates' understanding of the functions of the various functional areas of a business and the effects that a decision by the marketing department to satisfy an increased stock order could have on the other departments. It also tested candidates' understanding of the benefits of teamwork and the ways in which a Management Information System (MIS) could be used in the production department. The question was attempted by approximately 57 per cent of the candidates.

Part (a) of the question was generally well done. A number of the candidates however had difficulty stating the functions of the personnel department.

Part (b) posed a challenge to most of the candidates. About 50 per cent of them misinterpreted what was required. They showed the effects on the production and finance departments only, while a few of them showed the effects on the marketing department.

Part (c) was generally well done. The candidates were fully aware of the benefits of teamwork. There was a small group of candidates who misunderstood the concept 'team approach' and saw it as forming a new company or sponsoring a team (as in a sporting event).

Part (d) posed a challenge to candidates. Most of them gave benefits of a MIS but failed to show how the system could be used in the production department. The majority of candidates lacked the command of the technical language appropriate for MIS.

Recommendations

In the classroom teachers should revisit the terms "human resources/personnel" during the teaching process, they should also give more case studies involving the application or transferring of knowledge obtained; set projects where 'teamwork' is emphasized and the outcome evaluated with the students. Teachers also need to make use of the 'practical' or 'hands-on' examples of MIS in the real world when teaching MIS.

They need to assist students in understanding how the MIS can be used by the functional departments of a company by using simulated exercises, case studies and field trips or even inviting resource persons from firms to speak on how MIS is used in different departments in their firms.

Question 5

This question was designed to test candidates' understanding of the characteristics of a sole proprietorship, remuneration package and incentives, leadership styles and the needs that are satisfied through work.

It was attempted by approximately 43 per cent of the candidates.

Part (a) of the question was well done as the majority of the candidates were able to list three characteristics of the sole proprietor. However, the weaker candidates confused these with the functions of the entrepreneur, advantages and disadvantages of the sole proprietor, functions and role of business and the characteristics of a cottage industry.

Candidates seemed to have had problems interpreting the Part (b) (i) and (ii) of the question on remuneration package and incentives. The majority of the candidates did not know what a remuneration package was. They took remuneration package to mean packaging of goods in marketing. However, they seemed to recognize that incentives were used to motivate workers but failed to follow through by providing the correct examples. The weaker candidates related incentives to customers and confused remuneration packages with incentives.

Part (c) and (d) were fairly well done as the majority of candidates were able to identify the leadership styles. However, they merely listed rather than outlined the styles as required by Part (d).

Part (e) was also fairly well done as candidates correctly listed the examples of physiological needs but they had tremendous difficulty in identifying higher-order needs and in giving correct examples.

Recommendations

Teachers should endeavour to cover areas such as remuneration and motivation thoroughly, discussing many examples with their students. They should also ensure that the correct terminologies and synonyms are known by students, for example, “autocratic”, “authoritarian” and “dictatorial” and the appropriate examples of these concepts discussed. Students must also be trained to interpret the questions and write answers following verb cues like “state”, “list”, and “outline”. They should also be able to distinguish between ‘state’ and ‘list’. Links should be made where possible between the different units so as to allow for transfer of information from one area to another.

Question 6

This question tested the candidates’ knowledge of how the use of technology, a company’s corporate image, market research, and being customer focused, can give an entity an absolute advantage in business, thereby enhancing the effectiveness of the business. This question was attempted by approximately 17 per cent of the candidates.

In Part (a), the majority of the candidates were able to identify, but not explain thoroughly the practices of a customer oriented company. There was much repetition of the same point and a constant play on words already given, for example, “customer focused” explained as “focused on customer”. Some of the candidates were able to completely outline two practices of a customer focused company.

In Part (b), it was clearly demonstrated by the majority of candidates that there was an appreciation of the fact that a company’s corporate image had a direct relation to its survival and success. Some of the candidates, though, were unclear and could not state exactly how a “good” corporate image impacted on the success of companies.

In Part (c), it was evident that at least 50 per cent of the candidates were not clear about the job specifications of a sales representative, moreover, how sales representatives could assist the companies that they work for in gathering information through market research. What little knowledge was held was not well communicated to the examiners. Where marks were allotted for identification and explanation, the latter part of the marks could not have been awarded to at least 80 per cent of the candidates as they failed to develop their points adequately.

Part (d) (i) was well answered as they were able to identify how marketing managers could use the World Wide Web to enhance business. However, they merely stated their points without discussing them.

In Part (d) (ii), the candidates’ responses were not limited to services rendered by businesses and unique to the World Wide Web, but were based on all personal services that were gained from the Internet and included many services rendered by businesses generally. Only about 5 per cent of the candidates related their answers to the soft drink industries, and so did not use the stimulus material provided in the question to assist in the answering of the question.

In Part (d) (iii), approximately 75 per cent of the candidates were not aware of the meaning of e-commerce. This section was attempted by only 25 per cent of the candidates. It was evident that those who successfully attempted this section had some ongoing exposure to computers and the Internet.

Recommendations

To allow students to give more desired and complete responses teachers are encouraged to coach students to distinguish among the following terms, outline, state, identify, discuss, suggest and explain; Use marks allotted to a question as a guide to the desired response. They must also ensure that students grasp new and key concepts and practise writing responses using terms in question such as “a consumer”, “e-commerce”, “customer focused” and “marketing research”. Teachers should also try to award more instructional time to this topic as students generally did not display familiarity with the topic and were unable to move beyond knowledge to application and analysis.

Students also need to be familiar with the purpose of stimulus material used in questions and the role this material plays in guiding them to correct responses.

In their teaching, teachers also need as far as is possible to facilitate curriculum integration (Information Technology and Principles of Business) in order to allow the students that needed advantage to effectively respond to such questions.

Question 7

This question was designed to test candidates’ understanding of the factors of production, human resource development, and migration. The question was attempted by 83 per cent of the candidates. Most of whom performed satisfactorily, with the majority of them scoring over 10 out of a possible 20 marks.

In Part (a), the majority of candidates were able to identify what a factor of production was, however, they could not explain the term ‘natural resources as a factor of production’.

Part (b) was generally well done. However about 70 per cent of the candidates failed to recognize that human resource is synonymous with labour.

Part (c) of the question proved to be quite difficult for the majority of candidates. They generally misinterpreted the question and responses were given as to why employees failed to train and develop themselves instead of the failure of employers to provide training for employees.

Part (d) (i) of the question was poorly done. The majority of candidates could not clearly define ‘labour force’. Some responses indicated that it was “forced labour”; and weaker candidates also failed to identify unemployed persons available for work as being part of the labour force.

Part (d) (ii) was fairly well done as the majority of candidates were able to clearly outline the effects of migration on their country.

In Part (d) (iii) candidates were able to give reasons for migration; however they had great difficulty in explaining the reasons.

Recommendations

It is clear that teachers need to spend more time discussing labour as a factor of production and to be mindful to explain terms that are synonymous. Many examples and illustrations should be used in teaching concepts so that there is no confusion with terms that may appear to be similar but are different.

It cannot be overemphasized that students should be coached in how to use the jargon of the business and to incorporate these in their answers to questions. Additionally, they should be drilled in interpreting verb cues in the questions for example; explain, state, discuss and so on.

Question 8

This question was designed to test candidates' ability to discuss the effects of population growth on unemployment; state two types of unemployment and give one possible cause of each type stated; suggest three possible governmental measures to reduce the types of unemployment stated; identify three trade agreements associated with the Caribbean; and discuss the effectiveness on the economic development of the Caribbean of any two of the agreements identified.

The question was attempted by approximately 54 per cent of the candidates.

Responses to Part (a) were, for the most part, fair. More than half the candidates were able to indicate how population growth affected unemployment. However, discussions were generally weak. A popular wrong approach was to discuss the effect of unemployment on population control.

Candidates performed well on Parts (b) and (c) of the question. About 80 per cent of them were able to state at least one type of unemployment, with the most popular response being "seasonal". In general, candidates had difficulty citing possible causes for the other types of unemployment identified.

About 25 per cent of the candidates gave at least three of a possible six appropriate suggestions of ways to reduce unemployment. Only the extremely weak candidates failed to give even one appropriate suggestion.

Overall, responses to Parts (d) and (e) were poor. The majority of candidates appeared to be unclear about the concept of a trade agreement. A popular misconception was to list regional bodies such as the CDB and CAIC. The weaker candidates confused trade agreements with business documents used in trade, balance of payment, occupational trades, and documents used in the formation of a business and trade unions. A significant number of the weaker candidates interpreted trade agreements to be commodities such as sugar, bauxite and oil, or documents used in trade such as invoices and airway bills.

Responses to this question revealed that candidates did not possess an adequate knowledge base and lacked understanding of the objectives tested in this question. In spite of this, more than 60 per cent of the responses were relatively lengthy. This fact, coupled with the degree of popularity, would suggest that candidates relied heavily on their perceived general knowledge in approaching this question.

Recommendation

It is recommended that teachers utilise creative approaches such as panel discussions, and presentations by guest speakers, in the teaching of the objectives covered in this question. Emphasis should be placed on the difference between trade documents and trade agreements as well as international institutions like the IMF and OPEC and Caribbean trade agreements. They should try to incorporate trade agreements at an earlier section of the syllabus. Assistance should be given to students in developing arguments for discussion type questions. In-depth knowledge of economic problems facing the Caribbean should be imparted to students and some time should be spent in discussing the implications and resolutions for these issues.

Question 9

This question tested candidates' understanding of the functions of the Central Bank compared with those of the commercial banks. Services offered by commercial banks, the differences between purchasing shares on the stock market and saving in the commercial banks, as well as ways in which the Central Bank can intervene in the banking sector to prevent a collapse.

It was attempted by 46 per cent of the candidates who performed creditably.

Part (a) of the question was attempted by 95 per cent of the candidates and was generally well done as 75 per cent of them scored more than half of the available marks. The better candidates outlined the authority and control of the Central Bank in relation to issuing the currency, formulating monetary banking policies and providing guidance to commercial banks. The weaker candidates failed to define or differentiate between central and commercial banks.

Part (b) was well done as 95 per cent of the candidates scored full marks for listing services offered by commercial banks.

Part (c) of the question was well done by most candidates, as they were able to explain how customers benefited from services listed in Part (b). The weaker candidates re-listed the services in (b) and did not explain, while some candidates simply wrote "same as above". Some of them could not show the difference between 'night safes' and 'safety deposit boxes'.

Part (d) was attempted by 90 per cent of the candidates and 50 per cent responded correctly to the differences between purchasing shares on the stock market and saving in the commercial banks. The weaker candidates were unable to associate dividends with stock market and interest with commercial banks.

Part (e) was done by 75 per cent of the candidates while 30 per cent gave satisfactory explanations of the ways in which the Central Bank can intervene in the banking sector to prevent a collapse. The weaker candidates gave responses as: the central bank can "take over" the commercial banks or "sell shares" instead of increasing the minimum reserve ratio, and increasing the minimum lending rate.

Recommendations

Teachers should allocate more instructional time to Profile 3; Introduction to Economics, and make greater use of resource persons when teaching certain units in this profile. They could also incorporate field trips into the delivery of this part of the syllabus so that students could better

relate to the material being taught. In teaching they should distinguish clearly between the authority and control that the Central Bank has over the commercial banks and the functions of the Central Bank and commercial banks.

They should also try to incorporate the usage of real documents (share certificates, debenture certificates) into the lesson to enhance students' awareness of the functions of stock market and shareholders. Also a field trip would be a valuable activity (if possible) to the stock market.

Students need more practice sessions which require them to discuss, distinguish, outline and explain their responses.

Teachers should explain the usage of the safety deposit box and night safe facility provided by commercial banks.

Paper 03/1

School-Based Assessment

GENERAL COMMENTS

The samples submitted by candidates this year revealed that generally there was an improvement in the quality of work. Candidates adhered to the general guidelines and requirements of the CXC syllabus. Most candidates presented projects of acceptable standards with necessary headings and subtitles. Normal research procedures were followed with the relevant acknowledgement and bibliography presented. There remain, however, some areas of concern which should be addressed.

Profile 1 – Organizational Principles

Most candidates identified the form and objectives. Although the relevant diagram was submitted, many candidates did not make reference to the diagram or identify the structure in the discussion (e.g. line, functional organisation).

The general discussion of management issues improved tremendously, but some candidates discussed management functions generally rather than relating them to the business or the organisation under research. Candidates should be encouraged to acknowledge the sources of their information and thus avoid plagiarism. The legal aspect of the business was adequately addressed with most candidates identifying the relevant issues as they pertain to the specific business. Candidates should be guided to relate the evaluation and recommendation to the subtopics in the profile.

Profile 2 – Production and Marketing

The submissions for this profile have also improved as most candidates discussed the relevant issues required. Some candidates gave a general discussion on factors of production but not a direct discussion for the business concern. Additionally, all the factors of production were not discussed. Most candidates included linkages in the discussion but not as an opportunity for the business. Marketing was thoroughly done, with most candidates showing a good understanding

of this aspect of the project requirement. With reference to transport, storage and consumerism, there was evidence of improvement, in that, the three concepts were discussed. Teachers should be cognizant of the fact that the three concepts should be presented and discussed in order to earn the full marks allocated for that component of the project. Here again, evaluation and recommendation should reflect the subtopics and concepts discussed in the profile.

Profile 3 – Finance and Introduction to Economics

There was evidence of much improvement on this profile. Many candidates included the necessary subtopics. The identification of capital sources was well addressed, although in some cases candidates omitted the terms of repayments of loans. Candidates should be reminded that the source of capital is also linked to the type of business and should be careful when discussing this concept. Insurance was one of the concepts that was well addressed, but some candidates failed to relate the discussion to the specific business.

Many candidates did not address the relevant issues of profitability that is; how much, how it is generated and how it is used. This is an area which lends itself to the use of tables, graphs and charts, therefore candidates should be encouraged to utilise them in their presentations. The majority of candidates showed an improvement in their discussion of economic and social contribution. However, teachers should be reminded that social contribution, which includes donation and sponsorship, is allotted one mark. Candidates should also discuss how the business contributed to GNP, GDP and national development.

The mark scheme allotted four marks for the overall communication of information and use of correct grammar. Teachers are advised to consider the overall SBA presentation when awarding these marks. Marks should be awarded for correct use of grammar, spelling and punctuation and accepted language practice. Marks must also be awarded for research procedures and presentations like table of contents, headings and subheadings, appendices and bibliography. Information or data in the appendices should be relevant and referred to in the discussion. Candidates should also pay attention to verb cues under the topic such as list, identify, discuss, and evaluate.

While candidates may be encouraged to carry out group research, each project presented should be unique. Candidates are expected to make their presentations with appropriate font size and colour. Black or dark blue ink should be used. Coloured ink should be used only to highlight and enhance the presentation.

Teachers are reminded to pay closer attention to the mark scheme and guidelines. SBA samples presented should be accompanied by the moderation sheet and mark scheme for each project submitted. All relevant information pertaining to candidates should be presented. Teachers must pay attention to the length of projects as the revised mark scheme includes a penalty for projects which exceed the word limit.

Paper 03/2

Alternative to the SBA

General Comments

Profile 1

The overall performance on this paper was poor. Synthesis of the information proved challenging for most candidates as responses reflected lack of knowledge of the content of Business Management. Concepts were not clearly interpreted as candidates dealt with the case study as a comprehension passage rather than a case study.

Candidates lacked proficiency in knowledge, comprehension and application of the concepts of the production and marketing profile. They seemed unable to extract the correct responses even when they were clearly present in the case. More difficulty was encountered when they were expected to use the information provided to draw conclusions. They simply wrote the exact wording or phrase from the case study communicating a lack of practice in answering questions that related to a case study.

Question 1

Most candidates attempted this question and were able to earn the maximum available mark even though some candidates confused the terms 'firm' and 'company'. Those candidates identified the type of firm as a manufacturing enterprise instead of a private joint stock company. The terms were used interchangeably. Others identified the business entity as a partnership business mainly because of the number of persons involved in the business, totally oblivious to the fact that the word 'limited' was mentioned at the end of the company's name and other related information like directors and shareholders.

Others stated that the business was a public joint stock company because it was stated in the case study that the firm had sights on obtaining finance through the public issue of shares.

Question 2

Generally, candidates had problems constructing an appropriate organisational chart, yet many of them were able to obtain the four marks because the levels were illustrated. Other forms of graphical representations were used in lieu of the organisational chart such as bar graphs, pie charts, and histograms. Candidates need guidance with regard to constructing the various types of organisational charts.

Other areas of default were that many of the charts were not labelled accurately and the placement of the consultant and the secretary showed a lack of understanding of the line and staff organisational chart.

Question 3

Many candidates identified Corey Link as the Human Resource Director instead of Lambert Link which communicated clearly that candidates were not clear with regard to the functions of the Human Resource Department, as functions and positions were confused. On the other hand,

those who correctly identified Lambert Link as the Human Resource Director were able to link human resource duties to administration.

Question 4

Ninety-five per cent of the candidates identified a plausible reason for staff motivation. The common reasons given were that the staff were 'well paid' and the staff received local and overseas training. Apart from those, other forms of motivational strategies were highlighted which demonstrated an understanding of motivational methods.

Question 5

Rather than document relationships, many candidates wrote about the relationships which existed between the directors and the staff. Local license, memorandum of association, partnership deed, and contracts were some of the documents named instead of articles of association. Those who indicated the partnership deed also stated that the business was a partnership business. However, in many instances, candidates gave correct responses with regard to the uses of the articles of association even though the name memorandum of association was given.

Profile 2

Question 6

Part (a) of the question was generally poorly done by candidates. The majority were unable to identify the business relationship that existed between CFL and Shorter Ltd. The most common response was partnership.

Part (b) posed the greatest challenge for candidates. Responses indicated that candidates lacked the knowledge and understanding for this question and were unable to explain the economic significance of the statement provided, hence they simply repeated the statement in the question.

Part (c) was satisfactorily done by candidates. Although candidates were able to identify the disadvantage as a 'loss', they were unable to draw conclusions on any other losses such as for a retail market or overseas market.

Question 7

Part (a) was done satisfactorily as most candidates were able to outline a factor which accounted for the success of CFL despite competition.

Part (b) was done satisfactorily; however, the majority of candidates failed to identify linkages. Candidates did not understand the types of linkages. Few candidates were able to identify it as a backward linkage; however, most were able to identify a benefit that it was likely to receive.

Question 8

This question was poorly done. Most candidates recognized that some form of advertising was involved but failed to relate it to a form of advertising applicable to the international market.

This suggests that they did not pay attention to the second part of the question which specifically referred to the international market.

Question 9

The majority of candidates scored the maximum available mark on this question. However, candidates did not pay much attention to the direct information that was given in the case study. It was noted also that candidates could not differentiate between sources of capital and sources of revenue.

Question 10

This question was poorly done. The majority of candidates did not respond correctly. They had little knowledge on the topic 'market structures'. They confused the term with areas such as, 'organisational structures' and economic systems. Few candidates answered the second part of this question correctly, mainly because of their lack of knowledge on 'market structures'.

Question 11

Generally, this question was well answered. Most candidates, however, did not include in their response that the firm would change from a private limited company to a public limited company. In the second part of this question, candidates' responses only commented on Option 1 which is the public issue would provide the firm with greater source of capital.

Question 12

Candidates did not respond to this question very well. Some candidates defined the terms 'manufacturers' and 'associations' separately.

Question 13

Generally, candidates did not score well on this question. Their responses were very vague. Candidates did not pay much attention to the word 'explain' when writing their responses. Since this item was related to Question 12, candidates who did not score highly on Question 12 also did poorly on this question.

Question 14

Candidates scored reasonably well on this question. Many candidates did not know the meaning of the word 'subsidise'. A large number of candidates interpreted 'subsidy' as being a government tax.

Recommendations

Candidates need to have accurate interpretation of questioning terms such as outline, explain, discuss, state and follow through with a number of examples to reinforce concepts taught.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE
JANUARY 2008**

PRINCIPLES OF BUSINESS

PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION
JANUARY 2008

GENERAL COMMENTS

The January 2008 examination in Principles of Business was the ninth and final examination based on the syllabus which came on stream in September 1997.

This year the candidates entry was 2 232. The examination consisted of the following papers:

Paper 01	Multiple Choice
Paper 02	Essay Paper
Paper 03/2	Alternate to SBA (Private Candidates)

DETAILED COMMENTS

Paper 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items spanning the three profiles of the syllabus. The performance of the candidates on Paper 01 was satisfactory. The mean mark was 34.71.

Paper 02 – Essay

Paper 02 consisted of three compulsory questions (one from each profile) and six optional questions (two from each profile) from which candidates were required to answer three. The mean mark was 47.67 out of 100.

Paper 03/2 – Alternative to SBA

Paper 03/2, the alternative to the SBA, is an examination offered to private candidates. The performance of candidates on this paper was satisfactory. The mean mark was 19.95 out of 40.

Paper 02 – Essay

Section I – Compulsory

Question 1

This question tested candidates' knowledge of government regulations, as well as the benefits that a sole trader would enjoy by converting his business to a private limited company.

The question was attempted by approximately 99 per cent of the candidates with the majority of them doing very well.

The majority of the candidates were able to identify government regulations that must be satisfied before starting a restaurant business. Weaker candidates however were not able to identify reasons why government regulations should be observed.

The majority of the candidates were able to identify benefits accruing to a sole trader by converting his business to a private limited company. Weaker candidates identified the advantages of a sole trader.

Recommendations

Teacher must explain to students that businesses are not only companies and that not all businesses require Articles and Memorandum of Association.

Question 2

This question tested candidates' knowledge of branding and advertising. Ninety-eight per cent of the candidates attempted this question. Their responses suggest that they were very familiar with the content. Seventy per cent of them gained the maximum available mark.

Part (a), though attempted by the majority of candidates, proved more challenging as the responses in some instances lacked depth. Approximately 50 per cent of those candidates were able to gain the maximum available mark. The remaining 50 per cent could not adequately develop their points.

There was a noticeable trend where the candidates offered different forms of advertising such as persuasive, informative, for marketing strategies.

Recommendations

Teachers should place more emphasis on the difference between marketing strategies and advertising.

Question 3

Part (a) of this question tested the candidates' knowledge of savings and investment. The responses given by the majority of the candidates showed a lack of knowledge of both concepts. The more knowledgeable candidates were able to identify features of savings.

In defining Investment, candidates focused on the personal reasons for investment instead of business and government investment.

Part (b) of the question required candidates to discuss factors that can influence savings by consumers of a country.

About 50 per cent of the candidates were able to satisfactorily answer this question. The weaker candidates gave responses such as goals and to send children to school. They focused on the desire to save rather than the factors influencing savings.

Part (c) of the question required candidates to give reasons why local investment is more sustainable, in solving major economic problems of the Caribbean, than foreign investments. This section was poorly done by most candidates. Those who did fairly well just focused on the fact that locals did not repatriate profits.

Part (d) of the question required candidates to outline ways by which increased education and training can contribute to the development of a country. In this section candidates were able to score most of the available marks.

Recommendations

Teachers should place more emphasis on real investment, that is the purchase or expansion of physical capital in order to broaden students current concept of investment as being the purchase of shares and securities in companies.

Students need to be exposed to the effect of local investment via discussions, visiting locally owned firms, group projects and reading about and listening to business programmes.

Section II – Optional

Question 4

This question tested candidates' knowledge of responsibilities of management to customers and to the society. It also tested candidates' knowledge of industrial actions and ways in which management can prevent such actions.

The question was attempted by approximately 38 per cent of the candidates with approximately 85 per cent of them providing satisfactory responses.

Many candidates were not able to identify the responsibilities of management to society and confused this with management's responsibility to customers.

The majority of the candidates were able to identify the reasons which might have caused the workers to plan industrial action, and to identify industrial action other than strikes.

Recommendations

Teachers need to remind students of the importance of proper numbering of responses to questions.

Question 5

This question tested candidates' knowledge of the characteristics of a good leader and leadership styles. The question was attempted by approximately 62 per cent of the candidates with approximately 80 per cent of them providing satisfactory responses.

The majority of the candidates were able to identify the characteristics of a good leader. Some weaker candidates however, identified the functions of management instead.

Most of the candidates were able to identify the leadership style being practised as described in the question and were able to outline ways in which that style of leadership affected the organization both negatively and positively.

In describing other leadership styles, many candidates seem to confuse the laissez-faire style of leadership with 'laziness' and with ineffective leadership.

Recommendations

Teachers need to provide several examples and scenarios to illustrate the different types of leadership styles.

Question 6

This question tested candidates' knowledge of production. The question was attempted by 48 per cent of the candidates. Most of the candidates performed creditably on Parts (a) and (b) which required them to identify the factors of production and outline the benefits of cottage industry to the community.

For Parts (c) and (d), the responses were satisfactory. However, some of the weaker candidates confused levels of production with productive activities and vice versa.

Part (e) was poorly done. Approximately 90 per cent of the candidates who attempted this part of the question misinterpreted it. They focused on the cost of production rather than the type of payments.

Recommendations

Teachers should use the words 'type of payment' and 'method' interchangeably. They should choose words with similar meanings to reinforce concepts and also emphasize the difference between type and level of production.

Question 7

This question tested aspects of production. Approximately 52 per cent of the candidates attempted this question. The overall performance was good.

Ninety-five per cent of the candidates who attempted this question responded satisfactorily to Part (a) which required them to state four features of cottage industries and give examples of cottage industries.

In Part (b), 50 per cent of the candidates were able to discuss benefits of linkage industries while the other 50 per cent merely listed the benefits.

Part (c) required candidates to explain two social implications of capital intensive production. This section was poorly done. This could possibly be attributed to candidates not knowing the meaning of 'social implications'. Nonetheless, 50 per cent of the candidates were able to define 'capital intensive'.

Part (d) was fairly well done by approximately 65 per cent of the candidates. However, about 10 per cent of the candidates interpreted that question to mean a benefit to the country instead of how the tourism industry benefitted from the cottage industry.

Recommendations

The subject teacher needs to emphasize the meaning of terminologies such as discuss, explain, state, among others.

Question 8

The question tested candidates' competency in explaining business terms seen on documents and the importance of documents for trading purposes. This question was attempted by approximately 30 per cent of the candidates.

In Part (a), candidates were required to explain three terms. A large percentage of the candidates attempted this part of the question. The average mark was 2 out of 6. A number of candidates segmented the terms and put their own definitions to them. For example "Refer to Drawer" was given two definitions "Refer" and "Drawer".

In Part (b), candidates were required to discuss the necessity of documentation for business transactions. The majority of candidates handled this part well. The average mark was 5 out of 6.

In Part (c), most candidates forgot or ignored the word "trade" and applied "insurance" on a personal basis. They lost valuable marks due to this error.

For Part (d), candidates either misread or did not know the difference between the debit note and the debit card. The question required candidates to describe a situation in which the debit note is used. A large percentage of candidates described a situation in which debit cards would be used. Most candidates gave situations in which the credit note was used and therefore they failed to gain any marks for this part. The few candidates who offered correct responses did so from an accounting point of view.

Recommendation

In teaching the concept of business documents, teachers should not only explain the use of the documents, but also the purpose of the information and terms on the documents.

Careful attention should also be paid when teaching about credit and debit notes and their uses. In addition, teachers should emphasize that the terms debit note and debit card are not synonymous.

Question 9

This question tested the candidate's knowledge of taxation in general and the types and purposes of taxation in particular. The question was attempted by about 70 per cent of the candidates.

The overall marks for this question were low. The majority of the scores were below 10 out of 20. Very few achieved a score over 14.

In Part (a) of the question, candidates were, for the most part, unable to distinguish accurately between direct and indirect taxes. A number of candidates confused the two concepts. Even where the distinction was clear, some candidates either failed to give the required examples or their examples were wrong. In a few instances, only examples were given and no distinction were made between the two types of taxes. A common mistake was for candidates to give P.A.Y.E. as an example of a direct tax when it is in fact not a tax at all, but a system of paying income tax. It was evident that some candidates viewed all deductions from salary as a tax. This is a misconception.

The majority of candidates failed to score on Part (b) of the question. They could not give valid reasons why governments would prefer to increase direct taxes over indirect taxes. A few candidates resorted to describing the taxes.

Part (c) of the question was not well done. A number of incorrect assumptions and statements were made about indirect taxes and as in Part (b), most candidates failed to give reasons why citizens would prefer indirect taxes over direct taxes.

In Part (d) of the question, candidates generally failed to give purposes of taxation other than to raise revenue. Most candidates wrote about government raising revenue for expenditure in named areas.

Recommendations

In teaching taxation, teachers should differentiate clearly between direct and indirect taxes using examples. They should also discuss the advantages or benefits of the various types of taxation. This will enable candidates to be able to explain the reasons for the implementation of one type of tax over the other. Teachers should also emphasize the purposes of taxation and differentiate the revenue purposes from the non-revenue purposes.

Paper 03/2 – Alternative to the SBA

Profile 1 – Organisation Principles

Question 1

This question required the candidates to state two effects of growth on the business' organizational structure. Approximately 70 per cent of the candidates scored at least 1 of the 2 available marks. Approximately 30 per cent of the candidates scored the maximum available mark.

Question 2

This question required candidates to explain what is meant by Management Information System. Approximately 50 per cent of the candidates were able to score 1 mark, about 10 per cent scored the maximum available mark. The remaining 40 per cent were not able to explain the concept as a system of information which aids management in decision making. They explained the benefits of computers and technology to the business.

Question 3

This question required candidates to outline three ways in which the owner or manager would benefit from using a Management Information System. About 90 per cent of the candidates were able to identify the benefits; however their outlines of these benefits to the manager were weak.

Question 4

This question required candidates to justify a leadership style for the business. Approximately 95 per cent of candidates were able to identify a leadership style and justify their choice. Some candidates associated Democratic and Charismatic leadership styles with input from customers rather than input from employees.

Recommendations

Teachers should ensure that they distinguish the effect of growth on an organization as opposed to effect of growth on the structure of the organisation.

Profile 2 – Production and Marketing

The objectives tested in this profile were knowledge of migration and technologies used in business.

The areas where candidates performed best were Questions 5 and 7. Most candidates were able to gain the maximum available marks for these sections. Question 8 was satisfactorily answered by most candidates as they were able to score approximately 50 per cent of the available marks.

Question 6

This question proved to be the area where candidates had the most difficulty. Most candidates seem to have misinterpreted the question. The majority of candidates wrote about the migration of Mr Ford instead of the benefits his business would receive as a result of persons migrating. Most candidates scored less than 50 per cent on this question.

Recommendation

Teachers need to place more emphasis on economic benefits as opposed to general benefits. They also need to point out to students the features of economic benefits in a monetary sense.

Profile 3 – Finance and Introduction to Economics

The objectives tested were

- Services offered by Commercial Banks and the benefits of such services to businesses
- Definition of the term “Standard of Living”
- Negative effects of high importation on Caribbean economics.
- Effects of inflation on businesses
- Identification of indirect taxes

Candidates performed very well on Question 9 that tested their knowledge of services provided by commercial banks. Approximately 90 per cent of the candidates gained full marks in this area. Candidates also performed very well on Question 14 which required them to identify one indirect tax that the businessman could pass on to his customers.

Question 12

This question was poorly done by most candidates. They did not focus on the economies; rather they focused on the possible effects on the merchandise itself, for example spoilage and late arrival of goods.

Recommendations

Teacher should pay more attention to the areas relating to international trade and especially to the effects of high importation on the national economy, for example, the impact on the balance of trade and eventually the Balance of Payments.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE SECONDARY EDUCATION
CERTIFICATE EXAMINATION
MAY/JUNE 2008**

PRINCIPLES OF BUSINESS

PRINCIPLES OF BUSINESS

GENERAL COMMENTS

The June 2008 examination in Principles of Business (POB) was offered for the twenty-ninth year. However, this is the first sitting of the revised syllabus.

This year 36 674 candidates registered for the General Proficiency Examinations. The composition of the examination was as follows:

Paper 01	-	Multiple Choice
Paper 02	-	Essay Paper
Paper 03/1	-	School-Based Assessment (SBA)
Paper 03/2	-	Alternative paper to SBA (Private Candidates)

General Proficiency

Paper 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on Paper 01 was satisfactory.

The mean mark was 33 out of 60. Approximately 67 per cent of the candidates scored at least fifty per cent of the total available marks for this paper.

Paper 02 – Essay

Paper 02 comprised two sections. In Section I, candidates were required to answer three compulsory questions and in Section II, to respond to two of four questions. The mean mark for Paper 02 was 50 out of 100. One candidate achieved the maximum available mark.

Paper 03/1

Paper 03/1, the School Based Assessment (SBA) was offered to school candidates only. Candidates were required to prepare a business plan on either production, finance or marketing.

Performance on this paper was quite good. The mean mark was 29 out of 40 marks. Two per cent of the candidates achieved the maximum available mark.

Paper 03/2

Paper 03/2, the Alternative to the SBA, an external examination was offered to private candidates only. For this examination, candidates were required to complete a business plan using a given template and a case.

Performance on this paper was less than satisfactory. The mean mark was 12 out of 40 marks. No one achieved the maximum mark on this paper. The highest mark was 30 out of 40 marks.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory

Question 1

This question was divided into four parts. Part (a) tested candidates' knowledge of the functional departments of a business. Part (b) tested the functions of each department. Part (c) tested candidates' knowledge of the impact of a given market situation on the departments of a soft drink firm. Part (d) tested candidates' knowledge of the causes of conflict and conflict resolution. The question was attempted by approximately 90 per cent of the candidates, and was generally well done.

Part (a) of the question was challenging for most candidates. The weaker candidates misinterpreted the question naming the four departments of a typical business to be the functions of management. Others did not know what the functional departments of a typical business were as they identified marketing, sales, promotion and packaging as four separate departments, and accounts and finance as two separate departments. Some identified the types of business units as well as shareholders, entrepreneurs, employees, and owners.

In Part (b), those candidates who answered Part (a) well gave appropriate functions of each of the departments identified. However, some of the weaker candidates omitted giving the functions for all four departments identified.

Part (c) of the question required candidates to analyse the impact of an increase in demand on the departments of a soft drink firm. This posed the highest level of difficulty for the weaker candidates. By their responses it was clear that they did not understand the impact of demand on the activities of the departments. Some candidates gave the negative impact of demand but did not adequately explain these impacts. Some of the weaker candidates just indicated that there was a general increase in work being done, but did not identify the department nor explain specifically how that department would be affected. An ideal response would be "the Personnel Department would be required to supply the workforce needed by hiring more workers and providing any necessary training".

Part (d) of the question was well done. However, some of the weaker candidates seem to have misinterpreted the question, thereby giving ways in which conflict can occur within the organization. Some candidates were vague in their responses giving only „one word answers' without stating or explaining the strategy to be used in resolving the conflict. However, the stronger candidates were able to use real life situations to come up with practical solutions to answer this question. For example, conflict resolution may include "having face-to-face talks with the persons involved in the conflict".

Recommendations

- Students should be encouraged to read their questions carefully so that they can understand what is required of them. For example, where candidates are required to "outline" using a certain number of points, they should separate each point to ensure that they give proper explanations of each in order to be awarded full marks.
- Students need to be more knowledgeable about the various departments of the business, and not confuse them with the function of management or types of business units. To help students to achieve this, teachers should reinforce the term „departments' through the use of organizational charts and the use of mini projects to teach related concepts.

- More practice should be given to students in answering examination questions and in the techniques used, especially in the use of complete sentences, in order to achieve the maximum marks.

Question 2

This question tested candidates' knowledge and understanding of the levels of production, the stages or branches of production and cottage industries and linkage industries. It was attempted by 90 per cent of the candidates.

Part (a) required candidates to identify the levels of production among them. This posed some difficulty for many candidates as there was a misconception between levels and types of production. The weaker candidates gave stages or branches of production instead of levels. Of those who were able to list accurately the two levels of production, very few were able to properly explain the main difference between them.

Part (b) required candidates to differentiate between primary and secondary production and give examples of each. This posed little difficulty as most candidates were able to score maximum marks. However, a small percentage of candidates did not provide examples. A few candidates confused the examples of primary and secondary production. Others gave the two examples, but did not indicate to which stage of production they were referring. A few candidates gave examples of services industries instead of primary and secondary industries.

Part (c) (i) of the question like Part (b) posed little difficulty as the candidates were able to describe two features of cottage industries. However, Part (c) (ii) proved somewhat challenging as they failed to respond to the concept of economic development. Responses focused on benefits for the owner of the cottage industry and not on benefits to the overall economy.

Part (d) tested knowledge of linkage industries and their benefits to the Caribbean economy. Candidates found this section to be most challenging. Generally, they were unable to show how linkage industries resulted in economic development. Many merely defined linkage industries and gave examples of them. Others looked at how countries can assist each other generally rather than through linkages. A few candidates were able to show how linkage industries can assist in the development of Caribbean economies. However, most of them did not develop the points fully.

Recommendations

- Teachers should assist students in distinguishing clearly between the levels and the stages of production. This can be achieved with the use of a number of examples.
- Teachers should also give some attention to the higher order skills so that their students would be able to relate cottage and linkage industries to economic development.

Question 3

This question tested candidates' knowledge and understanding of consumer behavior, consumerism, methods of transport and marketing, and distribution channels.

Approximately 90 per cent of the candidates attempted this question. The areas that required mere recall of information were generally well done.

Part (a) required candidates to state three factors that affect consumer behavior. This was well done. The stronger candidates used their knowledge of the concepts learnt as well as their experiences to maximize their scores. However, the weaker candidates gave consumer rights as a response and

limited their responses to the stimulus materials, rather than applying their knowledge to factors that influence consumers generally.

In Part (b), candidates were required to identify two organizations in their country where consumers can seek redress for unfair treatment. This part of the question was generally well done. Candidates gave a wide range of institutions. However, the weaker candidates gave abbreviations of organizations, which could not be identified, while others named trade unions and cooperatives.

In Part (c), candidates were required to outline two possible distribution channels that can be used to deliver the baked products to the final consumer. This was poorly done as candidates confused the distribution channels with modes of transport. The majority tried to outline a channel without starting with the manufacturer and ending with the consumer while others merely listed units such as the retailer or the wholesaler as distribution channels. A significant number of candidates confused channels of distribution with methods of distribution and others did not recognize that the manufacturer and the supplier are the same.

In Part (d), candidates were required to select an appropriate method of transportation for each of a number of named products giving one reason for their choice. This part of the question was fairly well done. Candidates offered responses for both inland and overseas modes of transport. Candidates were able to list the modes of transport, however, in some cases the reasons stated did not correspond to the modes of transport identified. The weaker candidates described how each good should be packaged rather than identify a suitable means of transport.

Recommendations

- Teachers should assist students in differentiating among instructional verbs used such as list, state, identify outline and to use the stimulus material provided in the question. Students should be encouraged to give full names of organizations rather than abbreviations.
- Students need to be more aware of the distribution channels and the different modes and forms of transport. They must be able to distinguish between them.

Question 4

This question tested candidates' knowledge and understanding of reasons for establishing a business, how businesses contribute to the development of a community, definitions of private and public sectors and why a government may nationalize an industry. Eighty three per cent of the candidates attempted this question. Generally the responses were fairly good.

Part (a) of the question was well done. There were a variety of responses given as to why an individual would set up a business. Candidates were able to use their knowledge of the topic and their own personal desire to set up a business to their advantage.

Part (b) was also well done. Candidates gave a variety of responses as to how businesses could contribute to the development of a community. The responses were well thought out and candidates were awarded appropriate scores for such detailed answers. The weaker candidates did not fully comprehend this question and therefore did not answer this part of the question well. They failed to give the three examples required for that part of the question.

In Part (c), candidates were required to define the terms 'private sector' and 'public sector'. Candidates' responses indicated a clear understanding of what was required in this part. However, the weaker candidates confused private and public sectors with private and public companies. There were some candidates who thought that private sector meant 'not available to the public'.

Part (d) presented the greatest challenge as the majority of candidates either did not understand the concept of nationalization or could not apply this knowledge to why governments would nationalize an entity. A number of candidates confused nationalization with international trade. None the less forty per cent of the candidates gave appropriate reasons with full explanations.

Recommendations

Teachers need to use many examples in differentiating between concepts such as private sector and public sector, public companies and public sectors, nationalization and privatization. This could be reinforced by giving students assignments to identify different organizations in their communities or case studies of organizations that were nationalized. More class discussion in addition to teacher delivery would clarify misconceptions and misunderstandings held by students. Students should be given more research to allow for the building of the connection between the theory taught and real life situations.

Question 5

This question tested candidates' knowledge and understanding of the purpose and elements of a business plan, the value of collateral and reasons why the bankers request business plans from their clients. Candidates were also required to identify how unethical business practices impact on the borrower. Eight per cent of the candidates attempted this question and it was satisfactorily done.

Part (a) was poorly done. The majority of the candidates were unable to fully identify the purpose of a business plan. Most responses were either quite vague mentioning 'proper planning', 'need for organization' and 'to have an idea of business', or stated the functions of a business.

In Part (b), the candidates' performance was equally poor. The weaker candidates listed the elements of a business plan but were unable to describe these clearly or listed and explained the functions of management.

Most responses covered some of the factors of production, source of finance and or elements of marketing such as market research and the 4Ps. Generally major functional areas were briefly discussed and technical terms associated with a business plan such as executive summary were rarely used.

In Part (c), candidates performed reasonably well. Some popular responses included machinery, deed, land title, car, house and other personal assets.

In Part (d), candidates also performed creditably. However, some candidates deprived themselves of full marks by putting forward separate answers that were either identical, or too similar or interrelated.

In Part (e), more than 50 per cent of the candidates were unsure of existing and potential unethical practices within the banking environment. Common responses included pollution and discrimination. Very few candidates gave two accurate answers. Where candidates provided unethical practices in context, they failed to address the impact of such practices on the borrower. Some good responses were criminal charges which can tarnish the image of the business, termination and withdrawal of services and facilities offered by the bank.

Recommendations

Teachers should ensure that the business plan is taught in detail and encourage students to give a brief explanation when they are required to describe a business plan or any concept of the plan. Teachers may invite Chief Executive Officers of firms to have discussions with students about the construction and purpose of business plans. Since this area is a major foundation upon which the recently revised

School Based Assessment is built, teachers should make every effort to help students to understand and connect the theory with the practical.

In the execution of their lessons, it is suggested that teachers encourage students to use the internet and offer media to inform themselves about the various forms of unethical issues and practices in the world of business and the possible consequences associated with these practices.

In addition to identifying types of collateral, teachers need to place emphasis on reasons why financial institutions require collateral from borrowers.

Question 6

This question tested candidates' ability to differentiate between the 'standard of living' and the 'quality of life', to distinguish between an increase and a real increase in GDP, to outline factors that contribute to an improvement in a country's standard of living, to describe ways in which GNP can be measured, and to discuss how an increase in GDP can be present without an improvement in the standard of living.

Question 6 was attempted by 43 per cent of the candidates. The performance on this question was unsatisfactory.

Candidates found Part (a) to be very challenging as the majority of them was unable to differentiate between 'standard of living' and 'quality of life'. Both concepts were often defined simply as *"the way of life of people"*.

In Part (b), candidates were unable to distinguish between an 'increase' and 'a real increase' in GDP. Most of them were not able to focus on the theory 'real GDP' as against 'nominal' GDP. Their responses constituted, generally, repeating what was asked.

Part (c) was generally well done. The stronger candidates were able to outline the factors that contribute to an improvement in the country's standard of living while the weaker candidates merely listed the factors rather than outline them. Also they were not able to make the connection to an 'improvement in the standard of living'. Further, while they identified the variables, they failed to state, whether there was an increase or decrease in the variables in the variables.

Part (d) proved to be challenging for the majority of the candidates. They were generally unable to identify the ways in which GNP may be measured. The candidates who were able to identify the ways in which GNP could be measured could not describe these ways.

In Part (e) there was a strong indication that candidates misinterpreted what was being asked. Most candidates explained how an increase in GDP could improve the standard of living instead of discussing how an increase in GDP can occur without an improvement in the standard of living.

Recommendations

Teachers should teach national income early in the school year to allow for proper revision. They need to ensure that students understand the approaches used to measure GDP. Teachers may also utilize team teaching, the sharing of best practices and the use of relevant articles in business magazines and newspapers to reinforce concepts. Students should also be exposed to questions at the application and evaluation levels.

Question 7

This question was designed to test candidates' knowledge of the Caribbean Single Market and Economy (CSME), the advantages of CARICOM, the major economic problems faced by countries of

the Caribbean and the possible solutions to these problems; social services provided by government and the contribution of these services to economic development.

The question was attempted by 39 per cent of the candidates who gave satisfactory responses.

Part (a) (i) posed the greatest difficulty, as candidates could not adequately explain the term 'single market' as it relates to CARICOM. Approximately 40 per cent of the candidates were able to give a partial explanation with another 30 per cent giving full explanation.

Performance on Part (a) (ii) was much better as the majority of candidates were able to state at least two aims of the Caribbean Single Market and Economy. Only the very weak candidates failed to score marks in this section.

The majority of the candidates who performed well on Part (a) (ii) were able to give appropriate advantages of CARICOM in Part (b). However, the responses were weakened by their failure to adequately develop the points stated. Candidates often failed to follow instructions as they consistently 'identified' rather than 'outlined' the advantages of CARICOM's Single Market and Economy.

In response to Part (c), about 70 per cent of the candidates identified a major economic problem with the majority stating a relevant solution. The weaker candidates identified social problems such as crime and illiteracy as economic problems.

In Part (d), the majority of the candidates were able to identify a social service provided by their government but only about 20 per cent adequately explained the contribution of these services to economic development. Weaknesses in responses include confusing social problems with economic problems. There was also the tendency of candidates to offer acronyms of agencies such as NSWMA, OJT, and HEART rather than identify the service they provided. Further weaknesses in the responses were evident when candidates attempted to discuss social effects of the services cited, rather than explain the contributions to economic development.

Recommendations

Teachers need to:

- Use a variety of teaching methods to teach these objectives: for example, group projects, guest presenters and panel discussions.
- Explain the differences in examination instructions such as identify, explain, discuss and analyse.
- Teach the concept of CARICOM, economic growth and development, standard of living and quality of life earlier in the programme. This may be achieved by giving students topics in these areas to research in groups and have them make class presentations on their findings.
- Encourage and provide opportunities for class discussions of these topics so that clear distinctions of concepts can be emphasized.
- Discuss the solutions along with the problems of economic growth and development so that students will see the connection.
- Use the jargon of the subject so students are comfortable with the terms used.

Alternative to the School-Based Assessment

GENERAL COMMENTS

Paper 03/2

Profile 1

The overall performance on this paper was poor. Candidates gave general responses instead of relating them to the case. They exhibited a lack of knowledge of the requirements of the syllabus. Candidates quoted sections from the case to complete the business plan.

OPERATIONAL PLAN

Nature and Type of Business

Responses were generally poor. The majority of the candidates were to distinguish between the nature and the type of business. Most of the candidates inaccurately described the business as a cottage industry or partnership. Some identified “bammy production” but rarely manufacturing or secondary production.

Internal Structure of Organisation

The performance was fair. Candidates were able to identify the names of persons in the organization but unable to put them in the correct level. Most candidates gained only one mark.

Management Functions

Generally, candidates’ responses were satisfactory, the responses showed some familiarity with the content. However, there was a noticeable trend where they confused management functions with responsibilities and functional areas of a business. Also, most candidates listed management functions but not those specifically related to the business.

Ethical/Legal Issues

This question was poorly done. Candidates were unable to distinguish between ethical and legal issues and often cited the sequence, “the disaster preparedness management...long shelf life”. They were unable to identify the necessary documents as they relate to the business; for instance, they merely used words such as register, license, insurance and pollution.

Executive Summary

This question posed the greatest challenge for candidates. Responses indicated that candidates lack the knowledge and understanding of what is required in an executive summary. They often identify the organizational structure instead of a summary.

Recommendations

Teachers need to provide several examples and case studies. Candidates need to be able to differentiate between the type and nature of a business and the levels of an organizational structure.

Profile 2

MARKETING PLAN SPECIFIC COMMENTS

Market Research

Candidates failed to distinguish between the two categories and to highlight the value of market research to the business. From observation, the responses were generic and lack the use of relevant business terms.

Overall the responses in this area were very poor.

Industry Trend

Candidates did not fully understand what was meant by “industry trend”. As such they were not able to differentiate between industry trend and what was happening to the particular business. As a result, candidates quoted, directly from the case, entire sections of the passage.

Overall the responses to this area were very poor.

Size of the Market

Candidates confused the size of the market with the size of individual businesses.

Overall the responses to this area were satisfactory.

Target Market

Candidates’ responses were satisfactory for this area. They had little or no problem identifying the target market.

Overall the responses to this area were very good.

Pricing Strategies

Candidates had an idea as to what pricing strategy is but could not fully explain the term. Few candidates were able to identify at least one pricing strategy by name. The majority of candidates explained in general terms a scenario to pricing strategy.

Promotional Strategies

This area was fairly well done; however, candidates did not discuss the points fully. The space provided for the discussion was limited. Thus, candidates listed the promotional strategies. In addition, candidates confused promotional strategies with promotion on the job.

Distribution Strategies

Candidates’ responses were confined to distribution channels rather than distribution strategies.

Overall the responses to this area were satisfactory.

Consumer Organizations

Candidates either defined consumer organizations or stated the names of the organizations.

Overall the responses in this area were poor.

Executive Summary

Overall this area was poorly done by candidates. Responses varied from identifying the executive members of the business to listing the sub-headings to the marking profile.

GENERAL COMMENTS

Candidates defined terms instead of relating them to the case.

Candidates did not have adequate knowledge of the syllabus.

Candidates quoted entire sections from the case to complete the business plan.

The responses to sections of the plan were not clear.

Candidates were confused as to what tense was to be used to complete the business plan.

Generally, responses were of a very poor quality. They were weak in all areas: knowledge, comprehension and application.

Overall candidates scored heavily in the areas of „Promotional strategies’ and „target market’.

Recommendations

All stakeholder involved in the Paper 3/2 must be knowledgeable of the syllabus, especially those persons out of the public school system.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE
JANUARY 2009**

PRINCIPLES OF BUSINESS

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PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION
JANUARY 2009

GENERAL COMMENTS

The January 2009 examination in Principles of Business was the first examination based on the revised syllabus which came on stream in September 2006.

This year the candidates' entry was 2291. The examination consisted of the following papers:

Paper 01	Multiple Choice
Paper 02	Essay Paper
Paper 03/2	Alternate to SBA (Private Candidates)

DETAILED COMMENTS

Paper 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items, 20 on each of the three profiles of the syllabus. The performance of the candidates on Paper 01 was satisfactory. The mean mark was 33.91 out of 60.

Paper 02 – Essay

Paper 02 consisted of three compulsory questions (two from profile one and one from profile two) and four optional questions (two from profile two and two from profile three) from which candidates were required to answer two. The mean mark was 51.85 out of 100.

Paper 03/2 – Alternative to SBA

Paper 03/2, the alternative to the SBA, is an examination offered to private candidates. The performance of candidates on this paper was unsatisfactory. The mean mark was 12.38 out of 40.

Paper 02 – Essay

SECTION I – Compulsory

Question 1

This question tested candidates' knowledge of specific functions of management and the responsibilities of management to employees. It also required candidates to discuss strategies that employees could use to urge management to pay them higher wages.

This question was attempted by approximately 84 per cent of the candidates. Responses to this question were generally good, with approximately 60 per cent of the candidates scoring more than half of the available marks. The mean mark was 12.29 out of 20.

Part (a) of the question required candidates to explain specific function of management. Candidates were generally able to explain the functions 'planning' and 'motivating', but the majority had problems explaining the functions of 'organizing' and 'coordinating'.

Part (b) of the question was generally well done. The majority of the candidates were able to outline the responsibilities of management to employees. Weaker candidates, however, simply identified functions of management. The weakness in this part of the question was in the 'listing' instead of 'discussing', the responses.

Part (c) was very well done. Candidates were generally able to identify strategies that employees could use to urge management to pay them higher wages. The weakness in this part of the question was in the 'listing' instead of 'discussing', the responses.

Teachers are reminded that students need to pay attention to questions that require them to discuss their answer rather than to merely list or state their answer.

Question 2

This question tested candidates' understanding of 'contracts' – the definition of contracts, the differences between simple and specialty contracts, as well as ways in which contracts can be terminated.

The question was attempted by approximately 84 per cent of the candidates. It was fairly well done by approximately 40 per cent of them. The mean mark was 8.62 out of 20.

Part (a) was very well done as the majority of the candidates were able to define the term 'contract'.

In Part (b) of the question, candidates were required to identify differences between simple contracts and specialty contracts and to give an example of each. This was very well done by the majority of the candidates.

Part (c) was fairly well done as the majority of the candidates were able to state reasons why contracts could be terminated. However, many candidates merely listed their responses without providing suitable explanations. Consequently those candidates were not able to score full marks in this section.

Part (d) of the question was the most poorly done. Candidates were required to explain two rules of 'offer'; and 'acceptance'. Unfortunately, this was confused with rules governing contracts. The majority of the candidates failed to score in this section of the question. The majority of those who did score did not provide responses that warranted the maximum mark.

Question 3

This question tested the candidates' ability to explain, giving examples, the different types of production, to identify service industries within the Caribbean and to outline factors to be considered in locating a business.

Question 3 was attempted by 82 per cent of the candidates, 56 per cent of whom gave satisfactory responses. The mean mark was 9.31 out of 20.

Part a (i) was satisfactorily done. However, the weaker candidates generally gave partially correct answers and also failed to give adequate examples of extractive industries in the Caribbean. The examples given for service industries were fairly good.

Part b (i) was poorly done as 45 per cent of the candidates demonstrated that they did not have a good grasp of the concept. They frequently gave the meaning of capital for capital intensive industry.

Likewise in b (ii) the meaning of labour was given for labour intensive.

Part (c) was satisfactorily done. The majority of candidates scored, at least 50 per cent of the available mark but, were unable to give clear statements regarding the justification of suitable location for a business.

SECTION II – Optional

Question 4

This question tested candidates' understanding of branding and the benefits of branding products. The question was attempted by 67 per cent of the candidates, 70 per cent of whom gave satisfactory responses. The mean mark was 13.23 out of 20.

Parts (d) and (e) of the question were generally well done. Candidates were, however, weak at answering Part (b) and (c).

Part (b) was challenging for most candidates. They were able generally to outline the benefits of branding a product. In Part (c), some candidates treated advertising as the only means of promotion; likewise, production was substituted for product. Packaging and packages were used frequently as one the four P's (4 P's) of marketing.

Question 5

This question tested candidates' understanding of the functions of the Central Bank and commercial banks, and the ways in which they differ, as well as the effects of certain fiscal decisions on individuals and the banking sector as a whole.

It was attempted by 17 per cent of the candidates, 60 per cent of whom gave satisfactory responses. The mean mark was 9.77 out of 20.

Part (a) of the question was not well done. Candidates were unable to identify the control activities that Central Banks put in place for commercial banks. They used examples such as 'Central Banks as a lender of last resort' for commercial banks, they were also unaware of the role of the Central Banks in dealing with commercial banks.

Part (b) (i) was generally, well done by most candidates some of whom did not perform well in part (a). They were able to identify four services that commercial banks offer to their customers.

In Part (b) (ii) the majority of candidates were able to identify the services, but outlining, the benefits of the services that were offered by commercial banks created some challenge.

In Part (c) (i) most candidates were unable to outline the differences between short term capital and long term capital. Responses such as “government borrowing money from banks in the country”, for long term capital and for short term capital, “government has to borrow money for public funds”. They also referred to short term capital as taking a short time to repay and long term capital “taking a long time to repay”.

In Part (c) (ii) candidates were unable to identify the sources of short term capital and long term capital. Instead their responses suggested how the funds were used, such as “buy a house, buy cars, buy land” rather than the sources from which such capital can be obtained.

Question 6

Question 6 was attempted by 58 per cent of the candidates. Approximately 75 per cent of them gave satisfactory responses. The question was designed to test candidates’ ability to recommend guidelines that businesses should follow to avoid polluting the environment is not polluted, outline ways by which governments can protect consumers from unfair business practices, identify ways in which governments can assist in the development of small businesses, and discuss one economic impact on a country of an improvement in health care and one economic impact on a country of an improvement in the transportation system of that country.

Part (a) of the question was fairly well done. However, in a few cases, candidates demonstrated limited knowledge of what can be done to protect the environment from being polluted. Therefore they limited their guidelines to proper disposal of waste. They were thus unable to give other recommendations. Some candidates treated the environment as it was synonymous with the work place, others indicated how people rather than the environment, can be protected.

Part (b) was not well done. Candidates gave ways in which governments could protect or assist businesses instead of the consumer as was required by the question.

In Part (c) the majority of candidates were able to outline two ways by which governments assist in the development of small businesses. A few candidates, however, suggested ways that relate to larger entities and not to small businesses, such as investing in the business and buying shares in the business.

Mainly brief and sketchy discussions were given as answers for part (d) of the question. Not many candidates showed the economic impact of improving health care and improving the transportation system. The weaker candidates gave ways of improving the systems rather than discussing the concepts. Some merely stated that improved health care and improved transportation system would have a great economic impact, but they did not say how it can be achieved.

In teaching these concepts teachers need to explore various methods of protecting the environment so that students have a large reservoir of methods from which to choose.

Additionally, they should clearly differentiate between ways by which government protect the consumer and the assistance and protection given to businesses.

It would also be of benefit if teachers encouraged students to develop their analytical skills and be able to fully discuss area of question that require such discussion.

Question 7

This question was attempted by approximately 23 per cent of the candidates. Generally it was poorly answered. The stronger candidates were able to score between 10 and 15 marks, while the weaker candidates scored 6 marks or less. The mean mark was 5.62 out of 20.

In Part (a) most candidates were unable to distinguish between ‘standard of living’ and ‘quality of life’. They referred to the standard of living in qualitative rather than quantitative terms. As a result, approximately 90 per cent of the candidates fail to score any marks in this section.

In Part (b) most candidates were unable to identify the indicators of standard of living, some gave indicators of quality of life in lieu of the indicators of standard of living.

In Part (c) approximately 50 per cent of the candidates were able to identify the indicators of quality of life. Many candidates were able to score the maximum mark in this section. Candidates were able to score at least one mark.

Part (d) was by far the best answered section of the question. In this section the majority of candidates were able to provide reasons why countries trade. As such they were able to score most of the marks. Very few candidates were unable to score in this section.

In Part (e) the majority of candidates seem to have been unfamiliar with the terms ‘tariffs’ and ‘devaluation’. Hence, they were unable to effectively evaluate how each factor would address balance of payments problems. Weaker candidates referred to devaluation as a decline in the value of goods and services and tariffs as a ban or embargo. In some instances where they knew what the terms meant, they did not show how they could be used to address the balance of payment deficit.

Teachers are encouraged to spend more time emphasizing the concepts of ‘standard of living’ and ‘quality of life’ and their indicators, pointing out the differences in terms of their quantitative and qualitative aspects. Students need to familiarize themselves with the other terms that are used and to refer to import duties, (for example tariffs, and customs duties).

Teachers should also provide opportunities for students to practice answering questions that require analysis and evaluation.

PAPER 03/2- Alternative to the SBA

Candidates were required to use a given case study to complete a business plan under three main headings: Operational Plan, Marketing Plan and Financial Plan. The candidates’ performance was generally unsatisfactory. The mean mark was 12.38 out of a total mark of 40.

OPERATIONAL PLAN

This section tested the candidates’ knowledge and application in five areas:

Nature and Type of Business

Approximately 99 per cent of the candidates attempted this section of the business plan. The majority of them were able to identify the nature of the business, however approximately 40 per cent the candidates failed to identify the type of company.

Internal Structure of the Organization

Approximately 95 per cent of the candidates attempted this question, approximately 40 per cent of whom accurately identified the internal structure. The remaining 60 per cent accurately identified Jake as the CEO, but incorrectly identified Stern and Thorn as shareholders or regular workers in the company.

Management Function

Approximately 95 per cent of the candidates attempted this section. Of this number, 80 per cent scored full marks. Most candidates correctly identified two management functions. However, about 30 per cent of the candidates identified the internal structure of the organization as the management functions.

Ethical issues

This section tested the candidates' interpretation of information in the case. Approximately 95 per cent of the candidates correctly identified as least one ethical issue from the case; pollution being the most popular response.

MARKETING PLAN

Approximately 98 per cent of the candidates attempted this section in the business plan. The performance of candidates was generally poor averaging 45 per cent of the marks allocated for this section.

Marketing Research

This section was, for the most part done well. Some candidates were able to use the information from the case to complete this section.

Industrial Trend

This section was poorly done. Only about 10 per cent of the responses were satisfactory.

Size of the Market

This section was also poorly done. About 30 per cent of the candidates gave the correct answer.

Target Market

This section was well done. Approximately 95 per cent of the candidates correctly identified the target market.

Pricing Strategy

The majority of the candidates were unable to calculate the pricing strategy. Most candidates scored only half the available marks.

Promotion Strategy

This section was also well done. Candidates were able to identify the relevant strategies from the information provided in the case.

Distribution Strategy

This section was fairly well done. Most of the candidates were able to secure at least half of the available mark.

Consumer Organization

This section created the greatest challenge for the candidates. Most of them seemed to have misunderstood what was required.

Executive Summary

The executive summaries for the Operational and Marketing Plans were unsatisfactorily done. It was evident that most candidates lacked knowledge of how to write an executive summary.

Financial Plan

This section tested candidates' knowledge of accounting. It was attempted by approximately 60 per cent of the candidates. However, it was very poorly done with only about 5 per cent of the candidates being able to score full marks. It was clear that candidates had little or no knowledge of accounting principles.

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

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATIONS**

MAY/JUNE 2009

PRINCIPLES OF BUSINESS

PRINCIPLES OF BUSINESS

GENERAL COMMENTS

The June 2009 examination in Principles of Business (POB) was offered for the thirtieth year. However, this is the second sitting of the revised syllabus.

This year 36 476 candidates registered for the General Proficiency Examinations. The composition of the examination was as follows:

Paper 01	–	Multiple Choice
Paper 02	–	Essay Paper
Paper 03/1	–	School-Based Assessment (SBA)
Paper 03/2	–	Alternative Paper to SBA (Private Candidates)

General Proficiency

Paper 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on Paper 01 was satisfactory.

The mean mark was 34 out of 60. Approximately 69 per cent of the candidates scored at least fifty per cent of the total available marks for this paper.

Paper 02 – Essay

Paper 02 comprised two sections. In Section 1, candidates were required to answer three compulsory questions and in Section II, to answer two of four questions. The mean mark for Paper 02 was 52 out of 100. One candidate achieved the maximum available mark.

Paper 03/1

Paper 03/1, the School Based Assessment (SBA) was offered to school candidates only. Candidates were required to prepare a business plan on either production, finance or marketing.

Performance on this paper was quite good. The mean mark was 31 out of 40 marks. Thirty per cent of the candidates achieved the maximum available mark.

Paper 03/2

Paper 03/2, the Alternative to the SBA, is an external examination offered to private candidates only. For this examination, candidates were required to complete a business plan using a given template and a case study.

Performance on this paper was less than satisfactory. The mean mark was 14 out of 40 marks. No one achieved the maximum mark on this paper. The highest mark was 37 out of 40 marks.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory

Question 1

This question tested candidates' knowledge of business, including types of business and types of economic systems.

Approximately 99 per cent of the candidates attempted this question and it was generally well done. The mean was 12 out of 20.

Part (a) of the question required candidates to state reasons for establishing a business. This part of the question was well done by the majority of candidates, many of whom earned the maximum available marks.

Part (b) required candidates to outline benefits, to residents, of having a business located in a community. Part (b) was also well done. The majority of candidates earned the maximum available mark. However, a few candidates outlined benefits to the business, rather than to the community.

In part (c), candidates were required to distinguish between a planned economy and a free market economy. In this part of the question, candidates deprived themselves of valuable marks by failing to make direct, related contrast between the economic systems. Some responses indicated that candidates did not analyze the question correctly, they dealt solely with the planned economy. Generally, candidates' performance on this part of the question indicated limited exposure to the following themes:

- I. Ownership and control
- II. Price mechanism
- III. Initiative and innovation

For example, vague responses such as „consumers have a say,’ and „consumers have a say in what is produced,’ were quite common. Such responses did not take into consideration demand and supply.

The performance on part (d) was fair. Some candidates simply compared features of a partnership with those of a private limited company, without stating the benefits. Others referred to the ability to sell shares to the public, referring to public limited companies.

Recommendations

- The simultaneous teaching of concepts through comparison or linkages with other concepts should bring increased rewards.
- Students need increased practice in analysing questions.

Question 2

This question tested candidates' knowledge of entrepreneurship and ethical and unethical practices in business.

Approximately 98 per cent of the candidates attempted the question. The performance was generally good. The mean was 12 out of 20.

Part (a) of the question required candidates to define the term 'entrepreneurship'. This was very well done by the majority of the candidates. Weaker candidates, however, merely defined it as 'the fourth factor of production'.

Part (b) required candidates to provide a solution to a problem stated in the question where mechanical problems had developed in a water bottling factory. This was also done very well by the majority of the candidates.

Part (c) of the question tested candidates' knowledge on the reasons for establishing a business. This part was extremely well done by the majority of the candidates. Approximately 80 per cent of them scored the maximum available mark.

In part (d) of the question candidates were required to identify unethical practices in business. There were few very good responses to this part but the majority of the candidates did not seem to understand the term 'unethical', and many candidates answered giving 'ethical' practices, or, 'marketing' practices that could be employed so as not to lose business. Candidates were however better able to identify consequences of unethical practices on business in part (e) of the question. Weaker candidates were not able to explain such consequences, and merely listed them.

Recommendations

- The use of case studies in assessing students greatly assists them in problem-solving. There is evidence that many students do not have much exposure to this method of assessment, as many of their responses did not make reference to the case given in the question.
- Students should be guided in how to respond to questions which require more than just identifying or 'stating' their responses. Where questions require some degree of explanation, points need to be developed if students are to obtain maximum mark.

Question 3

This question tested candidates' knowledge of market research, sales promotion and consumer behaviour.

Approximately 98 per cent of the candidates attempted this question. Performance was satisfactory. The mean was 11 out of 20.

In Part (a) of the question, candidates were required to define 'market research' and outline reasons why businesses should conduct market research. Generally, candidates did not give suitable definitions for market research, the definitions were vague in many cases. However, most of them gave reasons for conducting market research.

In Part (b), candidates were required to state ways by which hotels promote sales during the off-season. Performance on part (b) was fair.

In part (c), candidates were required to outline factors that may influence consumer behaviour in purchasing a cell phone. Candidates responded very well to this part of the question. Approximately sixty per cent of them gained the maximum available mark.

Recommendations

- More attention should be paid to ensuring that students understand key words in questions. Words such as „explain’, „state’ and „outline’ seem to have been misunderstood.
- Students should take note of the marks allotted for each part of the question. In instances where eight marks were awarded to a part of the question, candidates did not elaborate on their responses sufficiently.
- Students need to apply concepts taught to real life experiences.

Section II – Optional

Question 4

This question tested the candidates’ knowledge of production, labour supply and migration. Approximately eighty per cent of the candidates attempted this question. Performance was generally good. The mean was 12 out of 20.

In part (a) of the question, candidates were required to define „migration’ and „labour supply’. The majority of the candidates scored the maximum mark in this section.

In part (b), candidates were required to identify four factors that affect labour supply. Most candidates correctly identified the factors, thereby scoring the maximum available mark.

In part (c), candidates were required to outline ways in which migration affect labour supply. This part of the question was not well done.

The majority of the candidates misread the question focusing instead on the effects of migration on the country, rather than on the labour supply of the country.

In part (d), candidates were required to differentiate between production and productivity. Candidates were unable to differentiate between the two concepts since they lacked knowledge of productivity.

Recommendations

- There is a need to increase the use of real life examples in the classroom. Students should be encouraged to draw on their own experiences where applicable.
- Students should be asked to do research on the effects of migration in their country as an assignment.
- There is a need to do more practice exercises both oral and written in order to develop answering techniques, such as looking for key words in the question.

Question 5

The question tested candidates' knowledge of banking and budgeting. Approximately eighteen per cent of the candidates attempted the question. The mean was 9 out of 20.

In part (a) of the question, candidates were required to define 'personal budgeting'. Candidates were challenged in providing suitable definitions.

Candidates responded fairly well to part (b) which required them to outline benefits of budgeting. In most cases, the points were well developed, suggesting that candidates drew on their personal experiences in answering the question.

In part (c) candidates were required to state advantages and disadvantages of saving at credit unions and commercial banks. Responses to this part of the question were, for the most part inadequate. The main weakness was in the failure of candidates to apply the advantages and disadvantages to saving with the two institutions. Instead, most candidates referenced the institutions in general, there was also the tendency to focus on the lending role of the institutions.

In part (d) of the question, candidates were required to describe the role of the stock market and to outline the advantages and disadvantages of investing in the stock market or purchasing a house as a means of investment. The responses to this part of the question suggest insufficient knowledge of the role of the stock market. A popular misconception was to relate stock as inventory of goods.

Recommendation

In teaching the objectives in the section of the syllabus, students' personal research should be encouraged as a teaching/learning tool. This may be done by assigning group/individual projects as well as class presentations.

Question 6

This question tested candidates knowledge of economic growth and development.

Approximately seventy-five per cent of the candidates attempted Question 6. The question was not well done. The mean was 6 out of 20.

Part (a) of the question required a definition of the term "human resource development." Most candidates seemed to have misinterpreted the term "human resource development" to mean either "human resource" or "human resource department". Some of them repeated the stem of the question in their responses, and some did not give any outcome of human resource development.

In Part (b) of the question, candidates were required to outline THREE ways in which human resource development can affect the economic growth and development of the Caribbean countries. Some candidates responses were quite adequate, however others merely listed the ways without developing their points.

The stronger candidates were able to link human resource development to improving growth and development, while others just listed the benefits without making the link. Candidates who answered part (a) incorrectly followed through in part (b) with their incorrect responses due to the misinterpretation of part (a). Some candidates gave three points that were repetitive.

In part (c) of the question, candidates were required to discuss the effects of migration and economic dualism. Most candidates handled migration very well but others listed the causes rather than gave the effects on Caribbean Countries. Some candidates merely provided a definition of migration.

The concept of economic dualism did not seem to be familiar to many of the candidates. Most candidates confused the concept of “economic dualism” with “dual citizenship, dual parts of a business, two exclusive countries and two economic systems.”

Part (d) of the question required an outline of three ways in which the Caribbean Development Bank can assist in reducing the economic problems of Caribbean countries.

Most candidates attempted this part of the question. Those who responded incorrectly considered the Caribbean Development Bank to be the Central Bank of the Government or even a Commercial Bank that deals with the general public.

Recommendations

- Candidates need to be more familiar with the meaning of action words used in the instruction of questions. For example “discuss, list, outline, describe, define, explain, state and identify.”
- Candidates also need to be familiar with the various concepts and terms used in the Principles of Business subject, such as “economic dualism”.
- Candidates should read the questions carefully before answering, in order to avoid misinterpretations.

Question 7

This question tested candidates’ knowledge of economic systems in the Caribbean, CARICOM and foreign direct investment. The question was attempted by approximately twenty per cent of the candidates and their responses were generally unsatisfactory. The mean was 7 out of 20.

In part (a) candidates were required to state one function of the World Trade Organization and the European Union. Candidates were barely able to give one function of the World Trade Organization as they seem to believe that this organization governs trade. The candidates were unable to give a function of the European Union. They treated it as though it was a trade union.

In part (b) candidates were required to state three benefits of CARICOM. This part of the question was well done.

Part (c) required candidates to outline two ways in which the development of the manufacturing sector can assist in reducing economic problems of the Caribbean.

Part (d) required candidates to define ‘foreign direct investment’ and to outline two ways in which foreign direct investment can contribute to the economic growth of a country. Only a small percentage of candidates gave suitable definitions of ‘foreign direct investment’. The majority of candidates treated it as an organization. Candidates also failed to make the connection between ‘foreign direct investment’ and economic growth.

Recommendation

- Regional and Global Business Environment should be taught much earlier in the fifth form year.
- Team teaching could be a useful mechanism for ensuring coverage of this section early in the term. The use of portfolios, group discussions, role playing and student research could also increase interest and understanding.

- General economics texts, business magazines and business newspapers in the classroom could be used to encourage awareness of the regional and international business environment.
- There is a need to ensure that students understand the verb cues in the questions such as: as define, state and outline.

School-Based Assessment

GENERAL COMMENTS

Paper 03/1

There was overall improvement in the SBAs submitted this year and most students followed the requirements of the new syllabus. However, there was a heavy bias towards production in the profiles that were chosen by the candidates. Teachers should encourage students to select the profile which is most suitable to the nature of their business.

Most schools complied with the sample size requirements as well as the requirements for the word limit of the SBAs. There was nevertheless irrelevant additions to some SBAs in terms of things like the method of data collection, recommendations and the abstract as some candidates mixed the old SBA guidelines with those of the requirements of the new one. Some candidates still did an investigation of a business rather than establishing the business.

There was too much direct information (plagiarism) taken from textbooks and some candidates wrote the SBA in the present tense rather than the future tense.

The title page should indicate the profile (Production, Marketing or Finance) that the candidate has chosen for his/her SBA report and candidates should be encouraged to use a standard format for producing the reports (font size: 12, font style: Times New Roman).

Teachers need to be more objective in the marking of candidates' SBAs and in centres where there is more than one teacher, every effort should be made to standardize the marking process.

PROFILE: PRODUCTION, MARKETING AND FINANCE

The following observations were made under the respective subtopics.

Description of business

This section was fairly well done, however candidates need to identify the form of business correctly, for example Sole Trader, Partnership, Private Ltd Company. Candidates need to avoid giving slogans for mission statements. The mission statement should incorporate the objectives of the business.

Use of technology

Most candidates were able to identify the various types of technology utilized in the business. However, many candidates failed to identify the correct type of technology as it relates to the nature of the business. Often, the benefits of the technology identified were not given.

Government regulations

The regulation was often identified correctly but candidates failed to give an explanation of the impact on the business.

Ethical issues

Most candidates' responses were limited to the environment as the main ethical issue that impacted the business, while there were other suitable or more relevant issues which related to the nature of the business.

Communication of information in a logical way using correct grammar

There were too many grammatical and spelling mistakes. Teachers need to guide candidates in the preparation of the report.

As part of the research process candidates should be encouraged to write the acceptable format of a bibliography. Table of Contents should contain numbers and not headings only.

Specific Comments

The following major issues were observed in relation to Production, Marketing and Finance.

PRODUCTION

Justification of location

Overall this criterion was well done by most candidates.

Selection of appropriate labour

This section was fairly well done, however, many candidates neglected to give reasons for the choice of labour.

Sources of fixed and working capital

Most candidates were able to state examples of fixed and working capital, however, they failed to identify the sources. In cases where a source was identified it was mostly for fixed capital and not for working capital.

Role of the entrepreneur

Although information was given, candidates were not able to relate the functions of the entrepreneur to the nature of the business.

Type of production

The majority of candidates were able to identify the type of production relating to the business but in a few cases it was given in isolation to the business.

Level of production

Some candidates were not able to differentiate between the level and type of production, often times the explanation did not match the level that was identified.

Quality control measures

Candidates should note that quality control measures should relate specifically to the business. Overall this criterion was not well done.

Linkages

Some candidates failed to correctly differentiate between backward and forward linkages. In addition the benefits of the linkages to the business were omitted.

Potential for growth

Most of the candidates did not differentiate between internal and external growth. When this was done correctly, either one or the other was omitted.

MARKETING

Organization of marketing department

The majority of candidates failed to correctly identify and describe the organizational structure of the marketing department. In addition, the roles and functions of personnel in the department were not dealt with adequately.

Market research

This section was poorly done in general. Any three of the topics given could have been discussed in detail. However, the discussion need be related to the business, for example, the competitors of the business and/or the substitutes that exist for the product.

Product or service

This section could have been enhanced by candidates' illustration of the brand or package used by the business.

Pricing strategy

Most candidates identified but were unable to illustrate and justify the pricing strategy that their business would use.

Place (Distribution channels)

Some candidates adequately described the distribution channel nevertheless little attention was given to describing the limitations of the distribution channel or to identifying suitable alternatives.

Promotion mix

This was generally well done by the majority of the candidates.

Customer complaints

This section was done satisfactorily although most candidates were unable to give an illustration by way of an example specific to their business.

FINANCE

Purpose for which finance is needed

This criterion was generally well addressed by the majority of candidates.

Organizational chart

Most candidates adequately addressed this criterion. Some candidates however did not show the relationships between the personnel as outlined on the chart.

Cost of producing goods

While most candidates were able to identify the cost of producing goods, few were able to adequately distinguish between prime and overhead costs as they related to the business. In addition, few candidates were able to identify the reasons for having different types of expenses.

Capital goods

This criterion was generally well done.

Sources of finance

For the most part candidates accurately identified the source of finance.

Collateral

Most candidates were able to discuss the importance of collateral to the business.

Capital instruments

The majority of candidates were not able to describe the capital instruments in terms of equity and debt.

Implications of capital mix

The majority of candidates did not seem to grasp the concept of capital mix as it relates to financing a business and thus this section was generally not well done. Teachers should therefore ensure that this topic is emphasized / researched.

Projected performance

This criterion was handled well by all candidates. Most candidates were able to produce projected income statements and balance sheets.

Paper 03/2

The overall performance was satisfactory. Candidates were familiar with the objectives tested, however, they failed to interpret the specific requirements of the questions. Candidates quoted sections from the case study to complete their business plan. Some exhibited a lack of knowledge of the requirements of the syllabus.

Operational Plan

Goals of Association

Approximately ninety-eight per cent of the candidates scored the maximum mark. The correct response was quoted from the case study.

Type of Business

The performance in this section was unsatisfactory. Most of the candidates erroneously stated Private Ltd. and Public Ltd. rather than a non-profit organization.

Structure of Organization

About forty-five per cent of the candidates scored the maximum mark. Some candidates described the organization chart rather than draw the organization chart depicting the various levels.

Management Functions

About ninety per cent of the candidates scored the maximum mark. Some, however, limited their responses to the case study rather than listing the various functions of management. Some candidates confused the functions of management with the structure of the organization.

Executive Summary

Generally, candidates failed to score the maximum mark. They seemed not to have understood what was required of them. They wrote about the association's goals rather than drew inferences from the extract.

Marketing Plan

Typed of Services Provided

This area was satisfactorily done. However, the majority of responses were taken verbatim from the case.

Size of Market

Some candidates gave specific numbers communicating a good understanding of the question. However, the majority of the responses were identified as small, medium and large.

Target Market

The responses were generally good. However, a large number of candidates presented additional information relating to the market size.

Promotional Activities for Membership Products

The responses contained information which was taken verbatim from the case.

Marketing Activities for Agency Services

This area was confused with promotional activities for membership products, hence the responses were poor.

Many candidates misunderstood this question repeating the responses given for promotional activities.

In the area of promotional activities and marketing activities there was confusion in both areas as the answers were duplicated.

Benefit of developing a logo

Responses suggested that it was the logo that makes a business successful and not what it represents.

Executive Summary

This area was poorly done by most candidates. In a few cases, the responses were lengthy and highlighted the organizational structure of the business.

Many candidates did not provide a response to this section.

Financial Plan

(a) Income Statement

This question required candidates to complete an Income Statement and Balance Sheet using the information from the case study. The question was attempted by the majority of candidates and most of them gave satisfactory responses.

The majority of candidates were able to calculate the membership fees, however, some just wrote \$500 instead of multiplying it by 250 members to arrive at the answer.

Similarly, for the government grant, candidates inserted \$100 as was given in the case study and did not calculate the total for all members. This part of the question proved to be the area where candidates had the most challenge. Candidates lacked the skill to calculate the government grant from the information provided in the financial statement by working it backwards.

A vast majority of candidates did not realize that the total expenses was simply the sum of the expenses identified in the case study. As a result, many candidates did not gain any marks. Consequently, because of the candidates' lack of accounting knowledge they were unable to calculate the profit and loss which merely was subtracting the expenses from the total income.

(b) Balance Sheet

This part of the question required candidates to calculate the additional membership fees.

Most of the candidates gave satisfactory responses. However, candidates did not understand the relationship between assets, liabilities and capital. Even when candidates accurately calculated the total assets they failed to correctly calculate the capital though the liabilities figure was given.

The candidates' responses were satisfactory; however, the majority of candidates did not show working. The major weakness in the responses was candidates' inability to calculate the additional membership fees. Many candidates calculated total membership fees. Simple mathematical calculations proved problematic for candidates.

Recommendations

Teachers need to pay more attention to this section of the syllabus; thus, reinforcing concepts taught since candidates seem to lack a thorough understanding of this section.

Teachers should encourage students to examine questions carefully to determine what is required of them.

General Comments

1. Candidates did not exhibit adequate knowledge of the syllabus.
2. Candidates quoted entire sections from the case to complete the business plan.
3. Generally the responses were of a very poor quality. They were weak in most areas of knowledge, comprehension and application.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

JANUARY 2010

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

The January 2010 examination in Principles of Business was based on the revised syllabus which came on stream in September 2006. The examination consisted of the following papers:

Paper 01	Multiple Choice
Paper 02	Essay
Paper 03/2	Alternative to School Based Assessment (SBA)

This year the candidate entry was 6013 compared with 2219 in 2009. This represented an increase of 162 per cent.

DETAILED COMMENTS

Paper 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items, 20 on each of the three profiles of the syllabus. The performance of the candidates on Paper 01 was satisfactory. The mean mark was 32.08 out of 60, which was slightly below the 33.91 realized in 2009.

Paper 02 – Essay

Paper 02 consisted of three compulsory questions (two from profile one and one from profile two) and four optional questions (two from profile two and two from profile three) from which candidates were required to answer two. The mean mark of 40.35 out of 100, represented a considerable reduction from the 51.85 realized in 2009.

Paper 03/2 – Alternative to SBA

Paper 03/2, the alternative to the SBA, is an examination offered to private candidates. The performance of candidates on this paper was unsatisfactory. However, the mean mark of 13.76 out of 40 was an improvement on the 12.38 realized in 2009. Quite clearly the mean scores on the papers were generally affected by the considerable increase in the candidate entry.

Section I – Compulsory

Question 1

This question was taken from Section 1 of the syllabus and was structured in three parts: Part (a) assessed whether the candidates understood the term „barter’ and the problems associated with bartering. It also asked candidates to explain how the use of money could overcome these problems. Part (b) required that candidates compare the private and the public sector in terms of: ownership and control; objective or motive and source of capital. Part (c) asked that students outline ways in which a free market economy differed from a planned or a command economy.

This question was attempted by approximately 100 per cent of the candidates, and approximately 70 per cent of them scored above 9 marks out of a possible 20 marks.

In Part (a) (i), the majority of the candidates were able to define the term „barter’ as well as identify problems associated with it. However, the weaker candidates had difficulty explaining how the use of money could overcome the problems associated with barter.

The performance of candidates in Part (b) was poor as the majority equated the private sector with private limited companies and the public sector with public limited companies. In some instances, candidates chose to define the term „objective’ instead of giving an objective of both the private and the public sectors.

The stronger candidates were able to answer Part (c) of the question correctly. However, the weaker candidates made the same error of comparing private and public companies instead of free market and planned economies. Approximately 30 per cent of the candidates failed to identify two differences between planned and command economies, and simply stated unrelated characteristics of these economies.

Recommendations

Teachers are encouraged to

- assist students in defining concepts by highlighting their distinguishing feature
- use a number of examples to show students the differences between the „public sector’ and the „private sector’ and how these differ from private and public companies
- assist students to demonstrate that they understand concepts by giving correct examples of these.

Question 2

This question was designed from Section 1 of the syllabus. Candidates were tested on the importance of both the marketing and finance departments to the business, the reasons why an individual would want to go into business, what is involved in short and long-term planning and also the advantages of a private limited company. Only 40 per cent were able to secure satisfactory marks for their responses.

Part (a) of the question was fairly well done. The weaker candidates were unable to differentiate between „market’ and „marketing’. The functions of the finance department were generally well understood.

Part (b) was answered accurately by the majority of candidates in that they were able to score full marks. However, a minority interpreted the question as a Social Studies question incorporating Maslow’s hierarchy of needs as their response.

Part (c) was generally not well done. The majority of candidates were not clear about the period of time involved in the two types of planning. Hence their response tended to trivialize the question and so their interpretation was personal in nature involving their day-to- day lives with respect to planning.

Part (d) was also poorly done by the majority of candidates. A minority was able to give one correct advantage. The candidates interpreted advantage of the private limited company as characteristics and so their responses reflected this confusion.

Recommendations

Teachers are encouraged to use more case studies to teach concepts so that students can get real examples to which they can apply real solutions. Role play would also be a good way to get students to learn important concepts by simulating real business situations.

Question 3

This question was designed from Section 5 of the syllabus and sought to identify (a) factors necessary for locating a business; (b) advantages of operating a small business; (c) disadvantages of business expansion; (d) forms of technology that are essential to a business; and (e) the benefits of technology.

Candidates performed very well since approximately 60 per cent of them were able to score between 12 and 20 marks. Parts (a), (d) and (e) were generally well known since candidates were able to score the most marks in these three sections.

Parts (b) and (c) presented some difficulty to candidates since many of them believed that the sole trader and small business entrepreneur are one and the same.

Recommendations

Teachers must make a clear distinction between a sole trader and the small firm, since a small firm could also be a company. Therefore they should use many examples existing in their country to make the point so students can clearly distinguish these concepts.

Question 4

This question was taken from Section 7 of the syllabus and required candidates to identify (a) sources of income for individuals as well as businesses, (b) services provided by commercial banks. Part (c) also required candidates to outline the characteristics of credit unions while in Part (d) they were required to define the term 'budgeting' as well as state the purposes of budgeting.

The majority of candidates performed below average as the majority of them scored approximately 9 out of a possible 20 marks. Parts (a), (b) and (d) were fairly well done, in particular Part (b). The majority of candidates were able to identify the sources of income for individuals and businesses; describe services offered by commercial banks as well as define 'budgeting', and state the purposes of budgeting. However, the majority were not able to outline the characteristics of credit unions.

Recommendations

Teachers are encouraged to place the same emphasis on teaching students about other financial institutions such as credit unions as they do on teaching about commercial banks and the central bank.

Question 5

This question came from Section 5 of the syllabus. Candidates were required to:

- (a) Define the terms 'human resources' and 'productivity'.
- (b) Describe the following levels of production: subsistence, domestic and surplus as they relate to levels of production.
- (c) State ways in which efficiency of labour can be improved.
- (d) Discuss factors that impact negatively on the productivity of workers.

The general performance on this question was fair.

In Part (a), the majority of the candidates misinterpreted the term 'human resources' and defined it as the 'human resources department' and 'productivity' as 'production'.

In Part (b), the majority of the candidates were able to distinguish between the different levels of production. However, the weaker candidates stated the types of production (primary, secondary and tertiary) rather than the levels of production.

Part (c) of the question was fairly well done as the majority of candidates were able to state ways in which the efficiency of labour can be improved.

The majority of the candidates failed to discuss factors which impact negatively on the productivity of workers. Candidates gave brief responses to this question and avoided discussing genuine factors that could cause workers not to perform efficiently.

Recommendations

Teachers are encouraged to use more case studies to teach concepts so that students can get real examples to which they can apply real solutions. Role play could also be used to get students to cement important concepts by simulating real business situations.

Question 6

This question was taken from Section 9 of the syllabus. It consisted of three parts and candidates were asked to:

- (a) Define the term „standard of living’ and identify indicators of standard of living.
- (b) Distinguish between „economic growth’ and „economic development’.
- (c) Define the term „balance of payments’ and measures that a country may adopt to address its balance of payments problem.

This was a popular question as approximately 75 per cent of the candidates who sat the examination attempted it. Twelve per cent of the group scored between 9 and 15 out of a possible 20 marks; the other 88 per cent scored between 0 and 8 marks.

In Part (a), most candidates wrongly defined the term „standard of living’ as the way people live as opposed to the quality and quantity of goods and services. However, most candidates were able to accurately identify the two (2) indicators of standard of living.

Part (b) of the question presented the highest level of difficulty for candidates, and responses showed a lack of analytical skills. Approximately 30 per cent of the candidates were able to accurately differentiate economic growth as quantitative increases as opposed to economic development as qualitative. About 40 per cent of the candidates confused economic growth with population growth, for example, a typical response was „growth in the number of babies’. The weaker candidates also wrongly spoke of social growth and included points such as a decreasing crime rate and migration. The majority of candidates gave one instead of two examples to show the differences between economic growth and economic development.

In Part (c), the majority of the candidates who attempted this question confused the term “payments” with balancing creditors in the private sector and individual retailers. Most candidates did not comprehensively discuss the two measures that a country may adopt to address its balance of payments problem. Rather some of them misinterpreted it to mean the payment plan or balance parcel of individuals as opposed to the balance of payments of a country. Those who responded scored at least 2 marks out of the 6 marks awarded.

Recommendations

Teachers should ensure that:

- Students be assisted in understanding the meaning of instructional words such as „define’, „identify’, „distinguish’ and „discuss’.
- Students become more familiar with the various concepts and terms used in the principles of business subject, such as „standard of living’ as it relates to economic growth and development, and „balance of payments’.
- More emphasis be placed on the economic component of the syllabus.

Question 7

This optional question came from Section 10 of the syllabus and required candidates to:

- (a) Define the term „foreign direct investment’ (FDI).
- (b) Outline factors that discourage foreign investment from coming to the Caribbean.
- (c) State the ways FDI may be attracted to the Caribbean.
- (d) Discuss ways in which Caribbean countries benefit from foreign investments.

This question was not popular as less than 20 per cent of the candidates attempted it. It was poorly done and from the responses of the majority of the candidates, it seemed as if they did not complete this section of the syllabus in the classroom.

Part (a) of the question was very poorly done as a minority was able to define „foreign direct investment’. An acceptable response demonstrated knowledge of overseas firms setting up businesses in another country.

In Part (b), the stronger candidates were able to satisfactorily outline factors that discouraged foreign investment from coming to the Caribbean. Acceptable responses should have included the following points:

- Government policies on the repatriation of profits
- The tax structure
- Prevalence of crime and violence
- Organized labour movements
- Poor infrastructure (transportation, communication, public utilities)
- Excessive government restrictions (regulation of the private sector)
- Attitude of workers

Part (c) also posed a great deal of difficulty for candidates as they advanced no real reasons why investors would be attracted to the Caribbean. Acceptable responses should have included the following points:

- Tax holidays/tax incentives
- Low cost energy
- Political and environmental stability
- Provision of infrastructure by government/industrial estates
- Reduction of crime and violence which could lead to stability in the economy

Even though candidates lacked detailed knowledge of FDI, they were able to offer some acceptable responses and earned marks in Part (d). Possible responses included were:

- Employment opportunities
- Utilization of raw materials, creating linkages and expansion of local production
- Profits/royalties entering local banking system and filtering down into the economy
- Development of local resources through training and transfer of technology, thus building human capital

Recommendations

While this topic is located in the last section of the syllabus, teachers must make a deliberate effort to teach them earlier in the year. During the planning process, teachers should try to incorporate some of these topics earlier so that students can see their relevance. These topics can also be reinforced later down when they naturally come to them.

Paper 03/2 – Alternative to SBA

Candidates were expected to complete the template, based on the stimulus material given in the various sections of the question paper. This paper was attempted by approximately 99 per cent of the candidates.

Profile 1 – Operational Plan

Nature and Type of Business

The majority of the candidates failed to identify both the nature and type of business. Approximately 85 per cent identified the nature of the business, that is, what the business was engaged in, but only a small minority was able to identify the type of business itself. Incorrect responses ranged from public limited company to sole trader.

Internal Structure or Organization

The majority of candidates was able to outline the structure of the organization. The stronger candidates were able to draw an organizational chart while the weaker ones listed the fixed assets of the business. In some cases, the candidates copied information verbatim from the case.

Management Functions

The majority of candidates failed to get the optimal 2 marks for this part of the case. The weaker candidates failed to describe these functions but opted to quote the role of the managing director directly from the stimulus material in the case.

Ethical Issues

The majority of the candidates demonstrated a lack of knowledge of ethical issues and therefore was not able to identify the ethical issues surrounding the case.

Profile 2 – Marketing Plan

Market Research

The majority of candidates was unable to score full marks, neglecting to mention market research tools or discuss how data was collected.

Industry Trend

The majority of candidates failed to identify industry trends. The stronger candidates quoted the projection 'enrolment will grow by 100 students each year for the next 10 years'. A less common but accurate response was 'one-on-one tuition'.

Size of Market

The majority of candidates had an idea of the market size.

Target Market

The majority of candidates scored full marks in this section of the case.

Pricing Strategies

The majority of candidates was unable to gain full marks. However, an array of pricing strategies was presented by candidates who scored in this area.

Promotion Strategies

This section was well done.

Distribution Strategies

This section was unsatisfactorily done. Most of the candidates seemed to have misunderstood what was required in this section.

Executive Summary

This section of the case created the greatest challenge for the candidates as the majority of them lacked knowledge of how to write an executive summary.

Profile 3 – Financial Plan

This section of the paper was not very well done as the majority of the candidates were unsure of what was required under the various headings. The main areas that candidates found problematic were *ethical issues* and the *executive summary*. The weaker candidates gave definitions of these areas instead of explaining the case in terms of these issues.

A minority of the candidates wrote about a school-based assessment they had previously done and therefore did not use the case study in their responses. Generally candidates did not demonstrate a clear understanding of the concepts in this profile of the case.

Recommendations

Teachers need to teach students what is involved in a business plan and to give students adequate practice to sufficiently prepare them for this paper.

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

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

MAY/JUNE 2010

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY**

GENERAL COMMENTS

The Principles of Business (POB) examination was offered for the 31st time in June 2010.

This year, 38,106 candidates registered for the General Proficiency examination. The composition of the examination was as follows:

Paper 01	-	Multiple Choice
Paper 02	-	Essay Paper
Paper 03/1	-	School-Based Assessment (SBA)
Paper 03/2	-	Alternative to SBA (Private Candidates)

Paper 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory.

The mean mark was 35.74 out of 60. The means were 34.5 and 33.71 for 2009 and 2008 respectively. Approximately 81 per cent of the candidates scored at least 50 per cent of the maximum available marks for this paper.

Paper 02 – Essay

Paper 02 comprised two sections. Candidates were required to answer the three compulsory questions in Section I and two of four optional questions in Section II. The mean mark for this paper was 48.05 out of 100. The means were 52.09 and 49.72 for 2009 and 2008 respectively. The highest mark on this paper was 96. This was achieved by four candidates.

Paper 03/1 – School-Based Assessment

Paper 03/1, the School Based Assessment (SBA), is usually done by school candidates. Candidates were required to prepare a business plan on one aspect of profile 2: either production, marketing or finance.

Performance on this paper was quite good. The mean mark was 31.34 out of 40. Eight per cent of the candidates achieved the maximum available mark on this paper.

Paper 03/2 – Alternative to School-Based Assessment

Paper 03/2, the Alternative to the SBA, an external examination, was offered to private candidates. For this examination, candidates were required to complete a business plan using a given template and a case.

Performance on this paper continues to improve. The mean mark was 15.52 out of 40 compared with 13.90 in 2009 and 11.48 in 2008. No one achieved the maximum mark on this paper, however, the highest mark was 37 out of 40.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory

Question 1

This question tested candidates' knowledge of a business plan. Approximately 93 per cent of the candidates attempted this question. It was less than satisfactorily done. The mean mark was 9.27 out of 20.

Part (a) of the question required candidates to define the term 'business plan'. The majority of candidates were able to gain one of the two marks by stating key words such as 'road map', 'blueprint' and 'outline'. In attempting to define the term 'business plan', some candidates stated the elements of a business plan rather than defined the term.

In Part (b), candidates were required to describe four elements of a business plan, namely business identification, product or service description, market strategy and organization or management. The following is a breakdown of how candidates performed in providing the descriptions.

- Business Identification – The majority of candidates gave good responses.
- Product or service description – Overall, this description was adequately addressed. However, there were some instances where the word 'description' was ignored and a definition for product given as a response.
- Market strategy – Some candidates scored the maximum available mark because they were able to identify the elements such as 'promotion' and 'advertising'. Others were unable to differentiate between market research and market strategy.
- Organization or management – Those candidates who performed well on this section illustrated their responses by drawing organizational charts. In their descriptions they used terms such as 'span of control,' and 'chain of command' and commented on duties, roles, functions, delegation of duties and number of persons employed. The weaker responses consisted of mere definitions of both terms or lists of the functions of management.

For Part (c), candidates were required to identify four elements which the executive summary should contain. Most candidates were able to incorporate aspects of the business plan in the executive summary.

In Part (d), candidates were required to state three reasons why a business plan is necessary. Popular responses to this section identified the business plan as a tool for attracting investors and acquiring funding from financial institutions for business ventures. The weaker responses consisted merely of a repeat of the definition of a business plan.

Recommendation

Teachers should place more emphasis on the step by step development of a business plan and seek to acquire actual samples of business plans and to utilize these in the teaching of this topic.

Question 2

This question tested candidates' knowledge of contracts. It was attempted by approximately 94 per cent of the candidates writing the examination. Performance was satisfactory. The mean was 10.50 out of 20.

Part (a) required candidates to state the difference between a simple contract and a 'mere agreement'. Approximately 35 per cent of candidates scored the maximum available mark on this part of the question. The majority of those who did not score the maximum mark simply gave definitions of a simple contract, including stating some of its elements, but had difficulty distinguishing it from an agreement. A significant number of candidates described the 'mere agreement' as simply being the opposite of the simple contract.

In Part (b), candidates were required to list four characteristics of a valid contract. Approximately 45 per cent of the candidates were able to list at least three characteristics of a simple contract. About 40 per cent were able to identify two characteristics and the remainder demonstrated that they were either unaware of the characteristics of a valid contract or just were not sure what was meant by the term 'characteristics'.

In Part (c), candidates were required to use the information provided in a case to

- (i) state their understanding of the justification for the existence of a valid contract
- (ii) state whether there had been a breach of contract and
- (iii) identify two remedies that a court can award for breach of contract.

Approximately 75 per cent of the candidates were able to justify why the arrangement was indeed a valid contract. The remaining 25 per cent stated that the contract had either been breached or was not valid.

At least 80 per cent of the candidates stated that there was a breach of contract. However, most of them were unable to satisfactorily support their position with precise information from the case. They simply regurgitated facts from the case which, when read carefully, seemed to suggest that they did not understand the concept of 'breach'.

This part of the question seemed to have presented some challenges for most candidates. The majority of them seemed familiar with only one remedy, that of suing for damages. However, not only did candidates fail to use the legal terminology, but their responses suggested a lack of clarity as to whether it was the courts or the aggrieved party that should be compensated.

Part (d) required candidates to outline two ways, other than breach, by which a contract can be terminated or discharged.

The poor performance of candidates on this part of the question may have resulted from their failure to carefully read and interpret the requirement of the question. Approximately 30 per cent of the responses included breach of contract as a means of discharging a contract when the question specifically asked for methods other than breach. Further, many candidates merely listed ways of terminating a contract and failed to develop their responses as was required.

Recommendations

In order to allow students to give more appropriate and complete responses, teachers should make a concerted effort to

- guide students to distinguish among state, explain, list, identify, outline, discuss.
- utilize case analysis in the teaching of this topic so to assist students in developing skills of application, analysis and evaluation.
- use resource personnel to clarify certain terms used in contract law.

Question 3

This question tested candidates' knowledge of small businesses. It was attempted by approximately 93 per cent of the candidates sitting the examination. Generally, candidates performed well on this question with over 65 per cent of them achieving satisfactory scores. The mean mark was 9.70 out of 20.

In Part (a) of the question, candidates were required to state two advantages of small businesses. Most candidates were able to score the maximum available mark for this part of the question. The majority of inaccurate responses were given by candidates who assumed that small businesses were synonymous with sole traders, and as a result, "profits not being shared" and "being one's own boss", were popular but inaccurate responses. Such candidates neglected the fact that small businesses may extend to partnerships and private limited companies.

In Part (b), candidates were required to identify two relationships that existed between cottage industries and small businesses. Many candidates scored poorly on this part of the question. The majority of them misinterpreted the relationship between cottage industries and small businesses as similarities between the two. It was clear that some respondents considered both forms of entities to be one and the same. Correct responses included *„small businesses could be a spinoff of cottage industries'*, *„forward and backward linkages'* and *„small businesses help to promote products of the cottage industry'*.

For Part (c), candidates were required to outline three benefits of operating cottage industries. Approximately 50 per cent of them scored the maximum available mark. Those who failed to score high on this part of the question did not sufficiently develop their points. Generally, benefits to the owner(s) were seldom put forward or discussed.

In Part (d), candidates were required to discuss two ways in which small businesses contribute to Caribbean economies. Approximately 50 per cent of the candidates gained the maximum available mark for this part of the question. The candidates who did not score well on this part of the question failed to adequately discuss the points raised. For example, some candidates vaguely mentioned contributions such as "the exportation of goods", but failed to show the impact of such exportation on Caribbean economies.

Recommendations

Teachers need to

- help students to distinguish between cottage industries and small businesses as students failed to see the former as a variation of the latter.
- demonstrate how cottage industries and small businesses rely on each other. Furthermore, linkages need to be clearly taught as a relationship.

Section II – Optional Questions

Question 4

This question tested candidates' knowledge of technology in business. It was attempted by approximately 30 per cent of the candidates. Of those attempting this question, about 75 per cent gave satisfactory responses. The mean mark was 12.48 out of 20.

Part (a) required candidates to distinguish between *„capital intensive production'* and *„labour intensive production'*. Some candidates, rather than giving the meaning of *„capital intensive production'*, gave the definition for either *„production'* or *„capital'*. However, the majority of candidates were able to give examples of each form of production.

In Part (b) candidates were required to list four technological competencies that today's employees are required to possess. A significant number of the responses dealt primarily with academic qualifications, resulting in candidates failing to score the maximum available mark for this section of the question.

Part (c) required candidates to state two disadvantages of modern technology. Approximately 20 per cent of candidates' responses stated advantages instead of disadvantages. Those candidates who gave disadvantages scored high marks.

For Part (d) candidates were required to discuss two ways by which modern technology can improve the efficiency of businesses. Candidates generally made one point with lengthy explanations. In a number of cases, candidates limited modern technology to the computer.

Recommendations

Teachers should

- encourage students to read through the whole question (do question analysis) before attempting to answer
- teach cross referencing of concepts whenever possible
- revise topics taught earlier during the year of examination,
- use appropriate examples to support the current concepts.

Question 5

This question tested candidates' knowledge of marketing. It was attempted by approximately 70 per cent of candidates, 60 per cent of whom gave satisfactory responses. The mean was 12 out of 20.

Part (a) (i) required candidates to define the term 'branding'. This part of the question was generally well done. Approximately 90 per cent of the candidates gave satisfactory responses; however, the weaker responses confused branding with labelling.

In Part (a) (ii) candidates were required to state two ways in which branding influences the packaging of a product. This part of the question was poorly done. Only about 10 per cent of candidates were able to score the maximum available mark. Candidates seemed to have misinterpreted the question and therefore did not give appropriate responses. The majority of responses gave reasons for branding and failed to make an appropriate link between branding and packaging.

Part (b) of the question required candidates to discuss two reasons for branding a product. The responses to this part of the question were well articulated. Approximately 75 per cent of candidates gained the maximum available mark. Most of the other responses revealed candidates' inability to distinguish between branding and labelling. They suggested reasons such as 'display of ingredients', 'expiry date', and 'manufacturer's identification'.

For Part (c), candidates were required to identify four factors that influence consumer behaviour. Generally, candidates gave very good responses to this part of the question with the majority scoring the maximum available mark. Those who did not do well on this part of the question generally made the same error in listing the 4Ps and rights of consumers as factors affecting consumer behaviour.

In Part (d), candidates were required to outline two ways by which producers can prevent their products from being reproduced by unauthorized persons. This part of the question was fairly well done. While most candidates seemed familiar with ways by which producers can prevent their products from being reproduced by unauthorized persons, many of them failed to give clear explanations. For instance, candidates used phrases such as „sealing the package’ rather than „placing a seal on the package’.

Recommendations

Teachers should

- incorporate a variety of teaching methods and tools to enhance lessons these may include the use of PowerPoint presentations, role-playing, the use of graphics and charts.
- provide opportunities for students to simulate the creation of a product where they would label, brand, package and promote the product.
- stress the importance of producers placing more emphasis on preventative measures to reduce the pirating of their products by other persons or businesses.
- emphasize the importance of product branding and how it affects the packaging of a product in terms of style, quality, image, colour and attractiveness.
- constantly remind students of the significance of key terms in questions such as „define’, „outline’, „discuss’ and so on.

Question 6

This question tested candidates’ knowledge of economic growth and economic development. It was attempted by approximately 62 per cent of candidates. The mean mark was 7.27 out of 20.

Part (a) of the question required candidates to identify two indicators of economic growth. Responses to this part of the question suggested that many candidates were not familiar with the concept of economic growth. A popular misconception was to confuse population growth with economic growth; hence, factors such as teenage pregnancy and migration were identified as indicators of economic growth.

Part (b) required candidates to state one difference between economic growth and economic development. Candidates were generally unable to distinguish between the concepts of growth and development and therefore were unable to score the maximum available mark.

In Part (c) candidates were required to describe three ways in which a society benefits from rules and regulations enforced by government.

Approximately 40 per cent of candidates gained the maximum available mark for this part of the question. Most of the other candidates gave responses that enabled them to score some marks. However, a general weakness identified was the failure to adequately develop responses.

For Part (d) candidates were required to discuss three ways in which a country can achieve positive economic growth. Generally, the responses to this part of the question were not sufficiently developed to merit the maximum mark.

Recommendation

Teachers are encouraged to make use of real-life examples and situations to illustrate these economic concepts.

Question 7

Question 7 tested candidates' knowledge of international trade and balance of trade. Approximately 30 per cent of candidates attempted this question. In general, responses to this question were poor. The question proved to be challenging to most candidates with less than 30 per cent of them giving satisfactory responses.

Part (a) required candidates to outline three benefits a country may gain from engaging in international trade. Candidates performed well on this part of the question with about 90 per cent of them scoring the maximum available mark. However, some of them treated international trade as barter.

For Part (b) candidates were required to distinguish between balance of trade and balance of payments and to use an example to illustrate how each is calculated.

Candidates were generally able to define balance of trade and give suitable examples, however, some were unsure of the formula for calculating the balance of trade. The concept of balance of payments was more challenging for candidates. Ninety per cent of them could neither define it nor give suitable examples. They seemed unfamiliar with the concepts of capital and current account. Some treated them as balance owed or debit/credit accounting terms.

In Part (c) candidates were required to discuss two ways in which an improvement in the quality of education can affect economic growth and development. In responding to this part of the question, 90 per cent of candidates were unable to discuss or make a direct link between improvement in the quality of education and economic growth and development. They limited their responses to improvement in the quality of education.

Recommendations

Teachers can enhance the delivery of Profile 3 by

- utilizing examples of actual balance of payment tables
- encouraging team teaching and group discussions
- using maps and globes to help students visualize the geographic aspect
- encouraging students to read general economics texts, business magazines and periodicals to widen their understanding of international trade.

Paper 03/1 – School-Based Assessment (SBA)

GENERAL COMMENTS

This year there was an overall improvement in the quality of SBA project samples submitted for assessment. Most of the samples met the basic requirements and standards prescribed in the CSEC syllabus. There was an improvement in the quality of the projects in terms of the content as well as the presentation. Many projects reflected good research procedures which was evident in components such as the cover page, executive summary, tables of contents and bibliography. However, there are some concerns that must be addressed to ensure greater improvement of the SBA.

Unfortunately, there are many instances where the previous format of the SBA component is still being utilized. Teachers are asked to observe the current SBA guidelines (2009). Students must be reminded that the SBA requires that they present a plan for a proposed business. In addition, students can model their reports on an established business, but should not present a report for an established business.

The statistics indicated that an overwhelming number of students focused on the production profile. Students should be assisted in selecting the profile that best suits their proposed business. Additionally, the report should be written in the third person and in the future tense. Students should also be encouraged to use an acceptable format for the bibliography.

Overall, the SBA component would be further improved if students are encouraged to follow basic report and research procedures. They should also pay close attention to the terms given under each component in the various profiles such as outline, illustrate and discuss.

Students should also use various means of enhancing and presenting their reports by including pictures, graphs and diagrams where appropriate, and when used, they should be part of the presentation and discussion and not just placed abstractly in the report or in the appendix without reference to them in the body of the project.

SPECIFIC COMMENTS

Production

The Production Profile was the most popular profile but it was not always the most appropriate profile for the proposed business. The components of the profile which were well done included description of the business, justification of location, quality control measures, type and level of production, government regulation and ethical issues.

There were some problems with the criteria and selection of appropriate labour in the business. Some students failed to outline the reasons for the type of labour and the number of employees needed. They failed to outline how government regulations and ethical issues would impact on the business.

Another area of concern was the source of fixed and working capital. Students were confused by the term „source’ and referred to the place of acquisition of the items rather than the financial or initial capital needed to acquire these. While the role of the entrepreneur was addressed, many students did not relate the role and functions to their specific businesses but rather gave general textbook information.

The use of technology was adequately presented but the examples were limited. Students should be advised that the use of technology in the production process should be relevant and if the computer is presented as an example, all the work-related functions are considered to be one type of technology. There must also be an indication as to how the use of the technology will enhance the efficiency of the business.

There has been some improvement in the criterion, potential for growth, however, while internal growth was fairly well addressed, many candidates still did not adequately address the topic of external growth.

Linkages proved to be another area of concern as many candidates were confused by the terms „backward and forward linkages’. Students must therefore be encouraged to study and understand the difference between the two concepts.

Marketing

Under this profile, the subtopics which were suitably addressed were description of the business and promotion mix. With respect to the organization of the marketing department, many candidates presented and described the organizational chart of the business instead of the marketing department. Market research was fairly well presented but the target market and substitutes needed to be better addressed. Students should be encouraged to be „creative’ and to present the branding aspects of the product by actually creating a business logo or brand name.

The pricing strategy was not well presented. Students should be encouraged to identify and justify the strategy that best fits their business type. While many of them identified the distribution method used, they did not present its limitations and the suitable alternatives. This aspect of the project could have been enhanced by a diagrammatical representation. Students could have achieved more marks for the aspect of customer complaints, if they gave specific examples.

Finance

This profile was attempted by a very small number of candidates. Generally, the submissions were well done. However, some areas which are in need of improvement include cost of producing goods, capital goods, capital instrument, sources of finance, implications of capital mix and projected performance.

Cost of producing goods

Students needed to clearly distinguish, using examples, the difference between prime and overhead costs. Because they failed to do this, they were unable to give reasons for the different types of expenses.

Capital goods

Numerous examples of „goods’ used in the business were presented. However, candidates did not focus on the specific term „main capital goods’ and as a result presented unnecessary information.

Sources of finance

Students should be encouraged to use the relevant business terminology as it relates to sources of finance, for example, debentures instead of loans from family and friends.

Capital instruments

Students were able to adequately describe the capital instruments used in the business under equity and debt. However, they were unable to show the implications of the capital mix which they had selected.

Projected Performance

The supporting data related to the balance sheet and the trading and profit and loss account should be presented in the related section of the report as opposed to being in the appendix with no reference made to them.

Paper 03/2 Alternative to School-Based Assessment

GENERAL COMMENTS

The overall performance on this paper was satisfactory. The performance on Profile 1 was fairly good. Profile 2 was fairly well done. However, Profile 3 was not well done. Some candidates did not even attempt the questions in this profile. Generally, some candidates exhibited knowledge of the subject but lacked applications and analysis of the information. In some instances, some candidates quoted sections from the case rather than responded to the question.

The performance of candidates on Paper 03/2 continues to show improvement with each administration of the examination. Candidates have demonstrated improvement in their understanding of the concept of „business plan’. However, there is much room for improvement. Candidates need to be exposed to actual business plans in the „real world’. This exposure will give them a much better understanding of business plans.

DETAILED COMMENTS

Operational Plan

1. Nature and Type of Business

(a) Level of Production

Candidates seemed to have had difficulty classifying the business based on the level of production. The most frequent answers were „domestic’ and „secondary’ rather than „tertiary’ or „service’. In addition, some candidates presented the three levels since they could not identify the correct level.

Some candidates seemed to have been unfamiliar with the concept of the level of production and therefore gave responses such as „high’ or „low’.

(b) Ownership type

The most popular answer was „partnership’, however, the correct response was „private limited company’.

2. Internal Structure of the Organization

Candidates need to be carefully instructed in relation to the organizational chart as only a minority earned the maximum available mark. Some erroneous responses were histograms, pie charts, line graphs, bar charts, pyramids and floor plans.

Some candidates drew organizational charts for schools and organizations generally. They also included terms such as governing body, chief executive officer, managing director and general manager.

3. Management Functions

The majority of candidates earned the maximum available mark for this question.

4. Ethical Issues

Candidates demonstrated limited knowledge about ethical issues as was evident in the responses given. More time should be spent on analysing ethical issues as they relate to business. For example, registration of writers and Occupational Safety and Health Administration (OSHA) issues.

Candidates tended to focus on the repayment of loans and the rising cost of oil prices. Few candidates earned the maximum available mark for this question.

5. Executive Summary

Candidates’ responses showed a basic weakness in the use of Standard English as they lacked skills in identifying critical points in the case.

Candidates were not able to differentiate between a summary and an executive summary, hence, their responses showed a general summary of the case.

An executive summary should contain all the pertinent issues as they relate to the business. For example, the type of service offered, type of business, ethical issues.

Marketing Plan

6. Market Research

Candidates responded very well to this question. They were able to identify the methods to be used in market research; however, they did not adequately describe them.

7. Industry Trend

This question was poorly done by the majority of candidates. While they were able to identify the industry trends, they were unable to relate it to the aspect of growth and survival of the industry.

8. Size of the Market

This question was well done by most candidates, many of whom scored the maximum available mark.

9. Target Market

This question was poorly done by most candidates. This majority of them interpreted the word „target’ to mean the goals of the organization. Those candidates who understood the term „target market’ gave a definition of the term instead of describing it.

10. Pricing Strategies

Most candidates identified appropriate pricing strategies for the industry but did not describe how these pricing strategies worked or how the company was going to determine its prices based on the pricing strategy identified.

11. Promotional Strategies

This question was well done by most candidates. Many of them correctly listed the various types of promotional strategies that the business could use to promote its product.

12. Distribution Strategies

While some candidates responded to this question fairly well, others confused distribution strategies with promotional strategies.

13. Executive Summary

Candidates generally lacked the ability to write the executive summary. For the most part, candidates rewrote general information from the case that did not relate to the marketing plan.

Financial Plan

14. Sources of Capital

The majority of candidates achieved the maximum mark by identifying bank, family and friends as correct responses. Very few candidates identified government grants and subsidies. However, there were indications that some candidates did not understand at what stage of the business the capital was to be obtained; for example, whether it was at the initial stage or while the business was in operation.

15. Collateral

This question proved to be challenging to most candidates. Although many of them attempted the question, they did not identify suitable sources of collateral. For example, instead of Life Insurance Policy, candidates offered insurance, insurance company and bank as opposed to bank account.

16. Capital Instruments

Generally, the responses to this question were poor. Most candidates identified sources of capital as capital instruments. The most common responses were „selling shares’ and „loans from the bank’. Very few candidates seemed to have any knowledge of government loans, grants and subsidies, as well as debentures as methods of raising capital for the business.

17. Potential for Growth

Most candidates experienced difficulty in answering this question correctly. The most common responses were expansion and the hiring of additional employees. Few candidates identified ’linkages’ as an appropriate response.

18. Government Regulations

This question was generally well done with most candidates gaining at least two of the four available marks.

19. Executive Summary

This question proved to be challenging for most candidates. A large number of candidates simply cited a section from the case study instead of giving a concise statement.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

JANUARY 2011

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

This year, 4,273 candidates registered for the Principles of Business General Proficiency examination. The composition of the examination was as follows:

Paper 01	-	Multiple Choice
Paper 02	-	Essay Paper
Paper 03/2	-	Alternative to SBA (Private Candidates)

Paper 01 consists of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory.

The mean mark was 56.37 out of 60 compared with 54.48 in 2010 and 54.95 in 2009. Approximately 69 per cent of the candidates scored at least 50 per cent of the marks for this paper.

Paper 02 comprises two sections. Candidates were required to answer three compulsory questions in Section I and two of four optional questions in Section II. The mean mark for this paper was 49.93 out of 100. The means were 40.32 and 51.83 in 2010 and 2009 respectively. The marks ranged from 0 to 94.

Paper 03/2 — the alternative to the School-Based Assessment (SBA) — is an examination offered to private candidates. For this examination, candidates were required to complete a business plan using a given template and a case study.

Performance on this paper continues to improve. The mean mark was 16.35 out of 40 compared with 13.78 in 2010 and 12.36 in 2009. No one achieved the maximum mark on this paper; however, the highest mark was 34 out of 40.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory

Question 1

This question tested candidates' knowledge of different types of businesses as well as the differences between a free market economy and a planned or command economy. Approximately 65 per cent of the candidates attempted this question. Performance on this question was less than satisfactory. The mean mark was 7.78 out of 20.

Part (a) of the question required candidates to state four characteristics of a partnership and four characteristics of a private limited company.

Most candidates were able to score the maximum available marks in this part of the question. Candidates who failed to score seemed to have confused the characteristics of partnerships with those of private limited companies.

In Part (b), candidates were required to discuss the benefits a business would enjoy if it converted from a partnership to a private limited company.

The majority of candidates was unable to discuss the advantages but merely stated their responses and therefore could not earn the maximum marks.

In Part (c), candidates were required to outline three distinguishing features of a free market economy as opposed to a planned or command economy.

Candidates, for the most part, could not accurately distinguish between these two types of economies.

The following are suggested responses to Question 1.

(a) (i) Four characteristics of partnerships are:

- They do not need to be registered and therefore are easily formed.
- They consist of 2–20 persons.
- There is lack of continuity — if a partner dies, that business ends.
- The owners have unlimited liability.

(ii) Four characteristics of private limited companies are:

- They must include the term ‘limited’ as part of their name.
- The shareholders enjoy limited liability, in that, in the event of bankruptcy they stand to lose only their investment and not their personal assets.
- Their shares cannot be traded on the Stock Exchange.
- These firms have unlimited life in that they continue after the death of a shareholder or shareholders.

(b) Two advantages a business would enjoy by converting from a partnership to a private limited company are:

- The partnership has unlimited liability but the private limited company has limited liability. This means that investing in a private limited company would mean that shareholders can only lose what they have invested and nothing more.
- The private limited company has the potential to raise more capital than the partnership because the membership is larger than that of a partnership.

(c) Three ways in which a free market economy differs from a planned economy are:

- In a free economy private individuals and organizations own the factors of production, whereas in a planned economy, the state owns and controls the factors of production.
- In a free economy, there is competition between the various producers of goods and services for a share of the market. On the other hand, in a planned economy there is no competition between the producers of goods and services.

- In a free economy, a large variety of goods and services are produced to satisfy the needs of the consumers. In a planned economy however, quotas of essential goods to be produced are determined by the state.

Recommendations

Students should be exposed to as many features of businesses as possible. They should also be given practical work to examine the extent to which the features discussed are true for similar businesses operating in their communities.

More emphasis needs to be placed on distinguishing and comparing characteristics of the different types of businesses. Teachers should guide students in understanding the various verb cues in questions such as *state, discuss* and *outline*.

Students should also be encouraged to answer in complete sentences. Note that in the discussion the points showing clearly the advantages were brought out and explained in complete sentences. Note also in comparing the two types of economy both sides were highlighted, those of the free market economy as well as the planned economy. The linking phrases were used to show two like things were being compared such as *whereas, on the other hand, however* etc.

Question 2

This question tested candidates' knowledge of business, including the public and private sector. The question was attempted by 90 per cent of the candidates, the majority of whom gave good responses.

Part (a) required candidates to compare private and public sector organizations using three given features. This part of the question was well done by most candidates.

Part (b) required candidates to outline two benefits of a business to both the sole proprietor and the community. The majority of candidates were unable to outline the benefits of the business to the sole proprietor. Some candidates seemed to have misinterpreted the question, giving benefits of the business to other businesses. Some candidates merely supplied statements about a business without showing how they are considered to be benefits.

In Part (c), candidates were required to discuss how the government can promote business activity in the country. The majority of candidates gave acceptable responses. However, weaker candidates focused the discussion on how businesses can advertise their products.

The following are suggested responses to Question 2.

(a) Public sector versus Private Sector

(i) Ownership and control

- The private sector of a country is made up of private citizens or individuals. The firms that are owned by private individuals such as sole traders, partnerships and private limited companies belong to the private sector. The public sector, on the other hand, refers to the government, the state, national/local government or municipalities.

If a business is owned by the public sector it means that it is state or government owned.

(ii) Objective

- The objective of private sector businesses is to make profits. They are set up to cater to the needs and wants of private individuals while the public sector aims at providing essential goods and services to the country and caters to the needs of its citizens.

(iii) Source of Capital

- Firms in the private sector obtain capital from persons who choose to buy shares in the enterprise. They also obtain capital from friends, family members, and personal savings or from financial institutions such as credit unions or commercial banks. The public sector, however, obtains funding primarily from taxes, rates, levies and statutory deductions, as well as loans from governments/institutions and funding from donor agencies.

(b) Benefits of a business to the sole proprietor and the community:

(i) The sole proprietor

- A sole proprietor has the satisfaction of being his/her own boss and thus has the confidence of making his/her own decisions.
- He or she has no limits to his/her earnings because all the profits belong to the owner of the business.

(ii) The Community

- The community benefits in that goods and services are produced that they can easily purchase thereby reducing transportation costs because of the proximity.
- The people in the community can gain employment opportunities and firms may even sponsor sporting and cultural events.

(c) How government can promote business activity:

- The government provides security against crime by way of the police, regiment and coast guards thus creating and maintaining a safe environment in which business can thrive.
- The government enacts legislation to protect businesses for example, the Hire Purchase Act, Health and Safety Laws and the Sale of Goods Act. These laws protect the interest of businesses as well as consumers so that neither of them is unfairly treated.

- The government provides financial and technical advice for businesses through its small business and entrepreneurial programmes. This enables individuals to provide their own employment by starting their own businesses.
- The government provides regulations designed to protect the interests of businesses.

Recommendations

- i. Teachers should ensure that students are able to differentiate between the words ‘public sector’ and ‘public limited companies’. This can be achieved by getting students to explore and discuss the differences between them.
- ii. Students should also know the differences between verb cues such as *compare*, *outline* and *discuss*. Note that in the model responses, a comparison is achieved when like things are compared and both sides are explained and a linking phrase or word is used to successfully achieve this.
- iii. Students should be given more exposure to how businesses help individuals and communities. Some of this knowledge can be had from the newspaper and Internet articles.
- iv. Teachers should provide students with the opportunity to practise answering more CSEC questions so that they would become familiar with the expectations of the questions.

Question 3

This question tested candidates’ knowledge of advertising and sales promotion. The question was attempted by 95 per cent of the candidates. Performance on this question was satisfactory. The mean mark was 11.55 out of 20.

Part (a) required candidates to state three benefits of advertising. The majority of candidates were able to score the maximum mark in this part showing clearly that they understood how advertising benefits businesses. The weaker candidates were quite vague and gave extremely brief answers.

In Part (b), candidates were required to distinguish between advertising and sales promotion. Most candidates were unable to give reasoned responses, but rather, gave a definition of each. Moreover, most candidates failed to acknowledge the long term/short term criteria when giving these definitions. The majority of candidates however gave good examples of advertisements and sales promotion.

Part (c) required candidates to discuss two benefits which a supermarket can receive from engaging in public relations activities such as the awarding of scholarships. This part of the question was answered poorly by the majority of candidates. Some candidates gave benefits of the scholarship initiative to stakeholders, other than the supermarket, such as the general public.

The following are suggested responses to Question 3.

(a) Three benefits of advertising are :

- It makes consumers aware of different products that are available.
- It encourages competition among businesses.
- It increases the sales of firms.

(b) Difference between advertising and sales promotion:

Advertising is a non-personal sales technique which is relatively long term and the sponsors are always identified. Some examples of advertising are:

- Airlines commercial on television about visiting Miami
- Advertisements for online universities in the U.S. and U.K
- Billboard and newspaper advertisements for cars

Sales promotion, on the other hand, are short term incentives given to middlemen and consumers to encourage sales. It is usually used to support advertising and personal selling and is usually a one-time effort and is run for a limited period of time. Some examples of sales promotion are:

- Digicel freaky Fridays
- Buy one get one free or at half price
- Free samples of perfume

(c) Benefits of public relations activity to the supermarket

- This public relations activity benefits the supermarket in that customer loyalty would likely develop as more customers will support this supermarket as they perceive that they may receive additional benefits.
- The supermarket may gain new customers and a larger share of the market because of this activity. This will be a form of indirect advertisement for the supermarket.
- The government may consider giving the firm tax breaks and other considerations in return for this service to the community.

Recommendations

Teachers are advised to use more practical exercises in the classroom, for example, the use of role plays, projects to create advertisements, the critique of advertisements on television and radio, newspapers and to show the differences between the strategies used to promote sales.

Section II – Optional Questions

Question 4

This question tested candidates' understanding of personal budgeting and forms of savings. It was attempted by approximately 65 per cent of the candidates, the majority of whom gave acceptable responses. The mean mark was 13.84 out of 20.

Part (a) required candidates to identify sources of personal income. This was generally well done. Candidates correctly identified sources of personal income such as salaries/wages, rent, interest from savings, profits from ownership of business, pensions and dividends from ownership of stocks/shares. A common error made was identifying loans from financial institutions as a source of income. Unfortunately, a few candidates identified stealing as a source of personal income.

Part (b) (i) required candidates to explain the term 'budgeting'. The majority of candidates scored the maximum mark for this part of the question by indicating the idea of planning/managing one's income and expenditure/spending.

Part (b) (ii) tested candidates' knowledge of the advantages of budgeting. Overall, responses were fair with identification of advantages such as planned spending, less overspending, planned saving and to provide for future needs.

In Part (c), candidates were required to state two factors to be considered when choosing a form of saving. Suitable responses should have included credibility of the institutions, the interest rate, other benefits offered, accessibility to savings, the degree of risk, penalties for early withdrawals and goals of the saver. While most candidates scored the maximum available mark, most of their responses seemed to reflect personal experiences rather than business knowledge.

Part (d) required candidates to discuss two reasons for saving money in a bank rather than at home. Most candidates correctly identified and discussed the following main reasons: safety, the returns earned on savings, the use of savings as collateral and the minimization of the temptation to overspend due to relative inaccessibility of the money.

Few candidates identified additional reasons such as access to online banking and use of ATM machines and cheques.

The following are suggested responses to Question 4.

- (a) Four sources of personal income are: salary, rent, interest from savings and royalties.
- (b) (i) Budgeting refers to the planning and allocation of expenses and income to prevent over expenditures and to indicate how money is spent and if income is sufficient to cover expenses.
- (ii) Two advantages of budgeting are:
 - It restricts spending and prevents one from over spending.
 - It will indicate if there is a need to increase one's income.
- (c) Two factors that must be considered when choosing a form of savings:

- The credibility of the institution as well as the instruments that are being offered to ensure that one's principal and any interest earned will be returned at maturity or when needed.
- It is important to look at the rates of return on interest so as to capitalize on the best returns for the time the money is saved.

(d) Reasons for saving money in a bank as opposed to keeping it at home

- Safety is a very important issue when deciding to put one's money in a bank as opposed to keeping it at home. In the bank, money is less likely to be stolen, and even if it is, and it can be proven that it is not due to negligence, then it would be replaced by the bank. Money left at home can be stolen or burnt up in the case of a fire.
- Appreciation of one's money is another important issue when deciding on a savings option. Money left in the bank will likely appreciate because money deposited attracts interest while money kept at home does not.

Recommendations

Teachers are encouraged to place increased emphasis on ethical issues related to sources of income as well as other business practices. They should also encourage the use of relevant business jargon and appropriate vocabulary.

Question 5

Question 5 tested candidates' knowledge of the factors of production. The question was attempted by 35 per cent of the candidates. Performance was satisfactory. The mean mark was 11.11 out of 20.

Part (a) required candidates to identify the traditional factors of production in relation to the five Ms of production. The minority of them was able to successfully link the five Ms given to the traditional factors of production.

Part (b) required candidates to distinguish between the following pairs of terms:

1. primary production and tertiary production
2. subsistence level of production and domestic level of production
3. backward linkage and forward linkage

The majority of candidates was unable to make a clear distinction between the terms. The greatest challenge in this part of the question was making a clear distinction between 'backward' and 'forward linkage'.

In Part (c), candidates were required to discuss the factors to be considered when deciding on a location for a large shopping mall. The majority of candidates merely listed the factors rather than discussed them. There was a small percentage of candidates who argued convincingly the reasons for their importance to the issue as well as their impact.

The following are suggested responses to Question 5.

(a) The traditional factors of production and their corresponding 'M' of production.

'M'	Factors of Production
Men	- Labour or entrepreneurship or human resources
Money	- Capital or financial resources
Material	- Capital or raw materials
Machinery	- Capital or fixed assets or equipment
Method	- Entrepreneurship or management or planning or strategizing

(b) **Primary vs. Tertiary Production**

- (i) *Primary* production includes the extraction of raw materials from nature through fishing, hunting, gardening, mining, while tertiary production covers the provision of services that may include medical, banking, transportation, communication and teaching.
- (ii) Subsistence vs. domestic level of production
Subsistence level of production caters for the basic needs of individual and families and the general satisfaction of a household. Domestic level of production, on the other hand, involves producing goods and services not just for the individual and his family, but also for the entire local market.
- (iii) Backward linkage vs. forward linkage
When a manufacturing firm in the second phase of production forms a link with a firm in the primary phase of production, this is a backward link. For example, KFC linking with chicken farmers. Where a firm in the primary phase of production seeks to link with a manufacturing firm in the secondary phase of production, this is deemed a forward link. For example, apple farmers linking with Nestle apple juice company.

(c) Two factors that must be considered when selecting a location for a large mall are:

- Accessibility to a large source of shoppers so that the stores in this mall would be able to maximize their sales and realize high profits.
- Geographical considerations such as proximity to main roads or a network of roads such that this would allow for easy access to the mall for customers.

Recommendations

- Students should use the mark allocation for the questions as well as the key verbs such as *define*, *explain*, *discuss* as a guide to the level of response required.

- Students should be exposed to more contact hours on this topic as their responses suggest lack of knowledge of fundamental concepts.
- Students should be encouraged to read questions carefully before attempting to respond.

Question 6

This question tested candidates' knowledge of the role of governments in their country. The question was attempted by approximately 63 per cent of the candidates. Performance on this question was unsatisfactory. The mean mark was 6.84 out of 20.

Part (a) required candidates to identify one social service provided by the government of their country and evaluate its impact on the country. This part of the question was not well done as candidates seemed to have confused social services with utilities. Generally, candidates were unable to identify the social services provided by governments of their country. The better candidates identified old age pension, public transportation (PTSC, JUTC) including free bus tickets for students and the free bus pass for senior citizens; education including book rental and the School Feeding Programme and health while the weaker candidates identified all the public utilities, for example, water (WASA).

In Part (b), candidates were required to describe three given functions of government. This question proved to be challenging for most candidates. Many of them seemed not to have understood what was meant by national security, maintenance of a safe environment and job security. They interpreted maintenance only in terms of crime fighting and job security as people guarding the business. In (b) (ii), the candidates needed to explore regulations made by the Central Bank and government policies for investors, for example, depositors' insurance.

For Part (c), candidates were required to outline two forms of assistance offered by Caribbean governments to businesses. This part of the question was fairly well done. The better candidates indicated assistance through Carifesta, local trade fairs, subsidies, public transport for workers to and from work and training of employees, while the weaker candidates wrote only about physical security for business. To improve their responses, candidates needed to mention protectionist methods used by the government, for example, the use of tariffs and taxes to deter competition.

In Part (d), candidates were required to discuss two actions which the government can take to protect the environment. This part of the question was generally well done. Those who did not do well interpreted actions government could take based only on controlling criminal activity. Candidates were able to identify passing laws and penalties but were not able to identify agencies like the Environmental Management Agency (EMA) and the Environmental Protection Act.

The following are suggested responses to Question 6.

- (a) One social service is the provision of health. The government of Jamaica provides public hospitals and clinics and other health care facilities to assist the sick to get back to health. Apart from providing the necessary upkeep for these facilities they pay the salaries and wages of the various healthcare professionals such as doctors and nurses and other support staff. This has helped the poor and less fortunate who may not be able to pay for their healthcare to get well and be productive. However, there is need for more public hospitals in the major towns and for the quality of the service at these facilities to be improved, so citizens can be assured that their tax dollars are being spent properly.

- (b) (i) National security: In carrying out this role, the government will ensure that there is security and public order for the citizens of the country since the main purpose of the government is to protect the life and property of its people. It will therefore maintain its police force, military, as well as its courts and prison systems. While the police force is concerned with internal security, the military focuses on external security.
- (ii) Maintenance of safe environment for investors: Governments aim at having stable economies so that they can attract investor. To ensure this, they will aim to keep crime and violence at very low levels. They also ensure that the financial and banking systems are viable. Therefore, they will put policies in place to ensure that internal or external investors may move their profits when they wish.

Job security: Through their various labour laws, governments put in place measures to ensure that workers are not unfairly treated. There are laws against unfair dismissal and for employers and employees to uphold the terms of their contracts. Employers are obligated to compensate employees who lose their jobs through no fault of theirs.

- (c) Two forms of assistance which government offers to businesses are:
- Governments may provide financing to businesses by way of subsidies or cash grants. This often assists firms to achieve stability and provide the goods and services as well as employment to the people of the country.
 - Through trade fairs sponsored by governments, firms get an opportunity to market their goods and services.
- (d) Two actions which the government can take to protect the environment are
- The government can put in place the legal and institutional framework for managing the environment. They will ensure the establishment of certain agencies to develop policies and guidelines for protection of the environment.
 - Governments may also pass laws to protect the environment, for example, those dealing with public health, fisheries, beaches, forestry and mining. They could even pass laws against vehicles emitting too much fumes into the atmosphere.

Recommendations

Teachers need to ensure that students can make the distinction between social services and public utilities.

The terms: *national security*, *maintenance of safe environment for investors* and *job security* need to be clearly explained in the economic setting so candidates do not become confused.

Question 7

This question tested candidates' knowledge of human resource and economic problems in the Caribbean. Approximately 30 per cent of the candidates attempted this question. The mean mark was 6.10 out of 20.

In Part (a) (i), candidates were required to define the term ‘human resource’. This part of the question was fairly well done. However, some candidates confused a natural resource with human resource as well as equated man-made resource with human resource.

For Part (a) (ii), candidates were required to outline three factors that affect human resource development in a named Caribbean country. Some candidates were unable to identify a CARICOM country and so they were unable to outline those factors pertaining to the CARICOM country.

Part (b) required candidates to state two ways in which human resources can be developed. This was poorly done. The candidates took a narrow view of development of human resources. Their responses were limited to money, hence they were unable to discriminate the factors applicable to the question and so gave the same response as for Part (a) (ii).

In Part (c), candidates were required to identify two major economic problems facing Caribbean countries and discuss one measure that can be used to address each problem. Part (c) was generally well done. However, some candidates provided geographical and sociological problems, hence, they were unable to provide solutions to the problems.

The following are suggested responses to Question 7.

- (a) (i) Human resources refer to the sum of all humans who possess skills, experience, knowledge and training to be part of the labour force.
- (ii) In Trinidad and Tobago the migration of skilled workers cause a depletion of labour. Also, the curriculum is limited in its offerings to develop the attitudes, skills and knowledge of individuals. The provision and accessibility of health care to all would improve the quality of the human resource.
- (b) The country should limit the importation of both semi-skilled and skilled labour in order to develop its own expertise. Employers should improve working conditions/environment for their employees such as providing ergonomically designed workspaces, safe equipment and clothing.
- (c) One major economic problem is the lack of infrastructure such as seaports and airports for the movement of goods and services. This can be corrected by government maintaining existing infrastructure as well as investing in the upgrading of the infrastructure. Another is inflation which is the persistent rise in the general price level as seen in the rising prices of imported food. The government can place greater emphasis on improving the agricultural sector to increase food production, lower demand for imported food and so reduce the import bill and food prices.

Recommendations

Students need to be more knowledgeable of the global and business environment in which they live. They must be aware of economic problems of the Caribbean and practical and realistic strategies for addressing these problems.

They need to keep abreast of political and socio-cultural developments in the Caribbean. They must be able to identify the member states of CARICOM.

Paper 03/2 – Alternative to School-Based Assessment

For Paper 03/2, candidates were given a case and a template for a business plan and were required to complete the business plan by answering 14 questions based on the three profiles. This year's case related to a private limited auto body repairs company owned and operated by two brothers who had recently graduated from a technical institute, and who wanted, through their entrepreneurial effort, to expand the business which they started in their backyard.

Generally candidates did not perform well on Profiles 1 and 3. The highest mark was 6 out of 10. However, performance on Profile 2 was good. The mean mark was 14.1 out of 20.

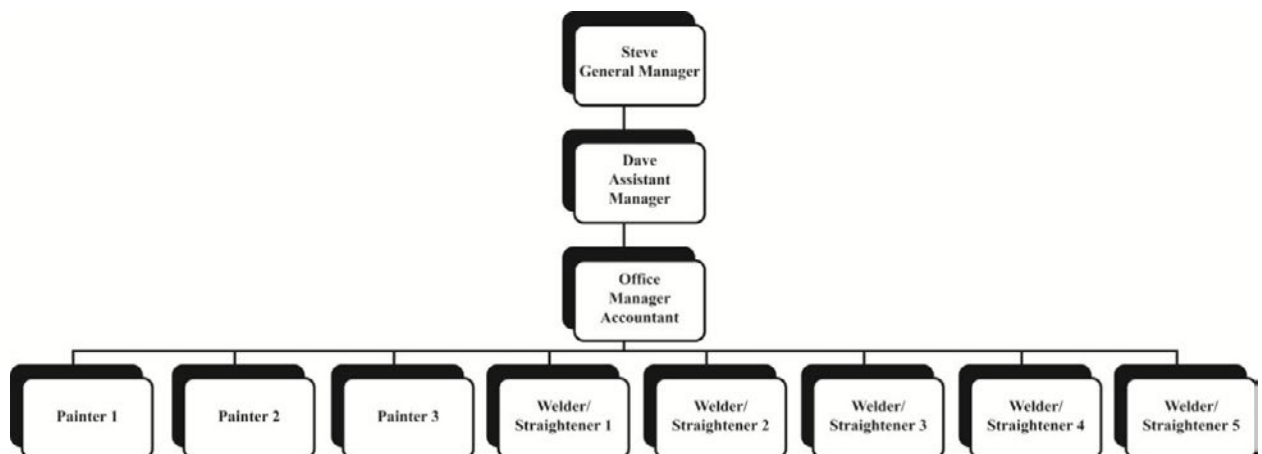
Operational Plan

1. Nature and Type of Business

- Candidates seemed to have had difficulty classifying the business based on its ownership type. The fact that the name of the company included the term 'limited' did not provide a clue to candidates. The majority of them said 'partnership' because there were two individuals involved in the business. *Expected response: Private limited company*
- The majority of candidates were able to correctly identify the types of services offered. Many of them stated that the individuals were involved in delivering the services. *Expected response: Car body repairs and painting*

2. Internal Structure of the Organization

The majority of candidates were able to draw the organizational chart and identify both the levels and positions. However, some candidates did not attempt the chart at all.



3. Management Functions

1. Weaker candidates were unable to identify the management functions and to use the jargon, for example, planning, staffing, controlling and coordinating. *Expected response: Dave heads the straightening department and supervises five helpers. Steve chairs board meetings and manages the painting department.*
2. The majority of candidates were able to identify the special skills of each of the brothers that would assist them to operate the business successfully.

Dave – Straightening and welding

Steve – painting, completed a course in Business Management

Recommendations

- Candidates need to study organizational structures and practise representing them as charts as well as learn how to interpret these charts.
- Candidates need to pay closer attention to the steps in the management process and be able to identify them in a case.

Marketing Plan

4. Ethical Issues

Candidates were able to identify the ethical issues that could affect the business negatively. These included *pollution, including noise pollution, improper disposal of waste, observance of minimum wage legislation, non-compliance with safety standards, unfair trade practices.*

5. Market research

The majority of candidates were able to describe the data collection strategies that were most likely used to collect data to inform the decision to expand the business. *Research was the main source from which much of the information was obtained – individual interviews. Secondary sources including newspaper reports on the importation of foreign used cars, trade journals, statistical reports, budget speeches.*

6. Industry Trend

The majority of candidates were able to identify the industry trends that could have informed the brothers' decision to expand the business. Such trends included *the type of goods/services provided – different colour vehicles, the type of goods/services demanded – on time delivery.*

7. Size of the Market

Candidates were able to recognize that the brothers would face competition. However, a significant number chose to give an exact figure rather than state that they would receive competition from other competitors outside of Martel's garage. *Moving to the city will position the business near several other body repair shops and the competition will be fiercer than at the original location where there was only Martel's garage. There could be similar type businesses in the industrial estate.*

8. Target market

The majority of candidates were able to identify the target market. However, they were unable to adequately describe them. *The individuals who bought foreign used cars, which are mostly coloured white, prefer brighter colours. This information came from careful observation.*

9. Pricing Strategies

The majority of candidates failed to adequately describe the pricing strategy used — *three times the estimated cost of labour and raw materials for the particular job.*

10. Promotional Strategies

Candidates were able to list the four promotional strategies used by the firm without much difficulty thus earning the maximum available mark — *using flyers, placing stickers on completed jobs, giving calendars and key rings with the firm's logo, placing ads on radio, television and Internet broadcast media, sky writing, business cards.*

11. Location of Business

The majority of candidates were able to provide two advantages of the industrial estate where the brothers planned to relocate the business. *The industrial park is well supplied with utilities — telephone, electricity, water and provision for proper waste disposal, security and rental rates are subsidized by government.*

12. Consumer Organization

The majority of candidates were unable to identify the consumer organizations from which consumers can seek redress if they were dissatisfied with the service offered by Dave and Steve. Some candidates actually named Martel's garage as the option for redress. *Expected response: Bureau of Standards, Ministry of Legal Affairs.*

13. Executive summary

The majority of candidates were unable to write an adequate executive summary which captured the main areas of the plan. *Expected response: New Look Auto Body Works Ltd is a successful automobile repairs firm. It is operated by two brothers who are primary shareholders. The brothers are certified and highly skilled in the art of body car repairs. Their customers are assured excellent service and this keeps them ahead of their competitors. There is a high demand for changes to the colour and repairs of cars due to the rapid expansion of foreign used-car imports, along with the inability of firms in the area to meet the need for these services.*

Recommendations

- Students need more exposure to real-life application of business principles. This would help them to become more familiar with concepts such as consumer protection agencies and their roles.
- Candidates need to be taught how to select pertinent ideas from cases and how to summarize them into executive summaries.

Financial plan

14. The performance of candidates in this section clearly indicated that they were not familiar with basic accounting principles. The majority of them failed to score the maximum available mark. Some of them failed to score in this area.

Expected Response:

- i. Bank balance = \$53 000
Net Book value of Assets = \$ 100 000
- ii. Sales = \$112 800
Gross profit = \$75 200
Wages = \$25 600
Total Expenses = \$35 600

Recommendations

Candidates need to learn basic accounting principles so that they can competently prepare and understand business plans.

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

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

MAY/JUNE 2011

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

GENERAL COMMENTS

The Principles of Business (POB) examination was offered for the 32nd time in June 2011. This year, 34,269 candidates sat the General Proficiency examination.

The composition of the examination was as follows:

Paper 01	–	Multiple Choice
Paper 02	–	Essay Paper
Paper 031	–	School-Based Assessment (SBA)
Paper 032	–	Alternative to SBA (Private Candidates)

Paper 01 consisted of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory. The mean mark was 34.16 out of 60. The means were 35.74 and 34.50 for 2010 and 2009 respectively. Approximately 68 per cent of the candidates scored at least 50 per cent of the maximum available marks for this paper.

Paper 02 comprised two sections. Candidates were required to answer the three compulsory questions in Section I and two of four optional questions in Section II. The mean mark for this paper was 47.45 out of 100. This was achieved by three candidates. The means were 48.05 and 52.09 for 2010 and 2009 respectively. The highest mark on this paper was 99. Approximately 45 per cent of the candidates achieved at least 50 per cent of the maximum available marks for this paper.

Paper 031, the School Based Assessment (SBA), is usually done by school candidates. Candidates were required to prepare a business plan on one aspect of profile 2: either production, marketing or finance. Performance on this paper was quite good. The mean mark was 31.39 out of 40. Three per cent of the candidates achieved the maximum available mark on this paper.

Paper 032, the Alternative to the SBA, an external examination, was offered to private candidates. For this examination, candidates were required to complete a business plan using a given template and a case. Performance on this paper was quite pleasing. The mean mark was 20.13 out of 40 compared with 15.52 in 2010 and 13.90 in 2009. No one achieved the maximum mark on this paper, however, the highest mark was 37 out of 40. This was achieved by eight candidates.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory

Question 1

This question tested candidates' knowledge of leadership styles; types of leadership styles; the characteristics of a good leader; as well as the ways in which the essential characteristics of good leadership can affect an organization.

Ninety-nine per cent of the candidates attempted this question. The majority of candidates performed creditably. The mean mark was 12.99 out of 20. The standard deviation was 5.40. Seventy per cent of the candidates scores at least 50 per cent of the maximum available mark for this question.

This question was divided into three parts. Part (a) required the candidates to state two characteristics of each of two types of leadership styles: democratic and autocratic. This part of the question proved to be challenging for some candidates. They generally confused the meaning of democratic leadership with autocratic leadership. Additionally, weaker candidates seemed to have misinterpreted the question. They gave characteristics of government leadership styles. Some candidates also incorrectly related the characteristics of an autocratic leader with automobiles and mechanics.

Part (b) required candidates to state three essential characteristics of a good leader. This part of the question was well done by most candidates. The majority of candidates gave correct, plausible answers. However, a minority incorrectly identified the responsibilities instead of the essential characteristics of a good leader as required by the question.

Part (c) required candidates to discuss how the lack of two essential characteristics of good leadership identified in Part (b) can affect an organization. The candidates who failed to identify the characteristics in Part (b) were unable to score in Part (c). Those who gave correct responses to Part (b) were generally able to score full marks in Part (c). Some candidates lost marks because they misinterpreted the question and discussed how the characteristics of good leadership can positively affect an organization rather than how the lack of the characteristics of good leadership can negatively affect an organization.

Recommendations

- Teachers should aim to revise objectives taught earlier in the syllabus, such as leadership, so students are better prepared for these topics.
- Teachers should integrate the teaching of topics such as leadership and management. They should also utilize role-play to reinforce these concepts.
- Teachers should encourage discussions within the classroom so as to clarify misunderstanding of concepts. They should also expose students to past CXC questions, so that they will be familiar with what is required, placing emphasis on key verbs such as *state*, *discuss*, *outline*, etcetera.

Question 2

This question tested candidates' knowledge of feasibility studies as well as the roles and contribution of the entrepreneur. It was attempted by 98 per cent of the candidates. The mean mark was 9.62 out of 20. The standard deviation was 5.02. Thirty-nine per cent of the candidates scored at least 50 per cent of the maximum available mark for this question.

The question was presented in four sub-parts. Part (a) tested candidates' knowledge of the definition of feasibility study. Less than half of the candidates were able to provide an accurate definition of the term. The majority of responses were vague and confused feasibility study with market research.

Part (b) required candidates to outline three instances where feasibility studies were useful. The performance on this section was similar to that of Part (a) where the majority of the candidates were unable to effectively demonstrate knowledge of feasibility studies and thus were unable to accurately apply the concept in this part of the question. A small percentage of the responses were accurate; however, candidates generally provided responses such as, 'feasibility studies are useful in libraries, schools and when doing research', indicating that they are associating the concept to academics.

Part (c) tested candidates' knowledge of the roles of an entrepreneur. The majority of candidates attempted this part of the question and the majority gained full marks. A small percentage accurately mentioned government usage of such studies. However, many candidates gave management functions and responsibilities; characteristics of the entrepreneur and characteristics and advantages of the sole trader as the role of the entrepreneur.

Part (d) tested candidates' application of the ways in which entrepreneurs contribute to the development of their country. This part of question was well done by most candidates. More than half of the candidates scored full marks and the majority of the remaining candidates scored at least three of the six marks. The latter group of candidates was able to identify the contribution of the entrepreneurs but they were unable to indicate how they contributed to the development of the country.

Recommendations

- Teachers need to place more emphasis on the feasibility study concept, its definition and uses.
- Teachers need to actively engage students in practising the use of terminologies such as *state*, *outline* and *discuss*.

Question 3

This question tested candidates' knowledge of savings; the methods of savings; sources of finance and the role of the central bank and monetary banking transactions. It was attempted by 99.36 per cent of candidates. Performance on this question was less than satisfactory. The mean mark was 9.17 out of 20. The standard deviation was 4.25. Thirty-seven per cent of the candidates scored at least 50 per cent of the available marks for this question.

Part (a) was generally well done. The majority of candidates was able to provide a satisfactory definition of *savings* as well as identify saving methods. However, weaker candidates used the term *savings* in the definition, while others confused savings with budgeting and investment.

In Part (b), candidates were required to identify sources of short-term and long-term financing. This was satisfactorily done by most candidates. Weaker candidates were unable to identify short and long-term finance. They attempted to define short-term and long-term rather than provide sources. Additionally, other candidates seemed not to have understood the term *sources of financing*. They interpreted it to mean what money is used to do, or what money is spent on in the short and long term. Some responses listed unions and trade unions instead of credit unions. Central banks, development banks and the IMF were also listed as sources of long-term financing.

Part (c) required candidates to explain the role of the central bank as an advisor to the government and a lender of last resort. This part of the question proved to be challenging to most candidates. The majority of them gave other functions of the central bank as opposed to its advisory role to the government. Candidates also outlined the central bank, rather than commercial banks, as the lender of last resort to government businesses and individuals. Some candidates misinterpreted the term *resort* to mean a resort for taking vacations rather than an institution from which other financial institutions seek help when faced with financial difficulties.

Part (d) was fairly well done. The majority of candidates was able to identify two types of monetary transactions that could be conducted within the banking system without the use of cash. Popular responses to this section were *e-banking*, *tele-banking*, *credit cards*, *debit cards*, *standing orders* and *credit transfers*. The weaker responses consisted merely of a list of the monetary transactions without a correct discussion of how the transactions are performed. Weaker candidates, apart from being unable to explain how these transactions were done, provided responses which included debit and credit notes, bank notes, barter as well as ATMs. Other candidates confused debit cards with credit cards.

Recommendations

- Students must be reminded to use only acceptable abbreviations that are a part of the syllabus and not unfamiliar abbreviations for institutions in their particular territories.
- Students need to be discouraged from attempting to define a term using the term in the definition.
- Students should be encouraged to develop awareness of business principles and concepts by reading business articles and listening to business programmes.
- Teachers should endeavour to give many examples of the differences between the central and commercial bank to reinforce the differences between the two institutions. To further clarify and reinforce the concepts, they should invite representatives from the respective institutions to talk to students about their functions. Students should also be taken on tours of the central bank as well commercial banks.

Section II – Optional

Question 4

This question tested candidates' knowledge of the terms *market* and *marketing*; reasons for conducting market research; the definition of monopoly, features of monopolistic competition and problems likely to be encountered in the distribution of goods locally and internationally. This question was attempted by 83.64 per cent of the candidates. The mean mark was 9.10 out of 20. The standard deviation was 4.22. Thirty-six per cent of the candidates scored at least 50 per cent of the maximum available mark for this question.

Part (a) was generally well done. However, the term *market* was better understood and defined as opposed to *marketing* where candidates limited their responses to promotion and advertising. In defining *marketing*, key words in the definition such as *identifying*, *anticipating* and *satisfying customers' demands* were omitted. Some candidates were also defining the term *marketing* only as advertising or selling of products, while others used the definition of market research to define it.

Part (b) was also well done by the majority of candidates as they were able to give the reasons for conducting market research. There were instances where the same point was repeated using different words.

Part (c) appeared to be challenging for most candidates. The majority of them were unable to define monopoly as *one firm or supplier providing a unique commodity for which there is no competition*.

Candidates were unable to distinguish between the terms *monopoly* and *monopolistic competition*. They failed to indicate features such as *many buyers and sellers*, *product differentiation using branding*, *free entry into and exit from the industry* and *firms engaging in price and non-price competitions among themselves*, etcetera. They instead gave only features of monopoly.

Part (d) was satisfactorily done. However, in some cases candidates were unable to identify distribution problems logically and therefore there was no discussion. In addition, some candidates used similar problems for both local and international distribution, but did not clearly explain how they affected the distribution process.

Recommendations

- Teachers need to help students to distinguish between terms that have similar features, using many examples to highlight differences.

Question 5

This question tested candidates' knowledge of the credit methods provided by commercial banks and their uses; the reasons for business documents in international trade; the difference between credit and debit notes and the reasons for the use of the pro forma invoice. The question was attempted by 16.36 per cent of the candidates. The responses were generally unsatisfactory. The mean mark was 5.86 out of 20. The standard deviation was 4.24. Fourteen per cent of the candidates scored at least 50 per cent of the maximum available mark for this question.

In Part (a) (i), the majority of candidates were able to identify at least one type of credit method provided by commercial banks. *Loans* and *credit cards* were the most popular correct responses while debit cards was a very popular incorrect response. Weaker candidates listed credit note and ATM as credit methods. Some candidates also confused a bankers' draft with an overdraft and failed to explain the use of two types of credit methods. In Part (a) (ii), the majority of candidates were able to partially explain the workings of the methods they identified. However, most of them failed to gain the maximum mark available because their explanations were not sufficiently well developed.

Responses to Part (b) were generally fair with more than half of the candidates being able to state at least one reason for the importance of business documents in international trade.

In Part (c), candidates were required to distinguish between the terms *credit note* and *debit note*. Performance on this part of the question was satisfactory. However, weaker candidates seemed to have confused credit notes with debit notes.

For Part (d), candidates were required to discuss two reasons why a supplier may use a pro forma invoice. This part of the question presented the most difficulty for candidates. It was evident from their responses that the majority of candidates could not differentiate between a sales invoice and a pro forma invoice.

Recommendations

- In an effort to generate more interest and enhance the learning of concepts in the sections of the syllabus, teachers are encouraged to use actual business documents in classroom simulations. They could also use the project approach where students are required to use business documents. This will include completing forms and should generate discussions and thus enhance students' understanding.

Question 6

This question tested candidates knowledge of taxation and business legislation, specifically government as a regulator of business; purposes and uses of taxation; benefit of consumer protection legislations such as food and drug standards and hire purchase laws. The question was attempted by 71.76 per cent of candidates. The mean mark was 9.40 out of 20. The standard deviation was 4.77. Thirty-three per cent of the candidates scored at least 50 per cent of the maximum available mark for this question.

Part (a) required candidates to explain the meaning of the statement *government is a regulator of business*, and to give two examples to support their explanation. Generally, candidates stated what the term means rather than explain the statement. However, the majority of candidates was able to give good examples.

Part (b) required candidates to state three purposes of taxation and for each purpose stated, to explain how the government in their country uses the taxes collected. The majority of candidates was able to identify the purposes of taxation and satisfactorily explained how taxation is used in their respective countries. However, some candidates just stated the purposes of taxation but did not explain how the taxes collected were used by government. For example, if the candidate stated to pay public servants, their explanation was just an extension where they stated to pay teachers, doctors and other public servants. A better response would entail the candidate explaining how taxes are used, for example, to curb inflation by reducing disposable income in the economy; and to remove competition from local goods in order to protect new or failing industries by taxing imported substitutes.

A minority of candidates misinterpreted the question and gave the various types of taxes as a response.

Part (c) required candidates to discuss consumer protection legislation relating to (i) food and drug standards and (ii) hire purchase laws, and to show how each benefits consumers. Generally this part of the question was poorly done. A minority of candidates gave satisfactory responses in Part (c) (i). Part (c) (ii) also presented a challenge as the majority of candidates were unable to explain how these laws benefitted consumers. The responses tended to focus on explaining the laws, for example, candidates explained what was meant by hire purchase, but failed to explain how the legislation benefits consumers. They constantly offered responses on the affordability of products on hire purchase.

Recommendations

- For the topic *taxation*, teachers should consider using business articles and, news briefs for discussion sessions to give students a deeper understanding of the concepts.
- Students must be able to explain the various purposes of taxation. Hence, in the classroom, more emphasis needs to be placed on consumer protection legislation rather than on the rights of the consumer. Resource personnel from the Bureau of Standards could be used to reinforce what is taught in the classroom. A more practical approach is suggested, including allowing students to bring copies of hire purchase contracts into the classroom where several aspects can be analysed.

Question 7

This question tested candidates' knowledge of the three methods of measuring the national income of a country; the functions of the Caribbean Development Bank, the World Bank, the International Monetary Fund and the Caribbean Single Market and Economy (CSME). It was attempted by 28.24 per cent of the candidates and the performance of the majority of the candidates on this question was poor. The mean mark was 4.13 out of 20. The standard deviation was 3.68. Only five per cent of the candidates scored 50 per cent of the maximum available mark for this question.

Part (a) was poorly done. While a minority of candidates was able to use a quantitative approach to the question, the majority of candidates was unable to adequately explain the income, expenditure and output methods of measuring national income. Of the three methods, the output method was the least well known. In explaining this method, the majority of candidates looked at productivity or rate of output rather than the value of the output produced. They were also unable to differentiate between national income and personal disposable income.

In Part (b), candidates were tested on the functions of the Caribbean Development Bank, the World Bank and the International Monetary Fund. Candidates' answers revealed that most of them lacked knowledge of the functions of the various organizations that influence the Caribbean environment. They were unable to give the functions of these international financial institutions as they confused this with those of the Central Bank and commercial banks.

Part (c) required an explanation of the acronym CSME. The majority of candidates merely stated what the letters of the acronym stood for instead of elaborating on the main function or purpose of this customs union.

Part (d) tested candidates' ability to discuss ways in which the CSME can assist in the economic development of Caribbean countries. This part of the question was very challenging for most candidates. While a minority of them gave responses related to increased production and trade in goods and services as a means to economic development, the majority of candidates merely examined the functions of the CSME without linking them to economic development in the Caribbean.

Recommendations

- Every effort must be made by teachers to teach this area of the syllabus. If this is given as a research assignment, it is imperative that teachers discuss and simplify research information to ensure a level of understanding that will allow students to do well in these areas in the examinations.
- This part of the syllabus can also be taught earlier so that students have more time to understand and internalize the information before sitting the examination. Teachers can help students to become familiar with the content by exposing them to practice questions.
- Teachers should endeavour to emphasize the difference between the methods of measuring national income and the difference in the main functions of institutions that affect the Caribbean environment.
- Teachers can also invite resource persons such as teachers of Economics to their classes to further explain this part of the syllabus and to answer questions that students may have.
- Students should also be encouraged to read their texts on this part of the syllabus and to practise answering the related questions contained in their texts.

Paper 031 – School-Based Assessment (SBA)

There was an overall improvement in the quality of projects submitted for the 2011 Caribbean Secondary Education Certificate Examinations. Most centres submitted the required number of SBAs and, on the whole, adhered to sampling guidelines. Overall, a large percentage of students presented topics that were relevant to the syllabus and which met the required assignment details.

While many students demonstrated adequate knowledge of the content and objectives of the syllabus, there are still too many instances where students did not present the requirements of the SBA projects as prescribed in the Principles of Business syllabus.

SPECIFIC COMMENTS

Production

This was the most popular profile. Most of the SBAs submitted were done on the Production profile.

The following points were observed in relation to the various aspects of the project.

The Nature of the Business

- In presenting the business, the nature of the business was not identified by most students. Students did not state whether the business was a service or a manufacturing type. The nature of the business was implied based on the description given but in most cases it was not explicitly stated.

Location

- With regard to the justification of the location of the business, students need to be more specific in identifying the address of the business. For example, 14 Queen Street, Point Fortin, Trinidad and Tobago. The justification of the business' physical location needs to apply to the business itself. For example, infrastructure — that is, it is located close to the water and electricity company.

Type of Labour

- Students did not specify the type of labour, that is, skilled, unskilled, semi-skilled and professions. Students need to give a reasonable explanation for the particular type of labour needed in the business.

Source of Funding

- Students need to state the sources of the necessary funding for the fixed and working capital with examples. For example, funding will come from family and friends and a loan from a lending institution to buy the fixed assets such as a vehicle, computer as well as the use of daily production to finance wages and expenses.

Role of the Entrepreneur

- With regard to the role of the entrepreneur, candidates gave definitions but did not apply the functions directly to the business. For example, if one function selected was *motivating*, then candidates should state that *as an entrepreneur's duties should include different motivational techniques to help employees work to their optimum*.

Type of Production

- Types of production were generally identified, however, students did not relate the examples directly to the specific business being presented.
- It is imperative that students be taught the difference between methods and levels of production. Most students who identified the level did not give correct description and hence referred to it as producing instead of *providing*.

Quality Control

- Most students addressed the aspect of quality control accurately in this area by identifying the measures relating to their business but did not give an appropriate explanation.

The Use of Technology

- With regard to the use of technology, most students stated that the computer was the main form of technology used and at times did not state any other form. In order to achieve the marks here, students needed to state two forms of technology. The forms of technology used under this profile should at least indicate how they enhance and relate to the production process.

Linkages

- The concept of linkage needs to be reviewed by both teachers and students. Those candidates that identified the linkages did not give the correct description. The aid of a diagram is needed to show the links between the businesses.

- Students' performance on the sub-topic, 'Potential for Growth', has shown some level of improvement. However, they need to state clearly, with examples, the means by which the business is capable of growing internally and are to do the same for external growth. For example, internal growth includes hiring more staff as well as improving and increasing the product line. External growth includes activities like additional location or entering the international market.

Government Regulations and Ethical Issues

- These were generally identified but students failed to identify those which are specific to their stated business and to show the impact on the business as required. At times, students made references to regulations that had no relation to their business. Careful consideration should be given to ensure that students understand what regulations govern a workplace according to the laws in their country and those ethical/moral issues to which business persons should adhere.

Marketing

The Marketing profile was not as popular as the Production profile. However, there was an increase in the number of students who opted to do this aspect of establishing a business.

Generally, most of the marketing SBAs were unsatisfactory in the content and overall presentation.

The following points were observed

Nature of the Business

- Many students were unable to correctly identify the nature of the business.

Organization of the Marketing Department

- Generally this section was fairly well done. Most students were able to identify the roles and functions of personnel they listed. However, not all personnel listed were part of the marketing department. Students drew the organizational structure of the entire organization instead of focusing on the marketing department. Many of them also failed to identify the type of organizational structure.

Market Research

- This section was poorly done by the majority of students. Students did not include information that was gathered from research based on the criteria listed.

Product or Service

- This was poorly done by most students. In order to enhance their performance, students should develop a logo and a brand related to the business, and this should be included in the SBA. A full description of the type of service offered could also enhance students' performance.

Pricing Strategy

- Most students did not identify, illustrate or justify the pricing strategy. Students needed to highlight the strategy, illustrate it and give reasons why it was suitable.

Location

- This section was poorly done. Distribution channels were not described and establishing businesses were not included in the channel. A diagram showing the distribution channel, including the business would be very effective. Most students did not include the limitations and suitable alternatives. For example,

Producer → (HOT STOP SHOP) → (consumer)

Promotional Mix

- This section was well done by the majority of students.

Use of Technology

- This section was fairly well done. However, the types of technology used should be related to marketing of the product or service. Also, it should be clearly stated how the technology would enhance the efficiency of the business.

Customer Complaints

- This section was poorly done. Students must use an example to illustrate how customer complaints are to be addressed.

Government Regulations and Ethical Issues

- This section was fairly well done. However, students should include government regulations and ethical issues that are related to the marketing of their specific business. Also, the impact of regulations and issues must be included.

Finance

Finance was the least popular of the three SBA profiles attempted by students. The submissions were generally of a satisfactory quality. The areas which were handled especially well by students included purposes for which finance was needed; cost of producing goods; capital goods; sources of finance and collateral.

Students stated general textbook information related to the remaining areas of the Finance profile. They were unable to relate the information presented in a specific practical way to the proposed business idea.

The following areas were of particular concern

Capital Instrument

- Both the capital and the implication of capital mix selected needed to be examined to highlight their relevance to the establishment of the proposed business.

Financial Statement

- The trading and profit and loss account and the balance sheet should have some basic supporting information within the profile to support its accuracy and credibility.

The Organizational Chart

- The organizational chart too often highlighted the entire organizational structure. This should have been related specifically to the finance section/department of the business.

Recommendations

- Students need to adhere to the correct format and procedures in their presentation. For example, using the correct font as well as the suggested folder. Students can enhance the overall project presentation by using the correct headings and sub-headings. Greater use of charts and graphs would also improve the overall quality of the presentation.
- The SBA project is a projected business plan, hence the use of the future plan in the third person should be encouraged. Students should also adhere to proper communication standards by ensuring that correct spelling, punctuation and grammatical standards are followed.
- The SBA requirements include a cover page, table of contents and bibliography. Students should ensure that these aspects are presented in acceptable standards and correct formats. Information, data, charts, pictures and other material presented in the appendices should be referenced in the general discussion.

Paper 032 – Alternative to School-Based Assessment

The performance on Profile 1 was fair. Some candidates exhibited knowledge of the subject but were weak in applying and analysing the information. Some candidates also failed to interpret the specific requirements of the question.

Operational Plan

1. Nature and Type of Business

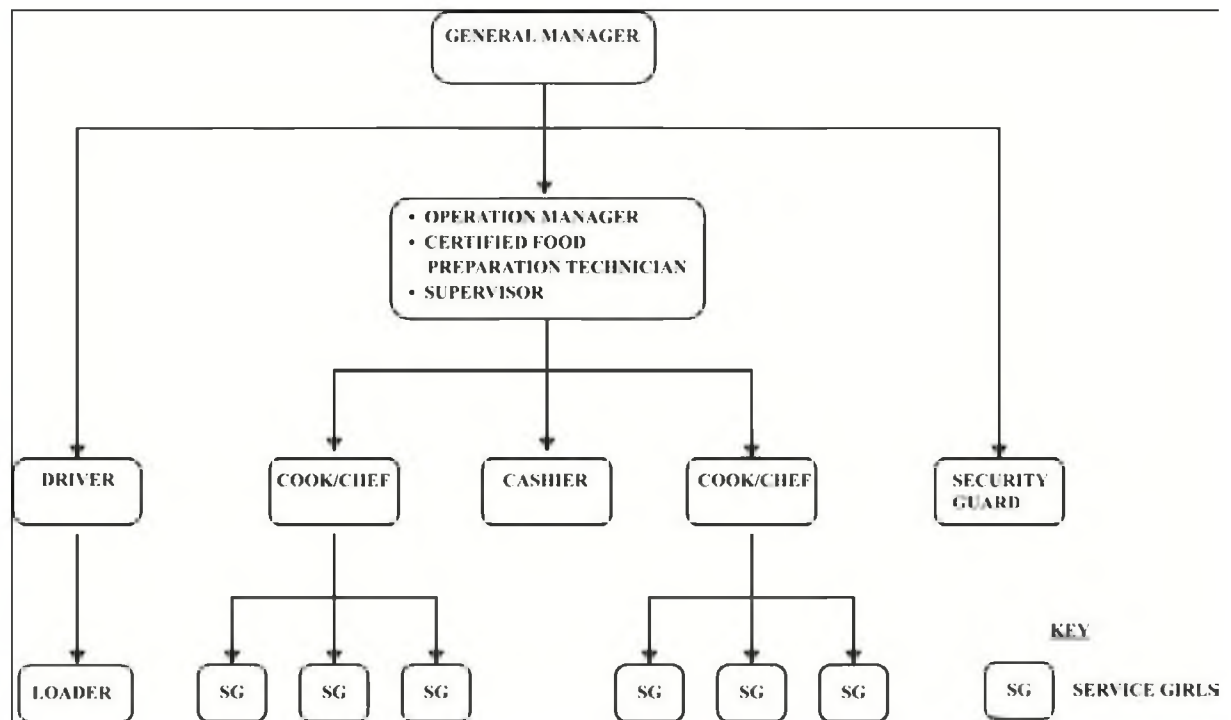
This question tested candidates' understanding of the nature and type of business. The majority of candidates attempted the question, however, candidates seemed to have difficulty in classifying the business based on its ownership type. The responses were satisfactory.

Expected response: Sole Trader.

2. Internal Structure of the Organization

This question was designed to test candidates' knowledge of organizational charts. This question was poorly done. The majority of candidates were unable to accurately draw the organizational chart and identify the levels. Some candidates did not attempt the chart at all while others drew pie charts, histograms, pictographs, line graphs, floor plans and advertisements with logos. Most candidates were able to identify Jason Jeremy as the General Manager but failed to show the other levels based on the information given in the case study.

Expected response: Organizational chart for proposed expansion.



3. Management Functions

The question was satisfactorily done.

In Part (a), most candidates correctly identified the factors that contributed to the success of 'The Juice King' but weaker candidates misunderstood the objective of the question and listed the functions of management and factors of production.

Expected responses: location of the business, competitive prices, cleanliness of the premises, high quality goods and services.

For Part (b), the responses were generally good but some of the responses contained information taken verbatim from the case rather than an interpretation and application of the information. Other candidates confused the responses for factors that contributed to the success of 'The Juice King' with the ways in which customers showed that they were satisfied with the services provided by Jason.

Expected responses: they referred potential clients, they suggested that he expand the business, they supported the business by repeated purchases and naming the business 'The Juice King'.

4. Ethical Issues

Candidates were expected to identify two ethical issues that could affect the business in a negative way. This question proved to be the most challenging for candidates since most seemed not to have understood the meaning of the phrase *ethical issue*.

Some responses identified reasons relating to Jason and his wife such as —he was chosen unfairly which would lead to conflict with employees and if the business expands, Jason will be making profits”. Candidates failed to make an appropriate link relating ethical issues to the workplace.

Expected responses: unfair pricing, improper disposal of waste, putting additive substances in food and drink, non-compliance with government regulation (for example, not paying taxes, not registering the business, not having a food license).

Marketing Plan

5. Market Research

This question tested candidates’ knowledge of market research methods.

This item was answered satisfactorily by the majority of candidates; however, some responses were not consistent with the methods used in conducting market research.

Expected responses: survey, observation, interview, questionnaire.

6. Industry Trend

This question tested candidates’ ability to evaluate trends in the industry that facilitate its growth and survival.

This question proved to be challenging for most candidates. Many of them focused on the growth of the business rather than the trend of the industry.

Expected response: There is a growing trend that people are becoming more health conscious and are choosing to become vegetarians.

7. (a) Size of the Market

This part of this question tested candidates’ ability to identify strategies vital to the survival of the firm in a competitive environment.

Most candidates used generalized rather than specific strategies. In many cases, the same responses were given for Question 9.

Expected responses: develop and maintain good rapport with customers, ensure staff is well trained, advertise, offer high quality goods and services, offer a variety of dishes and beverages.

- (b) This part of the question tested candidates' knowledge of the advantages of expanding from a sole trader to a private limited company.

Generally, most candidates gave satisfactory responses to this question. However, responses that were applicable to other businesses were also provided. Candidates failed to recognize the process involved in the transition from sole trader to private limited company.

Expected responses: responsibilities are shared, income/capital is increased, specialization in management (Jason's wife is a certified food preparation technician).

- (c) This part of the question tested candidates' knowledge of the disadvantages of expanding from a sole trader to a private limited company.

This part of the question was poorly done. Candidates generally demonstrated a lack of understanding of commonly used business terms such as *limited* and *unlimited* liability.

Expected responses: increased overheads, loss of personal/close contact with customers.

8. Target Market

This question tested candidates' knowledge of the appropriate target market in the industry.

This question was not well done.

Expected response: the target market consists of office workers and persons who visit the city.

9. Promotional Strategies

This question tested candidates' knowledge of suitable promotional strategies utilized by the business to promote its products.

Candidates responded well to this item. However, most of the responses given here were given in Question 7 (a).

Expected responses: newspapers, flyers, radio, television, business cards, the Internet, hosting special events.

10. Distribution Strategies

This question tested candidates' knowledge of the different ways used by the business to promote its products.

This was generally well done.

Expected response: the business can provide seating accommodation for dining as well as take-away and delivery services.

11. Executive Summary

This question tested candidates' ability to provide the components of the marketing plan.

Candidates had difficulty writing an executive summary. They did not grasp the concept of what constitutes a successful marketing plan, as was presented.

Expected response: the shareholders and managers possess the requisite skills and experience to team together to make the business successful. The considerable fund of goodwill contained in the name 'Jeremy' serves to conserve the loyal clients and maintain the expected good quality service that has carved out a prominent position in the market place for the business.

Financial Plan

This profile tested the financial aspects of the business plan and the competence of candidates in recognizing the calculation of the following:

- I. Total expenses
- II. Interest per month
- III. Gross profit

Candidates were required to differentiate between current and fixed assets.

The majority of candidates successfully demonstrated an understanding of the principle and calculations involved. However, a few candidates either omitted the entire profile or certain areas of it.

12. This question tested the calculations of *interest per month* and *total expenses*. Many candidates calculated the *interest per annum* but failed to divide by twelve to achieve the per month figure. Some candidates erred in not showing the relevant *working* as required by the question and hence failed to score full marks.

Expected Response:

$$\begin{aligned}\text{Loan interest} &= \frac{10}{100} \times \$360\,000 \times \frac{1}{12} \\ &= \$3\,000\end{aligned}$$

$$\begin{aligned}\text{Total expense} &= \$146\,000 + \$3\,000 \\ &= \$149\,000\end{aligned}$$

13. Candidates did not know the formula for the calculation of *Gross Profit* which is '*Gross Profit = Total Expenses + Net Profit*'. The incorrect calculation of *total expenses* in Question 12 resulted in the wrong figure for Gross Profit. A few candidates subtracted Net Profit from Total Expenses.

Expected Response:

$$\begin{aligned}\text{Gross Profit} &= \text{Total Expenses} + \text{Net Profit} \\ &= \$149\,000 + \$120\,000 \\ &= \$269\,000\end{aligned}$$

14. This question tested candidates' ability to calculate *total expenses*. Many candidates earned the full marks by correctly identifying current assets such as *cash in hand*, *cash in the bank*, *loan from bank* and *stocks*. They were also knowledgeable about fixed assets and correctly identified *the motor van*, *equipment*, etcetera.

A few candidates could not differentiate between current and fixed assets.

Expected Response: Equipment, furniture, motor van, fixtures, machinery.

15. The majority of candidates correctly identified *Jason and Jason's wife* together with *the bank loan* as the major suppliers of capital for the business.

In some instances, vague statements such as *'contribution'*, *'capital'* and *'cash'* were used. These responses were not credited with any marks. Candidates also offered *'credit unions'* and *'national insurance'* as sources of capital. However, these inferences were not related to the case study and therefore marks were not awarded.

Expected Response: Mr Jeremy, Mrs Jeremy and bank loan.

Recommendations

There was an overall improvement in the performance on Paper 032 this year. However, further improvements can be realized if the following are taken into consideration.

- Candidates need to read the questions carefully and interpret them in light of the case.
- Questions should be answered in complete sentences.
- Candidates need to be cognizant of the fact that the case study is built on principles and concepts of the syllabus, hence, they need to use the jargon of the subject when responding to questions.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

JANUARY 2012

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

This year a total of 4, 913 candidates registered for the Principles of Business General Proficiency examination. The examination is comprised of the following Papers:

Paper 01	-	Multiple Choice
Paper 02	-	Essay Paper
Paper 032	-	Alternative to School Based Assessment (Private Candidates)

Paper 01 consists of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was commendable. The mean mark was 33.69. Approximately 67 per cent of the candidates scored at least 50 per cent of the available marks on this paper. One candidate achieved the maximum available mark.

Paper 02 comprised two sections. Candidates were required to answer three compulsory questions in Section I and two of four optional questions, one from Section II and one from Section III. The mean mark for this paper was 51.35 out of 100. The standard deviation was 16.93. The marks ranged from 0 to 98. Approximately 53 per cent of the candidates scored at least 50 per cent of the available marks on this paper.

Paper 032 – the alternative to the School-Based Assessment (SBA) – is an examination offered to private candidates. Candidates were required to respond to questions based on a business plan using a given template.

The overall performance on this paper continues to show improvement. The mean mark was 19.89 out of 40. The standard deviation was 6.98. The maximum marked achieved was 39 out of 40. Approximately 54 per cent of the candidates scored at least 50 per cent of the maximum available mark on this paper.

DETAILED COMMENTS

Paper 02–Essay

Section I – Compulsory

Question 1

This question tested candidates' knowledge of the functions of a business and types of business organizations. The question was attempted by approximately 52 per cent of the candidates, the majority of whom gave good responses. The mean mark was 10.49 out of 20. The standard deviation was 4.34.

Part (a) (i) required candidates to outline two functions of a business. This part of the question was well done by most candidates, most of them achieved the maximum available mark for this part of the question.

For Part (a) (ii), candidates were required to state two ways in which a sole proprietorship is different from a partnership. The majority of candidates answered correctly, but there were some who failed to make this distinction.

Part (b) (i) required candidates to define the term *franchise*. Most candidates confused a franchise with multi-nationals and were therefore unable to score the maximum available mark for this section of the question.

In Part (b) (ii) candidates were required to identify four popular franchises. The majority of candidates were able to score the maximum mark.

For Part (c), candidates were required to discuss two advantages of operating a franchise. The majority of candidates was unfamiliar with the concept '*franchise*' and did not perform well. Candidates gave poor responses in this section and so was unable to earn the maximum mark. Weaker candidates gave the advantages to the franchisor rather than the franchisee. Some candidates even gave advantages to the country where the franchisee operates.

The following are suggested responses to Question 1

- (a) (i) The functions of business are:
 - To produce goods and services by converting raw materials or inputs into saleable products.
 - To manage money and money resources of business operations which relate to its accounting and financial function.
- (ii) Two ways in which a sole proprietorship is different from a partnership:
 - A sole proprietorship is owned and managed by the same person while a partnership is jointly owned by the parties involved and may or may not be managed by owners.
 - A sole proprietorship lends itself to quick decision making while a partnership does not generally lend itself to quick decision making but engages in more informed decision making.
- (b) (i) Definition of *franchise*
 A *franchise* is a legal agreement with a parent company to abide by the guidelines and regulations set out by that company for a period of time and can take the form of a sole proprietorship, partnership or limited company. A franchise is easily recognized because it carries the logo and other physical similarities and characteristics of its parent company.
- (ii) Four popular franchises are:
 - McDonalds
 - Burger King
 - KFC
 - Texaco/Esso

(c) Advantages of operating a franchise:

- A franchise is usually based on a proven idea. A person will be interested in buying a franchise because he or she knows of the business' track record. The franchisee can research the success history of the business as well as the success history of other businesses before making a commitment.
- The franchisee can use a recognized brand name and trademarks. The public would have already been aware of the products and/or services offered by the business. The franchisee will benefit from any advertising or promotion by the owner of the franchise, – the 'franchisor'.

Recommendations

- Teachers should ensure that students are able to differentiate between various types of business organizations such as *sole proprietorship* and *partnership*. This can be achieved with the use of tables as part of the teaching tool. These can be used to show similarities of and differences between concepts.
- More emphasis should be placed on the definitions of business organizations such as franchises and the differences and similarities should be highlighted.

Question 2

This question tested candidates' knowledge of documenting business transactions, instruments of payment, as well as contract law, including types of contracts, termination of contracts, explanations of the concepts of offer and acceptance and consideration. The question was attempted by 54 per cent per cent of the candidates, the majority of whom gave good responses. The mean mark was 10.89 out of 20. The standard deviation was 3.69.

Part (a) (i) required candidates to state four reasons for documenting business transactions.

This part of the question was well done by most candidates, and they were able to earn the full four marks for this section.

Part (a) (ii) required candidates to identify three instruments of payment, other than a credit card.

The majority of candidates gave good responses, but there were some who incorrectly gave the response of a medium of finance such as credit union.

Part (b) (i) required candidates to define the term *contract*. The majority stated that a contract is an agreement, but a minority failed to mention that the agreement is *between two or more parties*, and others omitted that a contract is *legally binding* or *enforceable by law*, thus losing valuable marks.

Part (b) (ii) required candidates to identify the type of contract entered into by Sun and Sand Resort and Mr. Jones. The majority of candidates did not know the correct answer—a *simple contract* – and so lost the one mark allocated to this section.

Part (b) (iii) required candidates to state four ways in which the contract between Sun and Sand Resort and Mr Jones may be terminated. The majority of candidates responded correctly to this part and so was able to earn the full four marks allocated. However, some candidates mistakenly gave the response that Mr Jones was not able to pay for the scuba instructions, in spite of the information provided in the case study that stated otherwise.

In Part (c), candidates were required to explain the legal concepts of (i) offer and acceptance and (ii) consideration, with reference to the relationship between Mr Jones and Sun and Sand Resort. The majority of candidates gave incorrect responses, thus, they lost most of the marks allocated to this part of the question. Additionally, weaker candidates did not refer to the relationship between Mr Jones and Sun and Sand Resort in their responses. Very few candidates gave the correct explanation of the legal term *consideration*, with the majority giving the layman's meaning of the word 'consideration'.

The following are suggested responses for Question 2

- (a) (i) Four reasons for documenting business transactions:
- Business documents help to keep track of all official and unofficial business transactions.
 - Business documents are used for reference purposes to clarify or answer queries.
 - Business documents are used to inform people about business transactions.
 - Documenting business transactions saves time when looking for information since the documents contain relevant information on the business that transpired.
- (ii) Instruments of payment other than a credit card:
- Money order
 - Bank draft
 - Cheque
 - Cash
- (b) (i) Definition of *contract*:
A *contract* is an agreement made by two or more parties that is legally binding or enforceable by law.
- (ii) The type of contract entered into by Sun and Sand Resort and Mr. Jones is a simple contract
- (iii) Four ways in which the contract between Sun and Sand and Mr Jones may be terminated are:
- Performance – both parties carried out their side of the agreement.
 - Agreement – both parties agree to cancel the contract before it is completed.
 - Breach – one party breaks the contract by failing to carry out his side of the agreement.
 - Renunciation – one party carries out a portion of the contract and fails to go any further.

- (c) An explanation of offer and acceptance and consideration with reference to Sun and Sand Resort and Mr. Jones:
- (i) Offer and acceptance
Offer: An offer is a proposal or bid made by a person or his agent to another person or his agent. The person making the offer is the offeror, in this case Sun and Sand Resort, and the person accepting the offer is the offeree, in this instance Mr Jones. In this scenario the offer is the services advertised to all by Sun and Sand Resort on their website and via other marketing tools.
- Acceptance:* An acceptance exists when the offeree or his agent agrees to all terms or conditions laid down by the offeror or his agent. In this case the acceptance exists when Mr Jones pays for the services offered and Sun and Sand Resort accepts the payment to offer service by confirming receipt of payment from Mr Jones.
- (ii) *Consideration:* Consideration is a promise or action made by one party for the request for action made by another party. Mr Jones requests and pays for scuba services and Sun and Sand Resort promises to honour this request by accepting and acknowledging payment.

Recommendations

- Teachers must encourage students to read the stimulus material carefully before answering questions, in particular when the questions refer to the information from the stimulus material in their responses.
- Teachers should provide students with the opportunity to practise answering more CSEC questions with stimulus materials. This would help them to become more familiar with the expectations of the questions, especially when they are required to make reference to a particular situation or scenario.
- Students must also be encouraged to pay attention to the verb clues in the question such as *state, outline, discuss*.
- Teachers should help students to differentiate between the terms *instruments of payment* and *medium of payment*. This can be achieved by having students bring samples of these instruments of payment to class sessions.
- Role play can be used to reinforce the topic of contract law among students. In such role play sessions, students should examine the sequence involved in the process of formulating a contract. They should differentiate between the legal concepts of *offer* and *acceptance*, giving examples of relevant situations to justify their explanations, they should also be able to use the terminologies associated with principles of business to explain the meaning of legal concepts such as *consideration*.
- To help students to better understand the concepts of *payment methods* and the *mechanism of contracts* teachers should arrange visits to companies, they should also encourage students to view documentaries as well as read pertinent articles from newspapers and the Internet.

Question 3

This question tested candidates' knowledge of setting up a business, with respect to the use of resources and the factors to consider in deciding on its location. Candidates were also expected to discuss the benefits of a business to a country. Approximately 63 per cent of the candidates attempted this question, the majority of whom performed well. The mean mark was 12.51 out of 20. The standard deviation was 4.84.

In Part (a), the candidates were required to define the term *resources*. The majority of candidates was unable to give a comprehensive definition. They provided vague responses that just entailed examples of resources.

Part (b) (i), required candidates to identify two types of resources that were important in starting a business. This was well done. The majority of candidates scored the maximum mark for this part of the question.

In Part (b) (ii), candidates were required to explain the importance of the resources identified in Part (b) (i). This part of the question was well done with the majority of candidates gaining the maximum mark.

Part (c), required candidates to outline factors to be taken into consideration when selecting a location for a business. This was also well done, with most candidates scoring the maximum mark.

In Part (d), candidates were required to discuss the benefits of the new business to the country. The majority of them scored the maximum mark for this part of the question. Candidates failed to develop their response into a discussion, instead, they gave brief, vague statements.

The following are suggested responses for Question 3.

Definition of *resources*:

(a) *Resources* – the assets used in the production of goods and services and in the starting or maintenance of a business.

(b) Two resources that are important to Sally in starting her business are:
Human/labour resources – vital for people to be involved in the production process. Manual labour can be used in transforming physical resources into products (goods and services), promoting the products and selling the products.

Physical/Land resources – raw materials necessary for making goods or to be used in the provision of services.

(c) Three factors that Sally should consider when choosing a location for her business.

- Access to raw materials – If raw materials are not in close proximity, then transportation costs will have to be considered. These can affect the price of the product.
- Access to labour – If individuals are not in close proximity, then they should be able to be transported easily. A good supply means that the cost of labour would be lower whereas a short supply would cause an increase in cost, resulting in a higher price for the product.
- Access to markets – If markets are not in close proximity, then distribution costs will have to be added to the product, thereby increasing the price of the product.

(d) Two ways in which the country could benefit from the new business:

- The use of local raw materials will help the country through the creation of linkages with other firms, ensuring growth of these firms and the growth of the country's gross domestic product. Sally could link backwards to get raw materials shells, beads, straws, fabrics – from local suppliers.
- Sally would also be employing local people, thus assisting in the reduction of unemployment and also assisting in human resource development.
- Export of these products will aid in earning foreign currency which can reduce balance of payments debts. Additionally, tourists coming to the island will spend foreign dollars to purchase these items which will also be a source of foreign currency.

Recommendations

- Teachers can test students' understanding of resources, via class discussions where students identify model definitions and apply their knowledge by creating simulated businesses.
- Teachers must encourage students to use key verbs in the questions such as *state, discuss, outline* and describe as well as the marks allocated as an indication of the expected responses.

Question 4

This question tested candidates' knowledge of consumer behaviour, consumer protection and management responsibilities to consumers. Approximately 63 per cent of the candidates attempted this question. Generally, the candidates performed creditably. The mean mark was 12.55 out of 20. The standard deviation was 4.33.

Part (a) (i) required candidates to explain the term *customer satisfaction*. Candidates were able to score the marks but responses could be improved by reference to customer expectations and needs, for example, *lower price, high quality and availability of products*. The majority of candidates tended to focus on 'needs' and 'wants' with the weaker ones explaining *customer satisfaction* as a customer being satisfied'.

Part (a) (ii) required candidates to state two ways in which a firm can ensure customer satisfaction. Candidates were able to score the maximum marks in this section. The better responses *included good quality products on a timely basis, after sales services, 'responding to customers request and market research through surveys*.

In Part (b) candidates were asked to outline three responsibilities of management to customers. While candidates were able to list the responsibilities of management to customers, they were unable to develop their answers to respond correctly to what they were being asked. Suitable responses included *customers safety in terms of product and premises, product information and consumer education with regard to making informed choices, truthful and honest communications and feedback*. *Suggestion boxes* were also identified.

Part (c) required candidates to explain the role of the Bureau of Standards and the Consumer Affairs Commission (CAC) in consumer protection. The majority of the candidates indicated that the bureau sets

standards for products with regard to proper labelling, proper packaging, safety guidelines, expiry dates, ingredients and so on. While they stated that CAC ensures that laws protecting consumers' rights are upheld and seeks to address unfair pricing practices.

In Part (d), candidates were required to discuss two factors influencing consumer behaviour. While they were able to score some marks, many candidates did not fully discuss how the factors influenced the behaviour of consumers. Most of the responses focused on economic factors, for example, 'price', 'quality', 'taste', and 'income'. Acceptable responses should have included *social, psychological, personal and cultural factors*. For example, cultural factors would include values and attitudes in the community/country – race, religion, social areas and family traditions.

The following are suggested responses to Question 4

Explanation of *customer satisfaction*:

(a) (i) *Customer satisfaction* means the ability of a product or service to meet customers' expectation in the main areas of customers' needs such as lower price; *high quality*; sufficient quantity and availability of products at points of distribution.

(ii) Two ways in which firms can improve customer satisfaction:

- A firm can improve customer satisfaction by being able to meet the customers' needs for the goods and services they require by providing high quality products on a timely basis.
- Another way a firm can improve customer satisfaction is by quickly responding to customers complaints and requests.

(b) Three responsibilities of management to customers:

- Management should be concerned about customers' safety and should ensure that the products bought by customers do not cause them injury in normal use. Therefore products should be of high quality.
- Additionally, the place of business should be safe and nothing on the premises should, in the normal course of business, cause bodily harm or injury to customers.
- Management should ensure that customers are informed so that they make informed decisions. Therefore, communication with customers should be truthful. For example, company brochures, advertisements, verbal statements made by salespersons should give correct information.

(c) (i) The role of the Bureau of Standards in consumer protection:

The Bureau of Standards is set up to ensure that firms produce and maintain the quality of their products so that consumers have high-quality products from which to choose. The governments set rules and regulations and these are enforced by the Bureau of Standards. Among the guidelines set are that food products are to be properly labelled, showing ingredients, contents and weight should be shown; expiry dates should also be provided

on packages so that consumers are given adequate information. Additionally, products should contain the ingredients that are indicated.

- (ii) The role of the Consumer Affairs Commission in consumer protection:

The Consumer Affairs Commission (CAC) is an arm of the government that represents consumers and ensures that they are fairly treated. It seeks redress on unfair pricing practices, poor quality, and discrepancy in weight and measures. The CAC also ensures that laws protecting consumers' rights are upheld.

- (d) Two factors that influence customer behaviour are:

- Cultural: These include values and attitudes that dominate the community or country of the consumer. These may be race, religion; family traditions or social class that play a significant role in determining what consumers choose. Religion and race, for example, often determine food choices and methods of preparation.
- Social: Social factors include reference groups, for example, family and friends and, role expectations. Consumers are members of social groups and these groups influence the decisions that they make. Vacation destinations and activities are often decided on after consultation with other members of the reference group.

Recommendations

Teachers need to help students to distinguish among *list, state, outline, explain and discuss* so that they can give the desired responses and demonstrate a deeper understanding of the content area.

Question 5

This question tested candidates understanding of the role and responsibilities of the central bank and its relationship with commercial banks. It also tested candidates' knowledge of sources of financing other than commercial banks. Approximately 18 per cent of the candidates attempted this question. The performance on this question was unsatisfactory. The mean mark was 3.51 out of 20. The standard deviation was 3.15.

Part (a) (i) required candidates to outline two reasons why the central bank may decide to close down a commercial bank. This was generally poorly done as the candidates lacked knowledge of the role of the central bank and the regulations that it sets out to govern the functioning of commercial banks. A common erroneous response was that a prime reason for closing down the commercial bank was bankruptcy or unprofitability.

For Part (a) (ii), candidates were asked to suggest three actions that commercial banks can take in order to prevent closure by a central bank. The majority of candidates did not demonstrate satisfactory knowledge of the role of the central bank and its regulations. They were generally unable to identify suitable actions that the commercial banks could take to prevent closure.

In Part (b), candidates were required to identify four sources, other than commercial banks, from which firms can acquire financing. This section was generally well done. The weaker candidates listed the various commercial banks by name or gave responses that included both 'credit unions' and 'trade

unions', indicating that they did not comprehend the nature of a commercial bank neither were they able to distinguish commercial banks from other financial institutions.

Part (c) required candidates to discuss two ways in which the stock market performs its role effectively. This part of the question was poorly done. The majority of the candidates demonstrated lack of knowledge of the role of the stock exchange. Some candidates indicated that the stock market buys and sells stock as opposed to being the facilitator and monitor of such activity. Candidates' responses suggest that they equated a stock market to a 'market', where goods are traded.

The following are suggested responses for Question 5.

(a)(i) Two reasons why a central bank may decide to close a commercial bank:

- The commercial bank may have failed to maintain its reserve requirements at the central bank. All commercial banks are mandated by the central bank to keep a percentage of total demand and time deposits in cash in its vaults or as deposits in the central bank to meet withdrawals.
- The commercial bank may not have been following guidelines from the central bank with regards to money laundering activities. The central bank sets guidelines with respect to clients and deposits at commercial banks, and only customers who are reputable and are not involved in illegal activities are allowed to do banking transactions.

(ii) Three actions that a commercial bank could take to prevent closure:

- In order to prevent closure by a central bank, a commercial bank may call in loans given to customers. They may choose to foreclose on some mortgages or short-term money lent to customers.
- The commercial bank may regularize its activities by carrying out due diligence, ensuring that it scrutinizes the transactions of customers and that only those of good character do business with the bank.
- The commercial bank may also have to make some assets liquid in order to meet financial obligations to the central bank such as special deposits.
- The commercial bank would also need to make the necessary adjustments in the conduct of its activities so as to pay debts owed to the central bank on a timely basis.

(b) Four sources, other than commercial banks, from which firms can acquire financing:

- Firms may receive loans from private sources such as family and friends.
- Firms may also plough back profits into the business instead of saving them.
- Firms can acquire financing from financial institutions such as credit unions, building societies and insurance companies.

- Firms may receive credit, such as trade credit and hire purchase, from suppliers. This allows them to use raw materials, furniture and fixtures while deferring payment for some time in the future.

(c) Two ways in which the stock market performs its role effectively:

- The stock market may act as a *primary market* when it allows public firms in good standing to use the stock market as a source of new capital. To finance expansion, firms may use the facility of the stock market to issue new shares because they have the option to sell them later to other investors.
- In allowing the sale of shares or trading to take place between investors, the stock market carries out another role as *secondary market*. Secondary trading is not a source of new capital for a firm but is a provision for investors and potential investors to buy and sell existing shares.

Recommendations

Teachers need to help students to make clear distinctions between the role of the central bank and that of the commercial banks, as well as the stock market and a general market place. Role play, guided research and site visits are some techniques that can be used to assist students in distinguishing between the concepts.

Question 6

This question tested candidates' understanding of *taxation*. It required candidates to differentiate between types of taxes and forms of taxation. It was attempted by 42 per cent of candidates. Performance on this question was less than satisfactory. The mean mark was 8.39 out of 20. The standard deviation was 4.57.

Part (a) was generally well done. Many candidates were able to distinguish between direct and indirect taxes and give appropriate examples as directed. The common trend in answering this part of the question was that candidates indicated that the burden of direct taxes fell on the same individual, for example, income tax and property tax, while with indirect taxes the burden fell on different individuals such as the payment of value-added taxes through the purchase of goods and services. The payment of customs and excise duties were also common examples. A few candidates however confused direct taxes and indirect taxes.

Part (b) was answered successfully by the majority of the candidates who cited the main purpose of taxes as one that generates revenue for governments to help with expenditure. Other common responses included taxation as a means of redistributing income in a country and the use of revenue gained from taxes to improve the quality of citizens' lives.

Part (c) (i) and (ii) proved challenging for many candidates. The majority of them did not attempt this part of the question and for those who did, it was clear that they were not able to distinguish between regressive taxation and progressive taxation, or explain why progressive taxation may be favoured by governments. Candidates failed to recognize that regressive taxation. They were unable to discriminate against the lower and middle class income earners pay higher taxes than those of higher income earners. They also failed to recognize that progressive taxes place the lightest burden on those who make the least money so that only when one's income increases so does the percentage of tax to be paid.

A minority of candidates summarized the differences between these two forms of taxation stating that with regressive taxes the less one earns the more they will have to pay while with progressive taxes, the more one earns the more taxes he is required to pay.

In addition, candidates failed to point out that progressive taxes are favoured because equity can be achieved under this system as those who can afford to pay more, will pay more.

Part (c) (iii) was correctly answered by the majority of candidates who were able to cite two reasons why government would impose taxes on alcohol and tobacco, and provide a meaningful discussion. Responses included that governments impose taxes on these products in an effort to curb addiction to these products by making them unaffordable. Government being concerned about the consumption of these harmful products hence the taxes act as a deterrent to discourage people from purchasing these products; and the fact that some citizens would still purchase the products regardless of cost are but a few well thought out answers. In the rare instance, candidates merely stated their points but did not develop them into a full discussion.

The following are suggested responses to Question 6.

Explanation of the terms *direct* and *indirect* taxes with one example of each:

Direct taxes are taxes levied entirely on the persons who pay them and cannot be passed on to others. These taxes are paid directly to the government.

An example of direct taxes is income tax.

Indirect taxes are taxes on consumption or spending and are normally paid by suppliers who pass them on to consumers in the final price for goods and services. The intermediaries later forward these taxes to the government. An example of indirect taxes is sales tax.

Two purposes of taxation are to:

- Raise revenue for the government
- Redistribute income in a country

(c) Distinguish between ‘regressive taxation’ and ‘progressive taxation’:

- (i) A *regressive* tax is one which represents a greater proportion of income of poor and middle-income households than of higher-income households. It disproportionately burdens those who are less able to afford it. A *progressive* tax, on the other hand, is designed to place the lightest burden on those who make the least money. The percentage of tax increases as income increases.
- (ii) The main reason in favour of a progressive tax system is to achieve fairness or equity in taxation, as those who are more able will pay more.
- (iii) Government might impose taxes on alcohol and tobacco because:
 - Consumers of these products may be addicted and price increases caused by taxes may likely dissuade them from purchasing.

- Advertising of these products is usually very aggressive and persuasive, leading government to feel that consumers will continue to respond favourably and purchase the products, so higher taxes may prevent them from doing so.

Recommendations

- Teachers need to help students to get a clear understanding of the different types of taxation by using practical real-life examples to which students can relate.
- To better understand how taxation works, investigations or interviews can be conducted in students' households where they can gain firsthand knowledge of direct versus indirect taxation and be able to distinguish between them using relevant and appropriate examples.
- Greater exposure to taxation and its effects on citizens as well as businesses through lectures or discussions hosted by the relevant tax authorities should be considered. This would broaden students' understanding of how taxation really works for or against a country, individual or business.
- Students should be encouraged to participate in research activities such as reading the business section of a newspaper to keep abreast of what is happening in the economy. They should also be encouraged to surf business websites on the Internet to seek further clarification on the topic.

Question 7

This question tested candidates' knowledge of international trade, balance of payments, economic institutions and problems facing Caribbean economies. The question was attempted by approximately 25 per cent of the candidates. The mean mark was 5.04 out of 20. The standard deviation was 3.23.

Part (a) required candidates to state two reasons why countries trade with each other. It was well done by the majority of candidates.

Part (b) required candidates to define the terms (i) *specialization*, (ii) *balance of trade* and (iii) globalization. In Part (b) (i) specialization was well defined along with an example by those candidates who showed understanding of the concept. The weaker candidates were unable to provide examples of skilled jobs.

For Part (b) (ii) – *balance of trade* was defined correctly by only a minority of candidates. The majority of candidates defined the balance of payments instead *balance of trade*.

In Part (b) (iii), weaker candidates confused *globalization* with 'global warming'. The majority of candidates merely gave the meaning of the root word of the word globalization. Generally, responses showed that this concept is not well known.

In Part (c), candidates were required to state two features of the (i) Organization of Eastern Caribbean States (OECS), (ii) Caribbean Community (CARICOM) and (iii) World Trade Organization (WTO). In Part (c) (i) and (ii) only a minority of candidates correctly stated features of the institutions, while the majority of them gave responses that overlapped.

The responses to Part (c) (iii) were poor. The weaker candidates identified this institution as a body that undertakes the economic activity of importing and exporting. Very few candidates were able to state at least one role of this institution.

Part (d) required candidates to discuss two challenges faced by Caribbean economies in creating a single market and economy. This proved very challenging to the majority of candidates since they mistakenly wrote about a physical location rather than a form of economic integration as well as treated the question as referring to an individual Caribbean economy rather than all Caribbean economies as a whole. A few candidates stated at least one appropriate challenge but failed to go further to discuss it.

The following are suggested responses to Question 7.

- (a) Two reasons why countries trade with each other:
- One country's climatic conditions may be favourable to the growing of certain crops and the other may be unfavourable.
 - One country may be favourably endowed with natural resources that another country may not possess.
- (b) Definition of terms: *specialization, balance of trade, globalization*
- (i) *Specialization* also referred to as *division of labour* refers to a system in which persons or entities concentrate on those jobs for which they are best suited.
 - (ii) *Balance of trade* is the difference in income which countries earn from exports and the payments which they make to other countries for imports.
 - (iii) *Globalization* may be regarded as the integration of markets around the world. It represents a trend away from national entities towards one large market.
- (c) (i) Two features of the OECS (Organization of Eastern Caribbean States):
- A group of nine states (seven original members plus two associate members in the Eastern Caribbean.
 - It is set up to achieve reasonable and workable trading arrangements between themselves and CARICOM states as well as the international community.
- (ii) Two features of the (Caribbean Community) CARICOM:
- CARICOM was established by the Treaty of Chaguaramas in 1973. Its headquarters is located in Guyana.
 - CARICOM fosters economic cooperation among members.
- (iii) Features of WTO (World Trade Organization):
- Multilateral trading organization which aims to promote trade liberalization (replaced GATT – General Agreement of Tariffs and Trade)
 - Forum for governments to negotiate trade agreements and resolve trade disputes

(d) Two challenges Caribbean economies face in creating a single market and economy:

- National sovereignty – Strong feelings of nationhood and parochialism make it difficult for Caribbean countries to commit fully to integration efforts. Furthermore, regional leaders seem to suspect that the creation of a single economic unit will diminish their power and authority.
- Differences in exchange rates - The varying and extreme rates of exchange throughout the region create extreme difficulty for a single market and economy to function as a single unit. Countries with higher and more stable exchange rates fear that any harmonization or rationalization of exchange rates would represent a devaluation of their currencies, with the attendant perils.
- Control of resources - Larger countries with more extensive resources want to retain control of their resources. There is also much suspicion that they stand to lose more than smaller states in any common enterprise.

Recommendations

Teachers are encouraged to link this area of study with topics taught earlier such as *types of economic systems* and their related problems. Also, they should collect articles on the various forms of economic integration in the Caribbean as a basis for class discussions. Students should also be encouraged to do research on various regional and international institutions on the Internet. Teachers should use credible Internet sites for their information, those with .gov and .org domains.

Paper 032 – Alternative to School-Based Assessment

For Paper 032, candidates were given a case and a template for a business plan and were required to complete the business plan by answering 11 questions based on the three profiles. This year's case was related to a service centre business which offers telemarketing and data entry services. The partnership business is owned by a group of friends who wanted to execute a growth strategy to build the business over a ten-year period by introducing new but related services.

Generally, candidates performed creditably on all three profiles. The mean mark was 19.89 out of 40 marks. The standard deviation was 6.98.

Operational Plan – Profile 1

1. NATURE AND TYPE OF BUSINESS

In Part (a), candidates were required to list two types of services offered by Beyond 2012. Part (b) required candidates to state two changes to the organization that are likely to result over the next three years as a result of the growth strategy that will be implemented.

The majority of candidates answered Part (a) correctly. However, only a minority responded correctly to Part 1 (b), some merely wrote back statements made in the case such as 'new but related services' and 'stakeholders included in the decision making process'.

2. INTERNAL STRUCTURE OF THE ORGANIZATION

Candidates were required to outline how the human resource department and the marketing department will be affected by the planned growth.

The majority of candidates were unable to outline how the named functional areas of the business would be affected by the planned growth. In their response, candidates confused the marketing department with the production department.

3. MANAGEMENT FUNCTION

In Part (a), candidates were required to identify the type of leadership displayed by the owners of Beyond 2012 and support their answers with evidence from the case. In Part (b), they were required to identify two sources of internal conflict that may result from the proposed changes to the business. The majority of candidates were unable to identify the leadership styles displayed by the owners. In some instances, they confused this with types of businesses. For Part (b), the more able candidates were able to identify the sources of internal conflict that may result from proposed changes in the business. The weaker candidates were unable to perceive likely areas of conflicts and merely repeated growth strategy directions of the firm.

The following are suggested responses for Profile 1.

NATURE AND TYPE OF BUSINESS

Question 1

(a) Type of services:

- Telemarketing
- Data entry

(b) Changes to the organization that will result from the growth strategy:

- There will be a likely to be an increase in the number of employees.
- There will be an expansion of the physical location of the business.

Internal Structure of the Organization

Question 2

(a) How the human resources department will be affected by growth

- The human resources department will need to recruit, hire, train, compensate, and provide orientation to successfully incorporate new employees.

(b) How the marketing department will be affected by growth:

- The marketing department will need to develop, implement and market new services.

Management Function

Question 3

- (a) Leadership style displayed by the owners: democratic or participatory. The owners are using team effort and engaging all stakeholders in the decision-making process.
- (b) Sources of internal conflict:
 - Poor communication between old and new employees
 - Disagreement among owners as to who will direct which departments
 - Insufficient operating capital
 - Insufficient planning for increase in staff size leading to breakdown in the lines of communication
 - Unclear chains of command and supervision

Marketing Plan – Profile 2

4. Target Market

In Part (a), candidates were required to identify three business sectors that are likely targets in the three-year plan. In Part (b), they were required to identify three marketing strategies that can be used to promote the services offered by Beyond 2012. The majority of candidates was unable to identify the business sectors that are likely targets in the three-year plan. They however were able to identify positions within the sectors, for example, bookkeeping and accountants. In Part (b), the majority of candidates was able to identify marketing strategies that the firm could use to promote the services.

5. Pricing Strategies

Candidates were required to state two ways by which the business can realize a reasonable increase in revenue in the next three years. This question was fairly well done as the majority of candidates were able to give responses such as targeting new customers, reducing overheads and providing new services.

6. Promotional Strategies

Part (a) required candidates to use the objectives of the business to suggest a slogan for the promotion of the services it offered. The majority of candidates was able to give an appropriate slogan. In Part (b) (i), candidates were required to identify strengths of the business. This was well done by the majority of candidates. Part (b) (ii) required candidates to state how the strengths mentioned in Part (b) (i) will give the business an advantage over its competitors. For the most part, candidates were able to show how the strengths were able to give the business an advantage over its competitors.

7. Technology

This question required candidates to describe two ways in which technology can be used to promote the services of the business. This was well done by the majority of candidates.

8. Quality

Candidates were required to describe one way in which the company can maintain quality service to its clientele. This question was very well answered by the majority of candidates who gave responses such as firms aiming to meet the demands, needs and wants of customers quickly.

The following are suggested responses for Profile 2.

Question 4

(a) Business sectors that may be targeted by plan:

- Retail businesses
- Service industries
- Manufacturing sector
- Government agencies

(b) Marketing strategies to promote business:

- Media campaign
- Direct mail to clients
- First months free trial service
- Telemarketing
- Discounts for early payments

Question 5

Pricing Strategies

Ways by which the owners can obtain increase in revenue:

- Increased number of customers translates into more revenue if old customers are retained
- Reduce overhead expenses by cutting cost and taking advantage of synergies
- Increase sales through offers and collection efforts;
- Increase prices and quality of service
- Provide payment plan for customers who prefer to pay in installments;

Question 6

Promotion Strategies

- (a) Suggest a slogan: 'Building world class service'; 'Taking business into the new world'; 'Striving for your success'.
- (b) Strengths that would give advantage to business
 - Owners are all experienced and have networked in the industry thereby giving the business an edge over other 'newcomers'.
 - The business has a history of rapid growth that can be seen as recognition and appreciation from paying customers, this would allow the business owners to market themselves using a positive though short track record.
 - The owners are visionaries who realize that there must be a strategic plan in place. Planning and executing in phases allow the business time to make adjustments as necessary and set real, attainable, measurable goals.

Question 7Technology

Ways in which technology can be used to promote business:

- Through the development of websites and links that create easier access to information
- Through the use of e-mail addresses to make quick contact with millions of people
- Since it breaks down borders and barriers it allows businesses to market to the world all at once in as many languages as necessary
- Use of television and radio media gets readily translated or transferred to streaming video and online news giving the business access to more media than they pay for

Question 8Quality

Ways in which the company can maintain quality service to its clientele:

- The owners must ensure that the firm meets and exceeds the demands of customers with respect to telemarketing and data entry services.
- The firm should seek to upgrade its equipment, outfit and train staff to deliver quality services.
- The firm should respond quickly to the needs of clients for changes that may arise.

Financial Plan – Profile 39. Sources and Uses Of Finance and Capital Instrument

In Part (a), candidates were required to identify sources from which Beyond 2012 can seek financing to fund its expansion, and, in Part (b), they were required to state ways in which the firm can use the funds to support its three year plan. Both parts of the question were well done by the majority of candidates.

10. Government regulations

Candidates were required to discuss one government regulation which should be considered when conducting business. This question was also fairly well answered. The majority of candidates was able to identify payment of taxes and the collection of statutory deductions such as NIS. The weaker candidates mentioned service clubs and associations.

Executive Summary

11. Candidates were required to write an overview of the business including the three aspects of the plan. This was very challenging for the majority of them. They were unable to give convincing statements of the three areas of the business plan to form the summary. However, the majority of them scored two of the three available marks.

The following are suggested responses for Profile 3.

Question 9

Sources and Uses of Finance and Capital Instrument

(a) Sources of financing to fund expansion:

- Loans from commercial banks or credit unions
- Personal savings
- Returns on investments
- Sale of stocks

(b) Uses of funds to support the business:

- To purchase equipment
- To launch marketing and public relations plans, recruit quality staff
- To purchase office equipment
- To expand office space
- To offer benefits to customers and employees
- To invest in other opportunities.

Question 10

Government regulations

Regulations that must be considered by business:

- Beyond 2012 must take into consideration the portion of employee wages (PAYE, Social Security, National Insurance) that will have to be paid to the government as regulated by the laws of the country. These regulations are to protect the employees while at the same time providing the government with access to revenue.
- The owners must be aware of the taxes that apply to their businesses and should register with the Sales or Value Added Tax departments to collect on behalf of the government. This tax is levied on the people of a country using the procedures and guidance of the government for proper implementation and remittance.

Question 11

Executive Summary

Beyond 2012 is a partnership in existence for two years which offers telemarketing and data-entry services.

The owners want to expand the services to include information technology services such as bookkeeping, management information systems, marketing and public relations.

The owners together have over 20 years of experience in the call-centre business and have decided to pool their resources and competencies to open a service centre.

The owners' vision is for growth and industry dominance to be achieved over a ten-year period. The focus of the first three years is the expansion of services.

The owners aim to promote the business by targeting business sectors using a variety of marketing strategies.

The business experienced steady growth and plans to increase by 40 per cent in the next three years.

Recommendations

Candidates are encouraged to examine business plans and should familiarize themselves with the various areas of the plan and use templates to practise writing different aspects of these plans. There are a number of Internet sites that can be used to identify business plans and templates which can guide candidates effectively. Also textbooks on CSEC Principles of Business that cover this area will be useful. The Principles of Business text published by Carlong Publishers is one such. It has a sample business plan and a sample 032 - paper as well guidelines on how to do this paper.

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

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION**

MAY/JUNE 2012

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

GENERAL COMMENTS

The Principles of Business (POB) examination was offered for the 33rd time in June 2012. This year, 34,960 candidates sat the General Proficiency examination.

The composition of the examination was as follows:

- Paper 01 — Multiple Choice
- Paper 02 — Essay Paper
- Paper 031 — School-Based Assessment (SBA)
- Paper 032 — Alternative to SBA (Private Candidates)

Paper 01 consisted of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory. The mean mark was 36.90 out of 60. The standard deviation was 8.76. The means were 34.16 and 34.74 for 2011 and 2010 respectively. Approximately 79 per cent of the candidates scored at least 50 per cent of the maximum available marks for this paper.

Paper 02 comprised two sections. Candidates were required to answer the three compulsory questions in Section I and two of four optional questions in Section II. The mean mark for this paper was 47.32 out of 100. The standard deviation was 18.22. The means were 47.45 and 48.05 for 2011 and 2010 respectively. The highest mark on this paper was 95. This was achieved by two candidates. Approximately 54 per cent of the candidates achieved at least 50 per cent of the maximum available marks for this paper.

Paper 031, the School-Based Assessment (SBA), is usually done by school candidates. Candidates were required to prepare a business plan on one aspect of Profile 2: either production, marketing or finance. Performance on this paper was quite good. The mean mark was 32.23 out of 40. The standard deviation was 5.65. Four per cent of the candidates achieved the maximum available mark on this paper.

For Paper 032, the Alternative to the SBA, candidates were required to complete a business plan using a given template and a case. Performance on this paper was less than satisfactory. The mean mark was 16.88 out of 40. The standard deviation was 5.64. The means in 2011 and 2010 were 20.13 and 15.52 respectively. No one achieved the maximum mark on this paper; however, the highest mark was 37 out of 40. This was achieved by one candidate.

DETAILED COMMENTS

Paper 02 — Essay

Section I – Compulsory

Question 1

This question tested candidates' knowledge of the features of a small business, its importance to the community, the effect of growth on the scale of production and potential for export, as well as benefits from using Computer Aided Design (CAD) and the disadvantages of using technology in a small business. Approximately 99 per cent of the candidates attempted this question. The mean mark was 9.12 out of 20 and the standard deviation was 4.19. Forty-five per cent of the candidates scored at least 50 per cent of the maximum available mark for this question.

Part (a) (i) required candidates to identify features of a small business. This was generally well done. Most candidates gave accurate responses. In a number of cases, candidates identified features of business rather than features peculiar to a small business.

Part (a) (ii) was also generally well done. Candidates were required to state why small businesses are important to a community, and they were able to state these reasons clearly.

Parts (b) (i) and (ii) seemed to have posed the greatest challenge for candidates. Very few of them mentioned *economies of scale* in their responses to Part (b) (i). Instead, they defined scale of production and potential for exports instead of explaining the effect of growth on them. Some of the weaker responses provided definitions for the scale of production and potential for export, while others explained *scale* as it related to weight. They were also unable to link scale of production with economies of scale, increased productivity or profits. Also, candidates could not explain how growth could affect the potential for export. Very few candidates provided satisfactory responses and thus were not able to score the maximum available marks awarded for this section.

Part (c) was satisfactorily done. The more knowledgeable candidates were able to give good explanations of the benefits of CAD. Most candidates were able to at least list some of the benefits of CAD and so scored some of the marks allocated for this part of the question. Less knowledgeable candidates however outlined general benefits of technology rather than benefits specific to using CAD.

Part (d) was generally well done. Candidates were required to state the disadvantages of using technology in a small business. Generally, they understood the implications of using technology in a small business. In a number of cases, an increase in cost was listed but no attempts were made to link the increase in costs to cash flow and/or profits. Also, very few of them were able to provide a proper discussion as was required. Weaker candidates demonstrated their lack of knowledge by stating that small businesses do not need technology or gave the advantages of technology to small business. Many also looked at technology only as involving computers while others confused the disadvantages of specialization with the disadvantages of technology.

Recommendations

- Teachers should ensure that students understand the meaning of the verb cues such as *list*, *outline* and *discuss*, so that they can adequately address the requirements of the questions.
- Teachers should also engage students in structured revisions on areas covered early in the syllabus. In these revisions they should emphasize how points should be linked to develop a discussion.

Question 2

This question tested candidates' knowledge in various areas of management. These included responsibilities of management; management's role in encouraging/developing teamwork; characteristics of a good leader/head of government; strategies in resolving conflicts in the organization.

Approximately 98 per cent of the candidates attempted the question with the majority giving satisfactory responses. The mean mark was 10.42 out of 20. The standard deviation was 4.39. Fifty-nine per cent of the candidates scored at least 50 per cent of the maximum available marks for this question.

Part (a) dealt with responsibilities of management to the society, employees, and customers. This was generally well done. However, weaker candidates gave definitions of each of the stakeholders rather than outline their responsibilities. Some candidates misinterpreted the question and outlined the responsibilities of the stakeholders to the organization or management instead of the responsibilities of management to the stakeholders.

Part (b) (i) was fairly well done. The majority of candidates was able to state four ways in which managers could encourage team work. A few candidates could not go beyond using the same categories of methods such as 'incentives, rewards, bonuses, fringe benefits' as responses. Another area of weakness identified was that a number of the candidates' responses were limited to one word answers which did not show

clearly how management can encourage teamwork. For example, a candidate would give ‘communication’ as a response. They failed to state how communication may be used.

Part (b) (ii) proved challenging as about 40 per cent of the candidates interpreted the question as one requiring a description of those leadership functions which make the prime minister or president a good leader, rather than stating and describing the necessary characteristics. In confusing characteristics of a good leader/prime minister with the responsibilities of a prime minister/president, they gave responses such as ‘to provide education and health for the people’.

In Part (c), candidates were required to discuss two strategies from the given scenario that would reduce conflict in the organization. This was misinterpreted by many candidates to mean that Steve was already promoted and so they responded with strategies of last resort to address conflict reduction such as trade unions, arbitration and grievance procedure. More able candidates were able to provide at least one strategy to reduce future conflict with respect to Steve’s promotion. Less able candidates had a number of difficulties; some were able to highlight strategies, but failed to effectively discuss how the strategies would reduce the conflict. In other cases, candidates gave responses that would increase conflicts rather than reduce them. For example, ‘We have selected Steve for the promotion and if you have a problem you are fired or you can leave’.

Recommendations

- Teachers need to make a clear distinction between management responsibilities to stakeholders and stakeholders’ responsibilities to the organization.
- Teachers should use role play and other interactive activities to enhance students’ understanding of good leadership skills and conflict resolution.

Question 3

This question tested candidates’ knowledge of marketing concepts which included methods of retailing, terms of sale, methods of promoting business, consumer protection. It tested both knowledge and application of the principles. Candidates’ performance on this question was generally good. Approximately 88 per cent of the candidates attempted this question. The mean mark was out 10.85 of 20. The standard deviation was 4.48.

In Part (a), candidates were required to define the term *e-commerce*. This was generally well done as most candidates were able to secure at least one of the two marks awarded in this section. Their responses nevertheless revealed some confusion as to whether e-commerce involved a system, a procedure, or an individual entity. In many cases, candidates equated the phrase *electronic medium* to the term *computer*. Weaker candidates were unable to accurately state a definition of *e-commerce*. Responses given by them included: ‘online advertising’, ‘researching online’, ‘business transactions online’, ‘online banking’ or ‘transferring information electronically’. An appropriate response could have been *e-commerce is the buying and selling of goods and services over the internet. It involves presenting products on websites and filling in orders electronically.*

In Part (b), candidates were required to state two advantages and two disadvantages of e-commerce. This was also generally well done even by those who did not clearly define e-commerce. In a few cases however, candidates confused the advantages of e-commerce with its disadvantages.

Part (c) required candidates to outline two reasons why firms often trade discounts. This was unsatisfactorily done as many candidates failed to outline the reasons why firms offer trade discounts and merely listed reasons why firms offer discounts. Additionally the majority of candidates confused *trade discounts* with *cash discounts*; for example one response was ‘trade discount was given to encourage quick payment’. A correct outline of a reason why firms offer trade discounts is *to encourage retailers and wholesalers to purchase more of the manufacturers’ product for resale.*

In Part (d) (i), candidates were required to discuss given terms of sale options available to Maggie. The majority of candidates were able to identify at least two elements of the terms of sale chosen. However, they did not exhibit an ample understanding of the concept *terms of sale*, nor any ability to clearly distinguish between the given terms of sale options as they repeatedly gave generic as opposed to unique elements of these varying terms of sale. In some cases, candidates attempted a discussion of more than two of the *terms of sale* given.

In Part (d) (ii), candidates were required to advise a customer of two actions which can be taken to get compensation from a store, after an item purchased ceased to work after one month of purchase. Part (d) (ii) was satisfactorily done. In the advice given regarding the actions to be taken if Maggie were to get compensation from the store, very little reference was made to content included in the syllabus and textbooks. For the most part, actions suggested were given without rationale or consequence thereby making the responses incomplete.

Recommendations

- Teachers should place more emphasis on delivering the following aspects of the syllabus:
 - Terms of sale, trade discounts, and credit cards. Creating everyday sale scenarios in teaching these concepts will help to reinforce the concepts.
 - Consumer Protection which includes the role of the Bureau of Standards, the Consumer Affairs Commission (CAC) and how issues are resolved by them.
- Teachers should ensure that students are familiar with the term *redress*, insurance protection covering hire purchase, warranty and guarantee.
- Teachers should also ensure that students understand what is required of them from verb cues such as *outline* and *discuss* used in questions, as well as how to use the mark allocation for different parts of a question as a guide.

Question 4

This question tested candidates' understanding of reasons for establishing a business, sources of capital used in financing a business, their ability to define the term *collateral*, provide examples of collateral, explain why collateral is important to the borrower and the importance of the executive summary and financial projections as elements of a business plan. The question was attempted by 75 per cent of the candidates. The mean mark was 9.10 and the standard deviation was 4.29. Forty-seven per cent of the candidates scored at least 50 per cent of the maximum available mark for this question.

Part (a) was designed to test candidates' ability to state three reasons for establishing a business and to give three sources of capital. This section was generally well done as 95 per cent of the candidates were able to score the total of six marks for Part (a). They easily recalled and stated the reasons for establishing businesses and the sources of capital used to finance businesses. However, weaker candidates confused the sources of capital with the types of capital in Part (a) (ii), with many of them listing working capital and share capital as sources of capital used in financing a business.

Part (b) required candidates to define the term *collateral* and give examples. This was attempted by 90 per cent of the candidates and the majority was able to score the total of four marks. However, some candidates outlined reasons why collateral is important to the lender instead of the borrower. Weaker candidates confused collateral with concepts like insurance and sources of finance. The examples given however were accurate.

In Part (b) (ii), candidates were required to outline two reasons why collateral is important to a borrower. This part of the question proved to be challenging for many candidates. The majority of candidates confused this with the importance of collateral to the lender, and as such failed to score the allotted four marks in this section.

Part (c) created the greatest challenge for candidates. They lacked depth in their discussion of the importance of the executive summary and financial projections, two elements of the business plan. Candidates outlined the items that would be found in each component, for example, aims and objectives would be found in the executive summary and capital invested and budgets would be found in the financial projections but they did not delve much deeper. As such, the majority of candidates failed to score the maximum mark for this section.

Recommendations

In order to improve the responses to questions in this section of the syllabus, teachers should pay more attention to the relationship between planning and operating a business and the key features and presentation of a business plan. This is an opportunity for teachers to have interactive sessions in the classroom using various business plans in an effort to get students to internalize the different components.

Question 5

This question tested candidates' understanding of the roles of commercial banks; the difference between money market and capital market, crossed cheques and open cheques, bull market and bear market; benefits that an entrepreneur may enjoy from starting his own business as opposed to purchasing investments; and investment options that are available to entrepreneurs. This question was attempted by 16 per cent of the candidates. The overall performance on this question was unsatisfactory. The mean mark was 3.97 out of 20. The standard deviation was 2.79. Only three per cent of the candidates scored 50 per cent or more of the maximum available mark.

Candidates performed best on Part (a). Most of them were able to state the two roles of commercial banks. Weaker candidates, however, stated roles of the central bank.

Responses to Parts (b) (i) and (ii) were generally unsatisfactory. While most candidates seemed to be unfamiliar with the terms, a minority was unable to state the salient points of differentiation between them.

Examples of popular incorrect responses included:

‘Money market is where you use cash and stock and capital market is where you use machinery to start the business’.

‘Crossed cheques can only be used by the person whose name is on it after a certain date. Open cheques can be used by anybody at any time’.

The part of the question that seemed to have posed most difficulty was Part (b) (iii), the difference between bull market and bear market. Performance on this part was very poor. Over 75 per cent of the candidates either did not attempt this part of the question or gave responses that suggested that they were not familiar with the terms.

Responses to Part (c) were also unsatisfactory. Most candidates seemed to have been of the view that an entrepreneur is synonymous with a sole trader. Responses were also weakened by candidates' failure to describe the benefits that may be enjoyed from starting one's own business vis-à-vis purchasing investments.

Less than 30 per cent of the candidates gave satisfactory responses to Part (d). Most of them seemed to have confused investment options with sources of capital. As a result, popular responses included loans, commercial banks, insurance companies and credit union. In addition, most candidates merely listed what they perceived to be investment options, without any discussion.

Recommendations

- The concepts tested in this question could be taught by means of research and in-class presentations. Teachers should use a variety of examples to carefully distinguish between money market and capital market; crossed cheques and open cheques; bull market and bear market and other such concepts.
- Teachers are urged to utilize discussions and argumentative essays in the teaching of Section 7 of the syllabus – Business Finance.

Question 6

This question tested candidates' knowledge of governments' responsibilities in specific areas and how these responsibilities affect the growth and development of businesses. Candidates were also required to outline actions that businesses can take to protect the environment. They were also expected to display knowledge of how government can encourage the private sector to invest in the education of employees and benefits that result from government and private businesses investing in education. Approximately 55 per cent of the candidates attempted this question. The mean mark was 8.31 out of 20. The standard deviation was 4.86.

Part (a) required candidates to describe how maintenance of each of the following responsibilities of government may affect the development and growth of businesses:

- (i) Law and order
- (ii) A safe environment for investors
- (iii) Job security and other benefits for workers

Many candidates explained these areas of government responsibility, but failed to make the link between the maintenance of these responsibilities and the development and growth of businesses.

In the case of a safe environment for investors, the majority of candidates only described the physical environment and failed to address the economic, political and financial environment, which are very important in attracting investors especially foreign ones. Likewise, job security and other benefits for workers were limited to physical security. The stronger candidates described how certain government laws and benefits allow employees to stay in their jobs and how this continuity leads to growth and development.

Part (b) tested candidates' knowledge of how businesses can protect the environment. Candidates performed well in this section, most of them scored the maximum available marks. However, some candidates outlined protection of people and goods and therefore wrote about the use of security cameras, security guards and so on. A few candidates outlined actions that the government could take to protect the environment instead of the actions that businesses could take to protect the environment.

Part (c) tested candidates' knowledge of the ways in which government could encourage the private sector to invest in the education of its employees. Overall, responses to this section were weak. Candidates concentrated on ways the government and private sector can educate their employees rather than how government can encourage the private sector to invest in education. A number of them suggested the benefits of education and the need for education rather than how the government can encourage the private sector to invest in the education of employees.

Part (d) was fairly well done in most cases. Those who did not do well in this section discussed educational opportunities instead of the benefits that can accrue if government and private businesses invest in education. Some candidates failed to score the six marks allotted for this section because instead of discussing the benefits fully, they gave one or two-word responses.

Recommendations

Students who scored highly on this question displayed the ability to interpret the questions accurately, outline and discuss points properly. Therefore in teaching this section of the syllabus, it would be beneficial for teachers to

- have full discussions on the specific responsibilities and functions of government
- carefully distinguish between physical, financial, political and economic environments and what the government can do to maintain these
- carefully distinguish between physical security and job security
- emphasize the different requirements of the verbs in questions, for example, *discuss*, *state*, *suggest*

Question 7

This question was designed to test candidates' knowledge of international trade, the benefits of internal trade and how countries may use modern technology, development of the manufacturing sector and investment in research to improve international trade. Additionally, the question tested candidates' ability to apply knowledge of trade restrictions by discussing the effects. Approximately 50 per cent of the candidates attempted this question. The mean mark was 10.80 out of 20. The standard deviation was 4.68.

In Part (a), candidates were required to define the term *international trade*; the majority of them were able to score the maximum mark for this part of the question.

In Part (b), candidates were required to state three benefits of international trade. The majority of them scored the maximum available mark. Others failed to properly state their points and hence in most cases scored two or three of the six available marks. Examples of incomplete responses included 'employment' and 'starvation and famine'.

Part (c) required candidates to outline one way in which countries may use modern technology, development of the manufacturing sector, and investment in research to improve international trade. Candidates performed satisfactorily on this section.

In Part (d), most candidates performed relatively poorly. The stronger responses adequately discussed the effects of tariffs or custom duties and quotas on international trade. Such responses entailed the acknowledgment of a tax and a restriction on imports, explaining clearly the increased costs of imports due to custom duties and possibly less imports as a result; less imports due to quotas; and possible increased use and purchase of local products as a result. The weaker responses entailed vague responses or mere definitions of the concepts.

Recommendations

- Teachers need to place more emphasis on the distinction between certain concepts such as quotas and custom duties and tariffs and how they affect international trade. More emphasis needs to be placed on students learning to discuss concepts since higher cognitive skills attract more marks.

Paper 031 — School Based Assessment (SBA)

Production

The following are general observations for this profile.

Description of Business

Most students did not include the objective, the mission statement or the type of business.

Justification of Location

This was generally well done.

Selection of Appropriate Labour

Most students did not outline the type of labour that would be used or why the type of labour was necessary.

Sources of Working and Fixed Capital

Many students did not state sources of fixed and working capital. Students were unable to distinguish between the sources of capital and examples. There were also issues with the interpretation of the word *sources*. Some students interpreted sources as the stores where the fixed capital or working capital could be obtained, which is the wrong perception. Some examples did not pertain to the business.

Role of Entrepreneur

Many students quoted verbatim from texts. The functions of the entrepreneur presented were not always relevant to the business.

Type of Production

Most students addressed this criterion successfully by identifying and describing the type of production.

Level of Production

Many students did not demonstrate sufficient knowledge of the concept of the level of production. Students need to ensure that the correct explanation is given of the relevant level.

Quality Control Measures

Students did not always adequately explain the quality measures related to the business.

Use of Technology

Some of the technology identified were not suitable for the production process of the business and students did not explain how the use of the technology would enhance production.

Linkages

This criterion posed some level of difficulty to students. Generally, they were unable to explain and differentiate between backward and forward linkages.

Potential for Growth

While the responses were generally favourable, there is still room for improvement, specifically the explanation of the concept potential for growth (externally).

Government Regulations

Most students were able to state a related regulation but omitted the effects of the regulation on the business.

Ethical Issues

Most students were able to state the ethical issues but failed to explain them or their effects on the business.

Marketing

Description of Business

Most students adequately addressed this criterion.

Organization of Marketing Department

Most students presented the organizational chart but did not identify or describe the type of structure; an organizational chart of the marketing department was required. However, roles/functions of personnel in the marketing department were favourably done.

Market research

The responses overall were commendable. However, some students had difficulties in identifying possible substitutes for their products.

Product/Service

Students who chose the manufacturing of a product presented a clear description, but for service oriented businesses, students faced much difficulty in describing the service.

Pricing Strategy

Students in many instances identified an appropriate pricing strategy. However, they did not illustrate and justify this strategy.

Place (Distribution Channel)

This posed a problem for many students. Students did not describe the distribution channels used, limitations of the channel and other suitable alternatives were not given.

Promotion Mix

Many students performed well on this section. However, some failed to adequately discuss the stated concepts.

Use of Technology

Most students identified two types of technology and outlined how the technology enhanced the business.

Customer Complaints

Students presented general complaints but did not illustrate how their individual businesses would address consumer issues/complaints.

Government Regulations

Most students were able to state a related regulation but omitted the effects on the business.

Ethical Issues

Most students were able to state the ethical issues but failed to explain the effects on the business.

Finance

Finance was the least popular of the three SBA profiles attempted by students. The submissions were generally of a satisfactory quality. The areas which were handled especially well by students included purposes for which finance was needed, capital goods, sources of finance, collateral and use of technology.

The following areas were of particular concern.

Capital Instruments

Both the capital and the implication of the capital mix selected needed to be examined to highlight their relevance to the establishment of the proposed business. Students needed to specifically state the implication of the capital mix selected and outline a plausible reason.

Financial Statement

The trading and profit and loss account and the balance sheet should have some basic support information within the profile to support their accuracy and credibility.

Many students omitted the trading and profit and loss account relevant to the type of business.

Government Regulations

Most students were able to state a related regulation but omitted the effects on the business.

Ethical Issues

Most students were able to state a related regulation but omitted the effects on the business.

Recommendations

- There was an overall improvement in the quality of projects. However, there are still some areas of concern, particularly the area of presentation and layout of the report, such as headings. Students should also recognize basic presentation requirements such as a cover page, table of contents in the correct format and a bibliography in an acceptable format.
- The SBA project is a projected business plan; hence the use of the future tense in the third person should be encouraged. Students should also adhere to proper communication standards by ensuring that correct spelling, punctuation and grammar are used.

- Teachers should also pay closer attention to the mark scheme supplied by CXC which gives the break down of marks by section. There were many instances where marks were incorrectly awarded resulting in great disparity between marks assigned by the teacher and final marks awarded by the moderating team.
- It was noted that the majority of the reports presented were under the Production profile. However, there were many instances where students' performance could have been improved if they were encouraged to present the business plan using the Marketing profile. Teachers should therefore guide students to ensure that the type of plan used is appropriate for the nature of the business.

Paper 032 — Alternative to School-Based Assessment

Profile 1 – Operational Plan

This section tested candidates' knowledge of the operational plan of the business, which included the nature and type of business, the internal structure and management functions of Ocean View Lodge.

The questions in Profile 1 were attempted by the majority of the candidates and the responses were generally accurate. However, in areas where two points were required, some candidates wrote the same point twice thus failing to score the maximum mark.

Candidates demonstrated general knowledge of the terms and concepts involved in Principles of Business; however, the application of knowledge proved to be challenging for most of them.

1. Nature and Type of Business

This question tested candidates' understanding of the nature and type of the business. The majority of candidates attempted this question. Most responses were satisfactory, where the majority of candidates demonstrated an understanding of the definition of a partnership; however, they erroneously gave the characteristics of a partnership rather than the reasons for forming the partnership.

Candidates exhibited difficulty in determining the difference between *limited* and *unlimited* liability. They misunderstood *limited* to mean Margaret's power in the company rather than having the limited partnership for protection if bankruptcy should occur.

Some candidates stated *income* rather than *capital* which indicated that there was some confusion in differentiating between the two concepts.

Expected responses: Access to more capital, additional ideas in managing the business, share losses, the business will not be taxed twice.

2. Internal Structure of the Organization

This question was attempted by most candidates. The layout of the chart was appropriate as a guideline for the expected response. The responses were generally satisfactory and most candidates earned at least three of the four available marks.

The top level management position was identified correctly in the majority of cases. However, the information from the case was not used accurately. Some candidates used terms such as consultant, advisor and assistant rather than *limited partner*.

3. Management Function

This question tested the management function of the business. The responses were generally good.

Part (a) was very well done with candidates identifying *the course in hotel management* as the prerequisite for managing the business. However, some candidates simply indicated that Margaret was the CEO and thus failed to score.

For Part (b), many candidates demonstrated knowledge of the MIS and related benefits such as *communication, data storage, decision making, easy retrieval of data and advertising of business*.

Some candidates did not understand the use of the MIS. They treated the MIS as a person rather than a system. Even security cameras were erroneously given here as the MIS.

Expected Responses: Retention of important records, better internal decision making and advertising.

In Part (c), the responses were generally good. Candidates recognized the information from the case.

Expected responses: To improve the service of Ocean View and turn it into an international world class product; to be a local/international franchise.

Profile 2 – Marketing Plan

This profile tested candidates' knowledge of the marketing plan of the business. The questions in this section were attempted by most candidates.

4. Market Research

This question tested candidates' understanding of the importance of a feasibility study to a business. It was satisfactorily done. A few candidates were able to isolate the salient points but the majority extracted information from the case study.

5. Industry Trend

Part (a) tested candidates' ability to identify factors that contribute to the success of a business. This part of the question was well done by the majority of candidates.

Part (b) tested candidates' ability to explain market trends in the tourist industry. This proved challenging for the majority of candidates. They were unable to explain market trends in the industry that affected the business.

6. Target Markets

Part (a) tested candidates' ability to identify the existing target market of the business. This part of the question was well done by the majority of candidates. Most of them were able to correctly identify the target market.

Part (b) tested candidates' ability to identify the potential target market of the business. This part of the question was satisfactorily done by the majority of candidates.

7. Market Structure

Part (a) tested candidates' understanding of the market structure as it applies to this particular business. It proved challenging for the majority of candidates who failed to correctly name the right market structure.

Part (b) tested candidates' ability to state the factors that a business should consider pertinent to setting rates when operating in a given market structure. This part of the question was satisfactorily done by most candidates.

8. Promotional Strategies

Part (a) tested candidates' understanding of the promotional strategies used in a business. This was generally well done by the majority of candidates.

Part (b) tested candidates' ability to state the benefits that can be derived from being a member of the local Chamber of Commerce. This proved challenging to most candidates. They had difficulty recognizing the role of the Chamber of Commerce and the benefits to be gained by members.

9. Sources of Capital

This question tested candidates' knowledge of the sources of capital that are available for financing a business. It was generally well done by the majority of candidates.

10. Financial Statements

This question tested candidates' knowledge of financial statements utilized in a partnership business. It proved challenging for the majority of candidates. While a few were able to correctly identify appropriate financial statements others made comments about the financial position of the business.

Recommendations

There was marginal improvement in the performance of candidates in the marketing plan section of Paper 032. However, further improvements can be realized by incorporating the following suggestions:

- Candidates should familiarize themselves with the contents, objectives and requirements of the syllabus.
- Candidates should be mindful of the fact that the case study is established on the concepts and principles of the syllabus and they should therefore make use of appropriate business terms when answering questions.

Profile 3 – Financial Plan

This profile tested the financial aspects of the business plan and the competence of candidates in recognizing the following:

- Potential for growth
- Government regulations
- The economic impact

The majority of candidates were unable to successfully demonstrate an understanding of the financial plan. A few candidates either omitted the entire profile or certain areas of it. Candidates continue to demonstrate weaknesses in articulating their responses.

11. Potential for Growth

This question tested candidates' knowledge of the potential for growth. This was not well handled by most candidates. Candidates who answered the question merely listed risk but did not discuss how the risk was involved in making the hotel *world class*. For instance, some of the examples given were bankruptcy, acquiring loans and the repayment of the loans.

Expected responses: Although the hotel is doing well, the economic climate is one of recession; therefore the hotel has to gauge expansion because there could be a reduction in the number of visitors to the country, or demand for hotel services.

12. Government Regulations

Candidates were required to identify government regulations with which the business must comply and the importance of each regulation. Overall, the responses were fair. Candidates did not gain full marks as they failed to state the importance of the government regulations. It was also evident that a number of candidates had difficulty explaining the government regulations in a suitable manner.

Candidates gave memorandum of association, articles of association, law and order, noise pollution, names of organizations, for example, OSHA and EMA rather than the expected responses.

Expected responses: Food handlers' permit — to ensure that people who prepare food are in good health and maintain standards set down by government.

Proper waste disposal — to ensure that waste is disposed in an environmentally friendly way.

Insurance — to ensure that one is compensated if a risk occurs.

National insurance — to ensure that employees are compensated in case of illness or redundancy.

13. Economic Impact

Candidates were required to state two ways in which the business contributes to the development of the local economy.

The majority of candidates identified the social aspects rather than the economic aspects. The majority of candidates correctly identified ways in which the hotel contributed to the development of the local economy. However, in some instances, vague statements such as foreign exchange, employment, known on the map, increasing the standard of living were written.

Expected response: The firm is labour intensive and therefore employs a number of persons, reducing the unemployment levels of the country. Training of workers in the various skill areas of the firm. Utilizing a number of local raw materials.

14. Executive Summary

This question tested candidates' ability to summarize the components of the business plan. The majority of them found it challenging to write an overview of the business including information from the three sections of the plan. This section was poorly done; most candidates only gained one mark.

Expected response: Ocean View Limited is a small, very successful hotel, strategically located in the heart of the tourist belt. Its success is due to its simple operational and good marketing concept. It enjoys almost 90 per cent occupancy all year round. It has committed ownership, management and staff, the foundation of a future world-class hotel.

Recommendations

- Candidates need to read the questions carefully and interpret them in light of the case.
- Questions should be answered in complete sentences.
- Candidates need to be cognizant of the fact that the case study is built on principles and concepts of the syllabus, hence, they need to use the jargon of the subject when responding to questions.
- Candidates should be encouraged to attempt every question.
- Candidates need to understand the difference between the following terms: *discuss*, *state*, *outline*, *identify* and *explain* since all have different meanings and, therefore, expected answers differ. Also, the number of marks at the end of questions is an indication of the required responses.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION**

JANUARY 2013

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

This year a total of 4, 113 candidates registered for the Principles of Business General Proficiency examination. The examination is comprised of the following papers:

- Paper 01 – Multiple Choice
- Paper 02 – Essay Paper
- Paper 032 – Alternative to School-Based Assessment
(Private Candidates)

Paper 01 consists of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was commendable. The mean mark was 31.86. The standard deviation was 8.31. Approximately 58 per cent of the candidates scored at least 50 per cent of the available marks on this paper. No candidate achieved the maximum available mark. The highest mark was 54 out of 60.

Paper 02 comprises two sections. Candidates were required to answer three compulsory questions in Section I and two of four optional questions, one from Section II and one from Section III. The mean mark for this paper was 52.03 out of 100. The standard deviation was 15.21. The marks ranged from 0 to 96. Approximately 57 per cent of the candidates scored at least 50 per cent of the available marks on this paper.

Paper 032 is an examination offered to private candidates. Candidates were required to respond to questions based on a business plan using a given template.

The overall performance on this paper continues to show improvement. The mean mark was 23.80 out of 40. The standard deviation was 6.97. The maximum marked achieved was 39 out of 40. Approximately 78 per cent of the candidates scored at least 50 per cent of the maximum available mark on this paper.

DETAILED COMMENTS

Paper 02 – Essay

Question 1

This question tested candidates' knowledge of business, including why individuals start their own business. The question was attempted by 99 per cent of the candidates. It was generally well done, with 21 candidates achieving the maximum mark. The most challenging part of the question was Part (d). The mean mark was 11.39 out of 20 (56.95 per cent). The standard deviation was 3.66.

In Part (a), candidates were required to define the term *enterprise* and identify four stakeholders of a business. Overall, this part was well done with most candidates scoring at least three of the six available marks. In Part (a) (i), the weaker responses defined an enterprise as some sort of organization selling goods and services. These responses gained one mark. The better responses defined an enterprise as *a business organization or unit of economic organization with the entrepreneurial risk-taking function*. These responses gained two marks. In Part (a) (ii), the majority of candidates was able to identify four stakeholders of a business as *owners, investors, employees, bankers, suppliers, government* etc. and earned four marks.

In Part (b), candidates were required to state four reasons for starting a business. This section was well done with strong responses referring to *creation of employment, utilization of skills or talents, generation of extra income, investing money, being one's own boss* and *self-actualization*.

In Part (c), candidates were required to outline the contribution of businesses to the development of their communities. Most candidates earned the maximum available mark with good responses including *sponsorship, internship, employment, training and development, infrastructure and the introduction of new technologies* as the main contributors to the development of communities.

Part (d) required candidates to distinguish between a *co-operative* and a *company* giving one example of each. The performance of candidates in this section was the weakest with the average score being two out of six marks. Candidates were unable to distinguish between the two forms of business organizations.

Expected responses for a co-operative should have included that *it is a business formed by groups of producers or users or services with similar interests and objectives*. A company should have been defined as *a type of business organization which has a separate legal entity*. Some examples of co-operatives included *fisheries co-operatives, cane farmers co-operatives, oil miners' co-operatives, citrus growers' co-operatives and credit unions*. Examples of companies include LIME, the Coca-Cola Company, Scotia Bank Ltd, and any other example of a company with a Ltd or Plc.

The following are suggested responses to Question 1:

- (a) (i) Enterprise refers to the entrepreneurial ability to organize the factors of production and take risks by investing capital while establishing a business organization to produce and/or supply goods and services.
- (ii) Stakeholders of a business include the
 - employees
 - consumers or customers
 - owners/employers
 - investors/banks
 - government
 - society or community.
- (b) Reasons for starting a business include to
 - be your own boss
 - create employment
 - provide goods and services
 - make a profit
 - display innate talents and abilities.
- (c) Ways in which businesses contribute to the development of communities include
 - providing financial sponsorships for events, individuals or groups, for example, school sporting activities
 - generating employment for citizens in the surrounding areas which helps to reduce unemployment and generate income for both workers and business owners.
- (d) A co-operative is a business organization formed in the interest of its members with common objectives designed to promote their welfare, for example, farmers' co-operatives, citrus growers' co-operatives, taxi drivers' associations or credit unions.

A company is a business entity which has a separate legal entity from its owners; it is incorporated with limited liability, for example, Scotia Bank Ltd., LIME Ltd, Digicel Ltd or Nestlé Ltd.

Recommendations

- Teachers ought to emphasize clear distinctions between the different forms of business units and their characteristics so that students can avoid confusing all business units as companies for example, sole trader company, partnership company etc.
- Special emphasis should be placed on co-operatives/credit unions, trade unions and corporations. Clear distinction also needs to be made between co-operatives and regional corporations.

Question 2

This question tested candidates' knowledge of organizational charts, functions of the general manager, sources of conflict within an organization, benefits of teamwork, and the use of text messages and office memos to communicate with employees of a business. The question was attempted by 98 per cent of the candidates.

The question was generally well done with 95 candidates achieving the maximum mark. The most challenging part of the question was Part (d). The mean mark was 13.68 out of 20 (68.40 per cent). The standard deviation was 3.81.

Part (a) (i) required candidates to draw an organizational chart for a business that provides marketing services to the public. A few candidates were able to draw the diagram correctly, reflecting candidates' limited understanding of the case study (stimulus material) provided. Some candidates actually drew a graph on graph paper.

Part (a) (ii) required candidates to identify two functions of the general manager. This part of the question was well done by most candidates, and they were able to earn the maximum two marks.

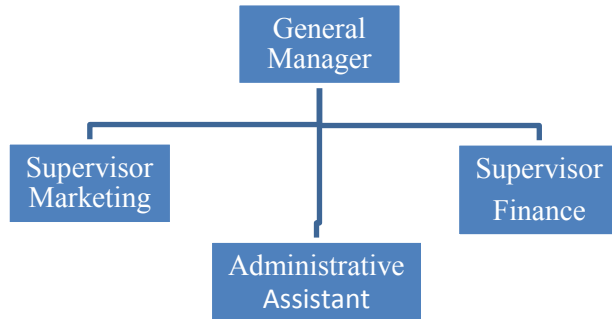
Part (b) required candidates to describe two possible sources of conflict within an organization. This part of the question was fairly well done.

Part (c) required candidates to outline two benefits of teamwork to a business. Most candidates responded well to this part of the question and so were able to earn the maximum four marks.

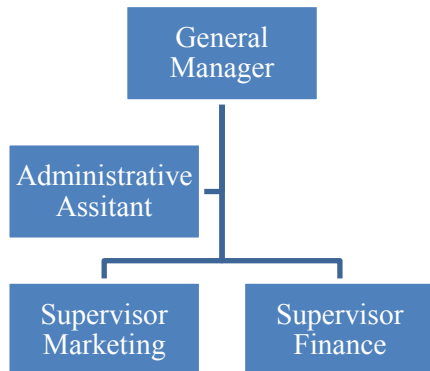
In Part (d), candidates were required to discuss one way in which the business can use text messages and office memos to communicate with employees. This section presented the greatest challenge for candidates. The majority of them gave poor responses. Many candidates seemed not to know what an *office memo* is. They misinterpreted it as an electronic device with verbal usage, as opposed to a written message.

The following are suggested responses to Question 2.

(a) (i) Organizational Chart



OR



(a) (ii) Functions of the general manager:

- Planning
- Organizing
- Leading
- Controlling
- Coordinating
- Managing Human Resource
- Motivation

(b) Sources of conflict in organizations:

- Roles not clearly defined no clear job description; hence, employees are being required to perform arbitrary tasks.
- Administrative assistant answering to more than one boss. This creates confusion as each boss may have different expectations, hence, what pleases one boss may not necessarily please the other.
- Salaries not commensurate with responsibility. Persons are expected to engage in tasks that are outside their job description and are not being compensated adequately.
- Communication not clear or timely. Information necessary for performance tasks is not made available in a timely manner.
- Employees not working as a team, instead each trying to get ahead of his/her colleagues.

(c) Benefits of teamwork to a business:

- Pooling of resources, ideas and expertise results in better decision making.
- Increase in productivity as each person can perform the task that he/she is better at.
- Fosters feeling of belongingness. People generally feel more self-worth when they are allowed to contribute towards a common goal and are recognized for it.
- Motivation of workers. Employees are motivated to give of their best when their efforts are appreciated and they feel like they belong to the team.

(d) (i) How business can use text messages to communicate with employees:

Text messages can be used to send messages directly to employees at any time of the week. They give managers easy access to employees. Text messaging is one of the most popular and more affordable means of communicating.

(ii) How the business can use office memos to communicate with employees:

Office memos allow managers to provide more detailed information to employees and can reach all employees at no real cost to the business. They provide food for thought and discussions among employees. Unless memos are sent by email the time it takes to be received is delayed compared to a text message.

Recommendations

- Students should be taught to read the stimulus materials carefully when answering questions, in particular when the questions that follow ask them to refer to the information from the case study in their response.
- Students should be taught the meaning of an *office memo* so that they do not misinterpret and engage in an inappropriate discussion.
- Students should also know the differences between verb cues such as *draw*, *identify*, *describe*, *outline* and *discuss* with reference to the case study.
- Teachers should provide students with the opportunity to practise answering more CSEC type questions that consist of stimulus materials. This would help them to become more familiar with the expectations of the questions, particularly when making references is required.

Question 3

This question tested candidates' knowledge of pricing and selling techniques. It was attempted by 99 per cent of the candidates.

The question was satisfactorily done. Eleven candidates achieved the maximum mark. Part (b) was the most challenging part of the question. The mean mark was 9.86 out of 20 (49.30 per cent). The standard deviation was 3.74.

Part (a) required candidates to state four characteristics of a good salesperson. This part of the question was well done. Many candidates achieved the maximum available marks.

Part (b) required candidates to explain *cost plus pricing* and *penetration pricing*. This question was not well done. In Part (b) (i), many did not understand *cost plus pricing* as a method of pricing goods and failed to achieve the maximum marks. There were however a few excellent answers. For Part (b) (ii), the responses given for *penetration pricing* were largely inaccurate. Very few candidates understood that this method is used by firms to capture market share.

Part (c) tested candidates' knowledge of terms of sale: *cash discount*, *trade discount* and *hire purchase*. This part of the question was generally attempted by all candidates. In Part (c) (i), some candidates demonstrated some understanding of a *cash discount* but were unable to articulate it well.

For Part (c) (ii), the term *trade discount* proved very challenging for the majority of candidates. Some understood that it was *a discount given for bulk buying* but did not reinforce that it was *used to increase sales to wholesalers and retailers*.

In Part (c) (iii), the responses given for *hire purchase* were accurate.

Part (d) tested candidates' knowledge of insurance, personal selling and advertising.

For Part (d) (i), *Personal selling* was well understood and well articulated by the majority of candidates; however, many of them failed to show how it would increase the sale of insurance products and as a result were unable to gain the maximum mark.

Part (d) (ii) which tested candidates' knowledge of *advertising* was well done. They were able to provide examples and justify how it could be used in the sale of insurance.

The following are suggested responses for Question 3.

- (a) Four characteristics of a good salesperson are:
 - good knowledge of the product
 - aware of competitors' products in order to make fair comparisons
 - must be people oriented
 - must have good communication skills
- (b) The following are sales techniques used by firms:
 - (i) Cost plus pricing – adding a mark-up on the product in accordance based on the amount of profit that the business wants to be made on the product.
 - (ii) Penetration pricing – an introductory price to draw customers to the store and gain market share.
- (c)
 - (i) Cash Discount – *a sum of money that is deducted from the original selling price of the product.*
 - (ii) Trade Discount – a discount given to merchants who purchase goods in bulk for resale.
 - (iii) Hire Purchase – allowing customers to purchase items on certain 'terms', paying a sum every month; customers are able to use the product while paying for it. The customer becomes the owner on the payment of the last installment.
- (d)
 - (i) Personal Selling – salespersons can try to motivate persons interested in buying products by talking to them and also by giving them advice on the product. Personal selling allows the salesperson to speak one-on-one with the customers thereby enabling them to be fully educated on the insurance product. This will increase sales as customers would be aware of what to expect.
 - (ii) Advertising – this will increase the sales of insurance products by persuading buyers to buy the product and also help to make buyers think the product is great. The forms of advertising can be billboards, television, the Internet, radio and newspapers. Advertisements give buyers a visual representation of the product making them attracted to the product.

Recommendation

It is recommended that teachers use real-life examples of new products being introduced in stores especially grocery/supermarkets in the classroom to reinforce the terms in Parts (a) and (b).

Question 4

This question was attempted by approximately 68 per cent of the candidates. It tested candidates' knowledge of business, including backward and forward linkages. Performance on this question was fair. The mean mark was 10.62 out of 20 (53.10 per cent). The standard deviation was 3.66.

In Part (a), candidates were required to identify four factors that would determine the location of a business. Part (b) required them to determine how forward and backward linkages could be used to facilitate business growth, while Part (c) required them to outline two advantages and one disadvantage of using technology in production. In Part (d), candidates were required to discuss one positive and one negative effect of expanding a business.

Part (a) was well done by the majority of candidates. In Part (b), the majority of candidates failed to make a clear distinction between the terms *backward* and *forward linkages*. Some candidates attempted to use examples to help explain the concepts but, in most cases, the examples were unrelated to the given concepts. Many candidates were unable to give a clear distinction between *backward linkages* and *forward linkages*. Only about 45 per cent of the candidates succeeded in making the distinction.

In Part (c), candidates displayed familiarity with the use of technology in production. This part of the question was generally well done. About 70 per cent of the candidates gave acceptable responses. They however fell short in developing the points identified. In approximately 30 per cent of the cases, references were made to the use of technology in areas other than production.

In Part (d), only about fifty per cent of the candidates were able to put forward convincing discussions on the negative and positive effects of Ravi expanding his business. The other 50 per cent simply stated a negative or positive effect.

The following are suggested responses for Question 4.

(a) Four factors that influence the location of business are:

- Location of the target market
- Access to raw material needed to produce the product
- Access to adequate labour supply in the area to work in the business
- Access to infrastructure such as factory shells and other social amenities

(b) Types of linkages that Ravi can develop to ensure the growth of his business are:

- He could have backward linkages with firms producing raw materials so there is no interruption in production. He would link with firms producing milk, sugar, plastic wrappers so he could receive a steady supply of these raw materials.
- He could also have forward linkages with markets to ensure that his finished products are sold. He would link to retail outlets such as supermarkets, corner shops, convenience stores and ice-cream vendors to ensure that he gets sales.

(c) Two advantages of using technology in production are:

- Technology will allow for the production process to be improved and it is likely that the quality of the product may also improve.

- Mechanization and automation would allow for the use of efficient equipment which would result in more goods being produced, therefore the use of technology would result in increased production of his product.

One disadvantage of using technology in production is:

- Since the use of technology in the production process is highly capital intensive, it could result in the laying off and displacement of workers.

Recommendations

Teachers should help students distinguish between key verbs such as *identify* and *discuss* as they require different levels of engagement with the given concepts.

Candidates must be guided by the marks allocated to questions. This should clue them to the level of response that is required.

Teachers should expose students to more contact hours on this topic, specifically backward and forward linkages through the use of practical examples, as they displayed confusion over the terms in their responses.

Question 5

This question tested candidates' knowledge of consumers and market. The question was attempted by approximately 32 per cent of the candidates. Performance on this question was less than satisfactory. The mean mark was 8.86 out of 20 (44.30 per cent). The standard deviation was 4.59.

Part (a) required candidates to define the term *target market* and give two examples of the target market for a particular product. This part of the question was well done by most candidates.

In Part (b), candidates were required to describe three factors that would influence consumer demand for the product and state one advantage and one disadvantage of using both questionnaires and interviews to gather information. Only a minority of candidates were able to secure the maximum available mark as their responses merely identified the factors and did not go on to describe them. At least 45 per cent of the responses explained why people needed the product as opposed to what would motivate them to purchase the product.

In Part (c), candidates were required to state one advantage and one disadvantage of using questionnaires and interviews to conduct research. Candidates demonstrated satisfactory understanding of these concepts. In their responses, approximately 20 per cent did not clearly identify which advantage pertained to the questionnaire and which applied to the interview. Similarly, this occurred in responding to the disadvantage of using the questionnaire and the interview.

Part (d) required candidates to identify two consumer protection agencies and explain how each works to protect the interest of the customers. In about 50 per cent of the cases where candidates correctly identified an agency, the average candidate did not adequately explain how the agency works to protect the interest of the consumer. Additionally, in approximately 40 per cent of the responses, candidates cited employee as opposed to consumer protectionism strategies.

The following are suggested responses for Question 5.

(a) A target market is a particular group of customers at which the firm decides to aim its marketing efforts and its merchandise. Two examples of possible target markets for Shiva are tourists visiting the country and males who spend a great deal of time outdoors.

(b) Three factors that are likely to influence consumers' demand for sun block face cream are:

- The price of the product — the lower the price and more affordable the product, the greater would be the desire to purchase this sun block.
- Customers want value for money; therefore, if customers have to pay too much for too small quantities they could reject the product.
- If the packaging is not attractive, this could turn off potential customers. This is one reason why firms spend a great deal of resources developing their packages because this is what the customer sees first.

(c) Advantages of questionnaires and interviews:

- One advantage of questionnaires is that they are less time consuming to administer.
- One advantage of interviews is that if the interviewer is skilful, then he/she can get a lot of important information from individuals.

Disadvantages of questionnaires and interviews:

- One disadvantage of questionnaires is that individuals are not fond of responding to questionnaires so there may be a high incidence of non-response
- One disadvantage of interviews is that individuals may be reluctant to tell the truth about their feelings.

(d) Two consumer protection agencies that are responsible for protecting the interests of consumers are:

- The Bureau of Standards — this is an agency of the government. One of its primary roles is to facilitate trade and to protect consumers. The Standards Act gives the Bureau the permission to develop and promote standards for improving goods and services in order to encourage the development of industries as well as to ensure the health and safety of consumers and the protection of the environment.
- The Consumer Affairs Commission — this agency of the government was set up to protect the rights of consumers. Its primary aim is to educate both business people and consumers so there is a reduction in the number of complaints. The Commission listens to both parties to get all the facts. If the firm is at fault then they will use moral suasion to get the firm to compensate consumers and to improve its product.

Recommendations

Candidates must be able to distinguish among the terms: *describe*, *discuss*, *suggest* and *explain*. They should use the mark allocation as a guide regarding the depth of response required by questions.

Teachers should provide ample opportunities for practice in the application of key terms, such as those used in this question. Candidates need to be familiar with the various consumer protection agencies; and their rights as consumers.

Question 6

This question tested candidates' knowledge of the role of governments in the Caribbean. Approximately 95 per cent of the candidates attempted this question.

Part (a) (i) required candidates to identify two sources of government revenue, other than taxes. This was well done by the majority of candidates. Weaker candidates ignored that part of the question which required them to identify sources of governments' revenue apart from taxes.

Part (a) (ii) required candidates to state two ways in which governments use the money collected from taxation. The majority of candidates showed a working knowledge of governments' use of tax revenues.

Part (a) (iii) required candidates to list two examples of direct and indirect taxes. Candidates generally identified examples of taxes but they could not identify to which category of taxes their examples belonged. Weaker candidates gave definitions rather than examples of both types of taxes.

Part (b) (i) required candidates to state two essential services for which governments are responsible. The majority of candidates demonstrated a clear understanding of the concept of essential services. In Part (b) (ii), candidates were required to outline two ways in which governments in the Caribbean attempt to regulate business activities. This part of the question was not well done. Those candidates who attempted this part of the question could not identify a regulatory policy and so gave as responses measures to assist.

Part (c) (i) required candidates to discuss one effect of an increase in sales tax on (i) households and (ii) businesses. This part of the question proved very challenging for the majority of candidates. Based on the responses, it was evident that candidates misinterpreted the term *households* and so responded by stating how taxes affected housing. However, Part (c) (ii) was well done as most responses recognized the impact of sales taxes on prices: although candidates could not go beyond this to discuss further effects.

The following are suggested responses for Question 6.

- (a) (i) Two sources, apart from taxes, from which government obtain revenue:
Governments obtain revenue from the sale of exports as well as from the selling of bonds and treasury bills to both locals and foreigners.
- (ii) Ways in which governments use the money collected from taxation:
Revenue from taxation may be used to pay the wages and salaries of public sector workers. Additionally, the tax revenue is used to provide roads, bridges, airports and hospitals for citizens.
- (iii) Examples of direct and indirect taxes:
 - a) Direct tax – Income tax
 - b) Indirect tax – value added tax
- (b) (i) Essential services for which governments are responsible:
Government is responsible for the provision of education and housing.
- (ii) Ways in which governments in the Caribbean attempt to regulate business activities:
In the Caribbean, governments regulate business activities by setting price controls such as a price ceiling so that consumers will not be subject to high prices for certain essential

commodities. They also pass legislation such as occupational health and safety regulations to ensure that workers function within a safe working environment.

(c) (i) Effects of an increase in sales tax on households:

A sales tax causes the price of a product to rise by the amount of the tax. Households will now face higher prices with the same amount of income and so they will be forced to purchase less of goods. This can cause them to have lower standards of living.

(ii) Effects of an increase in sales tax on businesses:

Businesses will face an increase in the price of inputs such as raw materials. This increase in the costs of production will cause businesses to increase the price of the products that will lead to consumers purchasing, resulting in a fall in sales.

Recommendations

Teachers can use simple business scenarios to teach taxes. They can also use word puzzles and word games based on Principles of Business.

The use of excerpts of current budget speeches and calypso or other Caribbean music relevant to these aspects of the syllabus are also recommended.

Question 7

This question tested candidates' knowledge of global trade in general, and specifically the components of balance of payments and measures used to address adverse balance of payments.

Approximately 10 per cent of candidates attempted this question, with 20 per cent giving satisfactory responses.

Part (a) (i) required candidates to define the terms *balance of payments* and *balance of trade*. This part of the question was poorly done. Responses reflected a lack of knowledge of the concept of *balance of payments*. Some candidates focused on the term 'balance' alone.

Part (a) (ii) required candidates to describe aspects of the balance of payments accounts: the current account, capital account and official financing. Like Part (a) (i), this part of the question was poorly done by the majority of candidates. Accounting interpretation was incorporated in responses for terms such as *current account*, *capital account*; *official financing* was linked to final payments.

Part (b) required candidates to outline two ways in which a country can finance a balance of payments deficit. Approximately 80 per cent of candidates gained less than two of the four available marks. Responses focused on terms of payment as well as on how a balance of payment problem can be corrected.

In Part (c), candidates were required to discuss how a country might use (i) devaluation and (ii) import quotas to deal with balance of payments problems. Only 20 per cent of the candidates gave satisfactory responses.

The following are suggested responses to Question 7.

Definition of balance of payments and balance of trade:

- (a) (i) a) *Balance of payments* is a record of all transactions between the residents of a country and the rest of the world during a year.
- (a) (i) b) *Balance of trade* is the difference between exports and imports of goods and services in the current account.

Components of a country's balance of payment accounts:

- (ii) a) The current account consists of the balance of trade, the balance of invisibles, net property income received from and paid abroad as well as transfers.
- b) The capital account includes the flows of long and short-term movements of capital into and out of a country. This includes both private and official flows of money.
- c) The official financing shows how the balance of payments is financed such as by borrowing from foreign institutions such as the International Monetary Fund (IMF).

Ways in which a country can finance a balance of payment deficit:

- (a) A balance of payments deficit can be financed by borrowing from international financial institutions such as the IMF. Also, the country can draw on its foreign currency reserves built up during periods of surplus on the current and capital accounts.

How a country might use devaluation to deal with balance of payment problems:

- (b) (i) Devaluation causes the value of a country's currency to be reduced so that the price of its exports becomes cheaper and as such foreigners will demand more of its exports. On the other hand, the price of imports becomes expensive to locals who would demand less of them. This will improve the balance of payments deficit.

How a country use import quotas to deal with balance of payment problems:

- (ii) Import quotas are limits placed on the quantity of certain goods imported into a country. This results in the level and volume of imports allowed into that country to be reduced thus conserving foreign currency, which would be needed to pay for these imports. This can cause the balance of payments to improve, because less currency will be used to pay for the imported goods on quota.

Recommendation

Teachers can incorporate the use of financial publications that would reinforce concepts in this module.

Paper 032 – Alternative to School-Based Assessment

For Paper 032, candidates were given a case study and a template for a business plan, and were required to complete the business plan by answering 15 questions. Questions 1–3 dealt with the operational plan, 4–12 covered the marketing aspect, and 13–15 focused on the financial aspect.

Profile1: Operational Plan

Question 1

In Part (a), candidates were required to identify the type of business. The question was generally well done, with a minority misinterpreting the question to mean 'nature of the business'.

For Part (b), candidates were required to name the form of business organization. Approximately 70 per cent of the responses were correct.

Question 2

For Part (a) (i), candidates were required to identify the management function that the entrepreneur performs when she conducts a feasibility study. The majority of candidates correctly identified *planning*. However, some candidates indicated feasibility study.

In Part (a) (ii), candidates were required to identify the management function that the entrepreneur performs when she puts together the material and human resources needed by the business. *Organizing* was correctly identified by a minority of candidates.

Part (b) required candidates to state one way in which JayDell attempted to satisfy her customers' needs. This was well done with responses ranging from the expansion of the business' operations to weekend, after school and evening classes for the convenience of the working public.

Question 3

In Part (a), candidates were required to identify one likely source, other than private tuition, from which the entrepreneur may have obtained capital to start the business. This was done quite well.

Part (b) required candidates to outline one reason why JayDell may have conducted a feasibility study. The majority of candidates gave acceptable responses.

In Part (c), candidates were required to state two advantages of personal interviews. More than 50 per cent either stated the purpose of data collection in general or discussed the interviewing of prospective teachers for the business.

Profile 2: Marketing Plan

Question 4

Candidates were required to list two methods of data collection which JayDell may have used when undertaking the feasibility study. This was poorly done by the majority of candidates.

Question 5

Candidates were required to identify two groups of persons which JayDell plans to target.

Question 6

In Part (a), candidates were required to identify two competitors that JayDell is likely to encounter if she moves to the proposed location.

For Part (b), candidates were required to state two advantages which JayDell is likely to have over her competitors.

Question 7

Candidates were required to state two advantages of the proposed location. Performance on this question was fair.

Question 8

Candidates were required to suggest two possible factors that could affect the success of Family Enrichment Services Ltd (FES). This question was poorly done.

Question 9

Candidates were required to outline one way in which *quality of service* and *cost of service* may influence the decisions of customers to attend classes at FES. These two parts of the question were poorly done by the majority of candidates.

Question 10

Candidates were required to state one feature which characterizes the pricing strategies planned by FES. Most candidates were able to state one feature.

Question 11

Candidates were required to list three methods which FES can use to promote its services. This was well done.

Question 12

Candidates were required to explain why the methods of packaging the services offered by FES would appeal to customers. This question was well done.

Profile 3: Financial Plan

Question 13

In Part (a), candidates were required to identify two sources from which JayDell can obtain capital for her proposed expansion. The majority of candidates correctly identified two sources of capital for the proposed expansion.

Part (b) required candidates to list two forms of collateral that JayDell can use to secure funding for her proposed expansion. The majority of candidates scored well with the less successful candidates putting forward 'house' as a collateral for the proposed expansion, probably still viewing the entrepreneur as a sole trader that can use his/her private dwelling as security/collateral.

Question 14

For Part (a), candidates were required to state two ways in which FES can contribute to the growth and development of the economy. Most candidates gained the maximum mark for this question.

In Part (b), candidates were required to identify two government regulations to which the business must adhere. Most candidates successfully identified two government regulations.

Question 15

Candidates were required to write an overview of the business, including the three sections of the business plan. This was poorly done. The majority of candidates scored one of the two allotted marks. Some candidates failed to identify even one aspect of each profile related to the case.

The following are suggested responses to Paper 032.

Profile 1: Operational Plan

Question 1

- (a) Type of business JayDell operated before forming FES:
Sole trader
- (b) Form of business organization
Private limited company

Question 2

- (a) Management Functions:
- (i) Planning is the management function that the entrepreneur performs when she conducts a feasibility study.
 - (ii) Organizing is the management function that the entrepreneur performs when she puts together the material and human resources needed by the business.
- (b) The ways in which the entrepreneur has attempted to satisfy the needs of her customers are:
- By expanding her business
 - By making the physical environment more spacious
 - Offering classes on weekends, after school and evenings for the convenience of the working public.

Question 3

- (a) Sources of capital to start her business are:
- Personal savings
 - Bank loans
 - Credit union loans and loans from other financial institutions
 - Family loans
- (b) Reasons why the entrepreneur may have conducted a feasibility study include:
- To assess prospective employees
 - To ascertain the needs of the targeted area
 - To get an accurate assessment of the practicality of the proposal.
- (c) Advantages of personal interviews are:
- Responses are immediate
 - Responses can be explained and clarified
 - Respondents are less likely to lie
 - Interviews allow open ended responses and elicit more detailed information.

Profile 2: Marketing Plan

Question 4

Methods of data collection:

- Surveys
- Observation
- Questionnaires
- Websites
- Suggestion box

Question 5

Target market includes:

- Preschool to primary and secondary school children
- Adults who wish to continue their education
- Parents and guardians who require custodial care for their children
- Taxi drivers
- Teachers
- Ministry of Education and Ministry of Finance making recommendations

Question 6

(a) Two prospective competitors:

- Schools in the area
- Competitors with lower prices and/or customer satisfaction
- Operators of shuttle services
- Owners of day care services

(b) Two advantages over competitors:

- Variety of programmes offered
- Personalized care for children, for example, pickup and drop off
- She targets more than one group
- Her existing clients pose as a ready pool
- Competitive rates such as family offers

Question 7

Advantages of the proposed location of the business:

- Location is well served by public transportation and so there would be no difficulty in reaching it.
- Building itself is an asset.
- A supermarket is nearby which would make attending classes more convenient especially for adults or after-school customers who need to purchase snacks.

Question 8

Two possible factors operating in the industry for after-school services that could affect success:

- More and more operators are beginning to offer opportunities for citizens to upgrade skills.
- More children/students engage in extracurricular activities
- Noise pollution

- Government and community-based programmes of continuing education are on the increase.

Question 9

- (a) How the quality of service may influence the decision of consumers to attend classes at FES:
 - Word of mouth reports from satisfied clients attest to the high quality of the programmes offered.
- (b) How the cost of service may influence the decision of consumers to attend classes at FES:
 - The attention JayDell has paid to catering to family needs by arranging special packages makes her services affordable to all income earners.

Question 10

One feature which characterizes the pricing strategy used:

- Penetration pricing
- Demand for the services in terms of prices
- Favourable prices
- Lower prices

Question 11

Three promotional strategies:

- Security for clients
- Individual attention
- Branding
- Sales promotion
- Favourable prices
- Flyers
- Distributing leaflets
- Advertising using local media
- Using social networks on the internet

Question 12

Explain why the methods of packaging FES's services will most likely appeal to customers:

- Variety
- Family rate
- New clean environment
- It offers the opportunity to combine educational services with a range of other services (for example, after school pick up, custodial care).

Profile 3: Financial Plan

Question 13

- (a) Sources of capital for the proposed expansion:
- Banks, credit unions and other financial institutions.
 - Shares
 - Debentures
- (b) Two forms of collateral for the proposed expansion:
- Land and building
 - Insurance policies
 - Investments
 - Certificates of deposit
 - Shares

Question 14

- (a) Contributions to the growth and development of the economy:
- Taxes can be used to finance developments in housing, education and health
 - Increased production leads to increases national income/GDP and further growth
 - More persons will be employed and earn more income
 - Providing training for school leavers in areas for which there is a shortage of qualified personnel
 - Re-tooling opportunities are offered for retrenched workers.
- (b) Government regulations to which the business must adhere:
- Taxation
 - NIS contributions
 - Health and safety
 - Qualified staff
 - Pertinent licence

Question 15

Executive summary: Family Enrichment Services Limited is a limited liability company that has evolved from a sole proprietorship. The objective of this business is to continue providing classes for adults and children in various areas of academic development. It offers product diversity and is able to offer programmes at times that are convenient to the target population at attractive prices. It adheres to government regulations and is assured of securing the capital needed for incorporation.

Recommendations

It is strongly recommended that candidates familiarize themselves with the structure of Paper 032. Additionally, they should get more acquainted with the components of the business plan with the guidance of a qualified instructor.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION**

MAY/JUNE 2013

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

The Principles of Business (POB) examination was offered for the 34th time in June 2013. This year, 35,434 candidates sat the examination.

The composition of the examination was as follows:

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 031 – School-Based Assessment (SBA)

Paper 032 – Alternative to SBA (Private Candidates)

Paper 01 consisted of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory. The mean mark was 36.87 out of 60 (61.45 per cent). The standard deviation was 9.08. The means were 37.24 and 34.16 for 2102 and 2011 respectively.

Approximately 77 per cent of the candidates scored at least 50 per cent of the maximum available marks for this paper.

Paper 02 comprised two sections. Candidates were required to answer the three compulsory questions in Section I and two of four optional questions in Section II. The mean mark for this paper was 46.09 out of 100. The standard deviation was 19.82. The means were 47.30 and 47.45 for 2012 and 2011 respectively.

The highest mark on this paper was 98 out of 100. This was achieved by seven candidates. Approximately 43.08 per cent of the candidates achieved at least 50 per cent of the maximum available marks for this paper.

Paper 031, the School-Based Assessment (SBA), is usually done by school candidates. Candidates were required to prepare a business plan on one aspect of Profile 2: either production, marketing or finance.

Performance on this paper was quite good. The mean mark was 32.35 out of 40 (80.86 per cent). The standard deviation was 5.68. Four per cent of the candidates achieved the maximum available mark on this paper.

For Paper 032, the Alternative to the SBA, candidates were required to complete a business plan using a given template and a case. Performance on this paper was less than satisfactory. The mean mark was 21.73 out of 40 (54.32 per cent). The standard deviation was 7.11. The means in 2012 and 2011 were 16.87 and 20.12 respectively. No one achieved the maximum mark on this paper; however, the highest mark was 39 out of 40. This was achieved by two candidates.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory Questions

Question 1

This question was designed to test candidates' knowledge of business documents; understanding of insurance and assurance; implications of unethical business practices relating to record keeping; and appreciation of keeping good business records. Approximately 92 per cent of the candidates attempted the question with more than 40 per cent giving satisfactory responses. The mean mark was 8.69 out of 20 and the standard deviation was 4.52.

Part (a) required candidates to list two types of documents used in business transactions. This part was very well done as the majority of candidates scored the maximum available mark.

In Part (b) (i), candidates were required to distinguish between the terms *insurance* and *assurance*. The main weakness with the responses was candidates' failure to fully develop the points raised.

Part (b) (ii) required candidates to identify two types of insurance policies. This part of the question was very well done as over 80 per cent of candidates scored the maximum available mark. Weaker candidates confused types of insurance with principles of insurance, thereby listing insurance principles such as utmost good faith and indemnity.

Part (c) proved to be the most challenging part of the question. Candidates were required to outline two unethical business practices related to record keeping and state one consequence of each practice outlined. Most candidates performed poorly on this part of the question. The majority of them failed to address ethical issues, they instead stated improper practices such as keeping files on the floor and in boxes rather than in filing cabinets, not having files backed up, and recording information on paper rather than on a computer. Another common incorrect response was stating ethical issues such as child labour and inappropriate dumping of garbage, which are not related to record keeping. Additionally, even in circumstances where candidates were able to outline unethical business practices associated with record keeping, the majority of them failed to state consequences of the practices.

Part (d) required candidates to discuss two benefits of keeping good business records. The main weakness identified in this part of the question was the tendency of candidates to give vague and insufficiently developed responses.

Recommendations

- When teaching types of insurance, teachers should make a distinction between the broad categories of life and non-life insurance types as well as insurance types and insurance principles.
- Clear definitions should be given for insurance and assurance, with a focus on their differences. The concepts should also be reinforced by identifying several examples and guiding students in writing discussion-type essays.
- Business ethics should be covered with a degree of care to encompass ethical areas within record keeping and other aspects of business.

Question 2

This question tested candidates' knowledge of management information systems, conflict resolution and the responsibilities of management. Additionally, they were required to demonstrate an understanding of the concept of productivity by discussing two strategies management may use to increase productivity. The mean mark was 8.97 out of 20 and the standard deviation was 4.73.

Part (a) required candidates to define *management information system* (MIS). Most candidates who attempted this part of the question scored at least 50 per cent of the total available marks. Failure to obtain the maximum marks was primarily because candidates' responses outlined MIS as being linked with computers only but failed to mention its decision-making component. Weaker candidates merely repeated the words of the concept as a definition.

Part (b) required candidates to state two benefits and two challenges of using a management information system. Weaker candidates dealt with benefits from the perspective of employees and not management as well as repeated a definition for the benefits. The majority of candidates had difficulty stating the challenges of using the system.

In Part (c) (i), candidates were required to state three methods of resolving conflict among employees and to give an explanation of how each method works. Approximately 50 per cent of candidates were able to state the methods of resolution only. Many candidates offered solutions to prevent conflict between employer and employee.

Part (c) (ii) required candidates to state two responsibilities of management to employees. This part of the question proved challenging for the majority of candidates as they were unable to differentiate between the responsibilities of managers to employees and their responsibilities to the business as a whole. One common weakness was candidates' stating the functions of managers rather than their responsibilities to employees.

In Part (d), candidates were required to discuss two strategies which management can use to increase productivity. Approximately 60 per cent of the candidates found this to be very challenging. Responses from weaker candidates related to sales promotion and advertising. A frequent incorrect response was using marketing strategies as ways to increase productivity.

Recommendations

- In the teaching of management information systems, use can be made of the immediate school environment beginning with the classroom and the roll book. Teachers could take students on a field trip exercise to the administrative office of the school so as to make the concept more meaningful to them. They can emphasize the decision-making aspect of MIS and give several examples of MIS to students other than referring to it as a computerized system.
- The concept of productivity may be taught using games involving teams with an equal number of students, an equal amount and type of resources, same instructions and time limit allotted to complete what is stated on the instruction sheet.
- Conflict and conflict resolution can be enhanced by role playing as well as the use of case studies as resource material to help students offer strategies to solve the situations highlighted.

Question 3

This question tested candidates' knowledge of marketing: wholesaling, retailing methods and packaging. Generally, candidates performed fairly well on this question; the mean was 10.77 out of 20. The standard deviation was 5.2.

Part (a) required candidates to outline the importance of the wholesaler in the distribution process. This part of the question was satisfactorily done with the majority of candidates earning at least three out of the six available marks. The main weakness in responses was candidates' inability to be specific about the wholesaler's function in the distribution process. They simply outlined the importance of the wholesaler, without making reference to the distribution of goods.

Part (b) tested candidates' ability to distinguish between two pairs of retailing methods: (i) e-commerce and telemarketing; and (ii) convenience shops/stores and supermarkets.

Satisfactory responses were given by approximately 50 per cent of the candidates. The majority of candidates was able to distinguish between e-commerce and telemarketing. However, weaker candidates seemed to have misunderstood what was required. They clearly did not understand that convenience shops and stores are the same, thus some gave the responses to convenience shops, stores and supermarkets as three different establishments.

Part (c) required candidates to discuss two factors that affect forms of packaging used in the presentation of goods to consumers. The majority of candidates was able to identify at least one factor that was significant in the packaging process and about 50 per cent of them discussed the factors satisfactorily. The main weakness identified in this part of the question was the tendency to state the factors without attempting any discussion.

Recommendations

- Teachers need to emphasize and help students to understand the difference between verb cues such as *state, list, explain, discuss, evaluate, compare* by giving specific examples and providing opportunities for them to practice responding to questions using these verbs.
- Teachers should integrate the teaching of the topics related to wholesalers, wholesaling and distribution. When teaching these topics they should use real-life examples to which students can relate.
- Students should be encouraged to identify various types of packaging used in the production of different goods and teachers should place emphasis on the factors that would influence the selection of one type over another. Using real examples in the classroom may improve the delivery and understanding of this concept and related factors.

Section II – Optional Questions

Question 4

This question tested candidates' knowledge of the sources of capital to start a business; their ability to define the term collateral, give examples of collateral; their knowledge of the personal traits and role of the entrepreneur; and considerations regarding the establishment of a sole trader or partnership business.

Approximately 60 per cent of the candidates attempted this question. The mean was 12.35 of 20 marks and the standard deviation was 4.71.

Part (a) (i) required candidates to identify three sources of capital to start a business. The majority of candidates was able to identify three sources of capital thereby gaining the maximum marks. Weaker candidates identified types of capital such as working capital and fixed capital.

In Part (a) (ii), candidates were required to define the term *collateral*. Generally, performance on this part of the question was fair as the majority of candidates scored at least one of the two available marks. Stronger candidates were able to give suitable definitions of collateral but the majority failed to incorporate the purpose of collateral as a safeguard against non-repayment of a debt/loan. However, the majority of candidates were able to list two examples of collateral as required in Part (a) (iii).

Part (b) (i) was well done by most candidates. They were generable able to identify three personal traits of an entrepreneur. In Part (b) (ii), most candidates were able to identify two roles of an entrepreneur but most of the responses failed to describe each role mentioned; hence, the majority earned only two of the four available marks.

Part (c) appeared to be quite challenging for many candidates. It required a discussion of two factors to be considered when deciding whether to set up a sole proprietorship or a partnership type of business. While the majority of candidates was able to identify at least one feature of each type of business stated in the question, they did not adequately discuss how these factored in the decision to opt for one business type over the other.

Recommendations

- Students should be taught to differentiate between the *traits* and *roles* of an entrepreneur.
- Students should be taught that for a discussion they are to develop their points.
- Students should be taught to read questions carefully and make comparisons when asked to discuss two types of businesses.

- Teachers should provide students with the opportunity to practise answering more CSEC questions that consist of stimulus materials. This would help them become more familiar with the expectations of the questions thereby helping to improve their performance.

Question 5

This question tested candidates' knowledge of the functions of road transportation, the advantages of road and other forms of land transportation, problems encountered in the distribution process and the services offered by commercial banks. It was attempted by approximately 40 per cent of the candidates with the mean mark being 7.48 out of 20. The standard deviation was 4.04. Generally, this question was poorly done.

In Part (a) (i), candidates performed creditably with the majority giving very good responses. Weaker candidates were unable to differentiate between functions and advantages, and so most of them gave advantages of transportation.

Part (a) (ii) was generally well done. Candidates were able to outline the advantages of road or land transportation and gained most of the marks in this section.

Part (b) (i) and (b) (ii) seemed to pose challenges for the majority of candidates. They were unable to make a clear distinction between transportation and distribution, and so at least 50 per cent of them gave problems encountered in transportation instead of distribution. Therefore, the solutions which followed were also unrelated, causing candidates not to gain the maximum available marks in this part of the question.

Part (c) was also poorly done. The majority of the candidates made mention of insurance, and therefore very few gained full marks in this section. The others gave incorrect answers, for example, supplying the names of commercial banks and other sources of capital. A number of candidates just gave one word answers, for example, 'cheque' or 'loan' for the services; therefore, they were unable to score the maximum mark.

Recommendations

Teachers are urged to revise some basic English grammar with students in the form of words and meanings. Students should be taught the meanings of words such as *function*, *advantages*, *features* and *characteristics*.

Teachers are also urged to encourage more discussions in the classroom, as transportation, distribution and banking services are familiar everyday activities with which students are familiar, and so much information can be gained from these discussions.

Section III – Optional Questions

Question 6

This question was designed to test candidates' knowledge of taxes, subsidies and measures which Caribbean governments can use to protect local poultry farmers. Additionally, the question tested candidates' ability to apply knowledge about the services in the Caribbean which are normally subsidized and give suitable examples for both direct and indirect taxes.

Approximately 73 per cent of the candidates opted to answer this question. The mean mark was 7.48 out of 20. The standard deviation was 4.26.

Part (a) (i) required candidates to define the term *taxes*. Most candidates gave a satisfactory response as they were knowledgeable of the fact that taxes are compulsory payments used to finance public expenditure.

Part (a) (ii) required candidates to define the term *subsidies*. The majority of candidates had difficulty defining the concept. Responses were vague and incomplete and included misconceptions such as loans given by the government.

Part (a) (iii) required candidates to state two reasons why governments impose taxes. The majority of candidates provided very good responses and scored the maximum mark. Popular responses included the redistribution of income, controlling spending and raising revenue for government expenditure.

Part (a) (iv) required candidates to identify two services normally subsidized by Caribbean governments. At least 50 per cent of the candidates who attempted this question gave responses related to transportation, health and education. Weaker candidates tended to focus on goods rather than services that are subsidized.

Part (b) (i) required candidates to differentiate between *progressive* and *regressive* taxes. This part of the question was poorly done. The majority of the candidates stated what a progressive tax was but did not demonstrate how it was different from a regressive tax.

A minority of candidates attempted to use charts to develop the concepts but in most of these cases, the diagrams did not enhance their responses as they failed to give proper explanations and/or label the axes of the diagrams accurately.

Part b (ii) required candidates to list two examples of a direct tax. About 40 per cent were able to give good examples. There seemed to be some confusion in the minds of most candidates as a majority either gave incoherent responses or gave examples of indirect taxes.

When required to list two examples of indirect taxes in Part (b) (iii), the majority of candidates was able to do so. However, as in Part (b) (ii) there seemed to be some confusion in the minds of weaker candidates who gave garbled responses.

Part (c) required candidates to discuss two steps which governments can take to protect local poultry farmers. Generally, the responses were satisfactory as about 50 per cent of the candidates that attempted this part of the question used a practical and logical approach to provide good responses.

The main weakness in this part was the failure of candidates to discuss the points mentioned. Another weakness displayed by about 30 per cent of those who failed to score maximum marks was the inability to relate the protectionist policies they listed to the stem of the question.

Recommendations

- Teachers can use simulations of business scenarios to teach the differences between direct and indirect taxes.
- Teachers should utilize excerpts from current budget speeches to demonstrate the different forms of taxes as well as some of the key services which are subsidized in their respective countries.
- Teachers are also encouraged to have students conduct research assignments, and make presentations or engage in debates on the topic.
- The use of word puzzles/games should be incorporated in classroom activities.

Question 7

This question tested candidates' knowledge of per capita income, national income and the standard of living. It was attempted by less than five per cent of the candidates and performance was poor. The mean mark was 6.15 out of 20 and the standard deviation was 4.68.

In Part (a) (i), the majority of candidates failed to secure at least one of the two available marks. Their responses revealed some confusion as to the nature of per capita income as in many cases it was interpreted as an individual wage. In a few responses 'capita,' was confused with 'capital' and so candidates spoke of assets as used in accounting. Approximately zero per cent of candidates gave the same response for Parts (a) (i) and (a) (ii) thereby avoiding the need to give a definition as opposed to a formula when requested.

For Part (a) (ii), few candidates provided the required responses (NI/Population of a country). Common incorrect responses included candidates use of net income and any aggregate of national income (GNP, NNP, GDP) for the numerator, while with respect to the denominator, candidates opted to use number of people employed rather than the entire population of the country.

The failure of candidates to respond appropriately to Part (a) (i) resulted in their poor response to Part (a) (iii) which required them to state one advantage and one disadvantage of using per capita income to measure a country's standard of living.

Part (a) (iv) required candidates to list two factors, other than per capita income, which may be used to measure standard of living. More than half of the responses indicated that candidates grossly confused the concepts of *standard of living*, *quality of life* and *cost of living* and so the responses given were seldom accurately stated. For similar reasons, candidates were unable to discuss two factors which may cause the per capita income of a country to rise as was required in Part (b).

In Part (c) (i) the majority of candidates was unable to describe comprehensively one method used to calculate a country's national income. For the income method, it was clear that candidates did not understand the rewards to factors of production, as they interpreted a country's income as coming from only one source — workers' salaries. With the expenditure method, expenditure was equated to the expenses of the year and there was little indication of any awareness of the expenditure model (C+I+G) which identified the different facets of expenditure. With the output method, quantity of produced was offered as a response rather than the value of what was produced.

Candidates performed best on Part (c) (i), with approximately 45 per cent of them earning the maximum mark. The most popular responses included the size of the population, the state of the economy, the level of employment, culture and the basket of goods consumed.

Recommendations

- Teachers should consider to allocating more time to the teaching of this topic.
- The teaching of the concepts tested in this question could be enhanced by means of greater use of research and in-class presentations; use of guest presenters; as well as discussions and journal articles.
- Teachers may find discussing newspaper articles or news broadcast videos useful when teaching this topic.
- Teachers are also encouraged to compare other countries to their home countries, which will build students' comparison and discussion skills.
- Emphasis should be placed on the methods of calculating a country's national income.

Paper 031 – School-Based Assessment (SBA)

There has been a remarkable improvement in the overall quality of the projects submitted, most of which have successfully met the required standard. However, there are some areas of concern which need to be addressed, so that students can be as successful as possible.

The SBA is a projected business plan and should not be an investigation of an existing business; hence the use of future tense in the third person should be encouraged. Students should adhere to proper communication standards by ensuring that correct spelling, punctuation and grammatical standards are followed. They need to submit a complete cover page with all the required headings clearly and legibly listed.

Teachers must carefully follow the current mark scheme presented in the breakdown of the School-Based Assessment Mark Scheme for Principles of Business as prescribed by CXC (effective 2007) in order to avoid a disparity between their marks and those of the moderating team. In addition, teachers must guard against students submitting similar SBAs as this does not promote individuality.

It was noted that the majority of the plans presented were under the Production Plan. However, there were many instances where students' performance could have been improved if they were encouraged to present the business plan using the Marketing profile. Teachers should therefore guide students to ensure that the plan used is appropriate for the nature of the business.

Mention must also be made of the fact that many students exceeded the word limit given by CXC.

Production

Description of Business

Most students failed to identify all three required aspects of this criterion. They must be identified in order for students to be awarded the maximum mark.

Role of Entrepreneur

Many students quoted verbatim from the text regarding the roles and functions of the entrepreneur. This is unacceptable as students are required to apply the content from the text to the business.

Use of Technology

Technology identified by students must be related to the production process of the said business. In addition, students must fully describe how the technology identified will enhance the efficiency of the business.

Justification of Location

Students should ensure that the specific or exact location is identified. General locations were not awarded marks. Most students were able to adequately describe three reasons to justify the proposed location selected.

Selection of Appropriate Labour

Most students omitted the reason why the type of labour was necessary. This must be included in order for students to be awarded full marks under this criterion.

Sources of Fixed and Working Capital

Many students did not state the sources of fixed and working capital. In addition, students were unable to distinguish between the sources of capital and the examples. There were also issues regarding the interpretation of the word *sources*. Some students interpreted sources as the stores where the fixed or working capital can be obtained. This is an incorrect interpretation.

Type of Production

Most students addressed this criterion successfully by identifying and describing the type of production. However, some of them were unable to accurately describe the type of production identified.

Levels of Production

Most students were able to accurately identify the level of production. However, some failed to accurately describe the identified level of production. For example, in most cases students described domestic production based on the source of raw materials rather than the proposed target market. The latter is the accurate interpretation.

Quality Control Measures

Students should be encouraged to describe two measures that would enhance or maintain the quality of the good or service produced.

Linkages

This criterion posed some challenge to students. Generally, they were unable to explain and/or differentiate between backward and forward linkages. Students are encouraged to further illustrate the linkages with the aid of a diagram.

Potential for Growth — Externally

While responses were generally favourable in relation to internal potential for growth, some students failed to adequately describe external potential for growth. Students are therefore encouraged to fully describe both aspects of this criterion.

Government Regulations

Most students were able to state a related regulation but failed to describe the direct effect of the regulation on the business. Students are encouraged to fully describe the effects of the government regulation on the said business.

Ethical Issues

Most students were able to state the ethical issue but failed to explain the effects on the business. Again, students should be mindful of the fact that they need to adequately describe the direct effect of the ethical issue on the business.

Communication of Information

Most students demonstrated good use of the English language.

Teachers from some territories should encourage students to identify the criteria as subheadings. Students from some territories submitted the SBA in full essay format. This is not acceptable.

Marketing

Description of Business

The majority of students successfully addressed this criterion.

Organization of Marketing Department

Most students presented an organizational chart for the entire business and not for the marketing department as required. Many of them did not identify or describe the type of organizational structure of the marketing department. The roles/functions of the personnel in the marketing department were adequately described.

Use of Technology

In most cases, two types of technology were identified but students did not show how they were directly relevant to the business or how they could be used to enhance the efficiency of the business.

Market Research

The following points were common areas of concern among many students:

- They did not select *three* components of market research as required and did not adequately discuss the components they selected.
- They showed limited understanding of *price*, *substitutes* and the quantitative aspect of target population.

Product/Service

Many students did not describe *packaging* effectively as it relates to their specific product.

Pricing Strategy

Unlike *price* as it relates to market research, students must state the pricing strategy to be used and how it will aid them in entering the market and being successful there.

Place (Distribution Channels)

Students can use diagrams to assist them in illustrating the distribution of the product. Many of them did not address limitations nor did they suggest suitable alternatives in light of these limitations.

Promotion Mix

Most students effectively addressed this criterion.

Customer Complaints

Most students clearly illustrated the business' approach to customer complaints, but many of them did not use an example as required by the mark scheme.

Government Regulations

Most students clearly identified some government regulations but did not state their impact on the business. Students should choose government regulations which are directly related to their area of business and more specifically to marketing, for example, copyright infringement.

Ethical Issues

Most students discussed one ethical issue that would affect the business but did not explain the impact it would have on the business. Students should choose ethical issues which are directly related to marketing, for example, false advertising.

Communication of Information

Most students demonstrated good use of the English language.

Finance

This year, as in previous years, Finance was the least attempted profile of the three. There was an improvement in the overall quality of the work submitted. Students who attempted this profile performed satisfactorily.

In general, Profile 1 was done well but students continued to have some problems with some areas in Profiles 2 and 3.

Students were able to adequately deal with the following criteria:

- Description of Business
- Organizational Chart
- Collateral
- Use of Technology
- Purpose for which Finance is needed
- Capital Goods
- Sources of Finance

The use of English and the overall presentation of the SBAs were generally good.

The following areas were of particular concern:

Capital Instruments

Under this criteria, students were required to first describe the capital instruments selected under the headings Debt and Equity and state the implications of this capital mix.

While students were able to identify the instruments through which the capital was going to be raised, the vast majority was not able to categorize these instruments using the classification of debt and equity in the capital mix. Consequently, they had difficulty stating the implications of the capital mix selected.

Projected Performance

This criterion requires that students produce a preforma income statement clearly showing gross and net profit and a proforma balance sheet clearly showing the liabilities and capital sections.

The income statement was generally well done, but students were unable to place the net profit figure in the balance sheet.

Identifying Government Regulations Impacting on the Business

While the students were able to identify a government regulation, most failed to identify a financial regulation and were unable to show how the regulations impacted the business.

An example of a financial regulation that would impact on a business financially is the payment of taxes.

Ethical Issues

Students were able to identify an appropriate ethical issue but failed to show what impact the ethical issue would have on the business.

Paper 032 – Alternative to School-Based Assessment

Profile 1 – Production

There was a general improvement in the performance of candidates. However, spelling was a great concern. Candidates also used colloquial terms and wrote long responses in order to explain their answers. There was minimal use of business jargon.

1. Nature and Type of Business

In Part (a), candidates were required to classify the business based on the ownership style. Most candidates were able to supply the correct answer of *partnership*. However, some candidates confused business types with leadership styles.

In Part (b), candidates were asked to state one likely reason for Max and Emma wanting to establish this business. This question was reasonably well done as many candidates were able to identify the various reasons for wanting to establish a business.

2. Internal Structure of the Organization

In this question candidates were required to complete an organizational chart to show the proposed structure of the new business.

Candidates found this question challenging and many were unable to identify the correct positions on the organizational chart. They were unable to distinguish among the various relationship and authority lines on the chart. Many candidates supplied answers which were generic and out of context.

3 Management Functions

In Part (a), candidates were asked to identify management functions that Max and Emma must perform in their new business. This question was the most problematic as candidates had difficulty identifying the management functions. Candidates presented responses which were actual activities related to management functions. While candidates could have supplied a one word response, many sought to explain their answer. Some responses had nothing to do with management functions.

For Part (b), candidates were required to state the role that Sonia will perform in the new business. Many candidates did not make the correct connection between the various roles of persons in the given case. Candidates who gave the correct answer for Question 2 also answered this question correctly. Sonia's role was that of *advisor*.

In Part (c), candidates were asked to identify two important activities, other than the construction of a business plan, which the owners should undertake prior to establishing their new business. Many candidates were able to identify at least one important activity. However, this question proved difficult for a number of candidates who often confused the answer for this part with that for Part (a).

Profile 2 – Marketing Plan

4. Target Market

This question tested candidates' knowledge of the target market of the business. It was satisfactorily done. The majority of candidates was able to identify the answer from the case, while others provided a response which was unrelated to the target market.

5. Marketing Mix

Part (a) tested candidates' ability to recognize the marketing mix being considered by the business. It was satisfactorily done.

Part (b) tested candidates' ability to suggest the other P's the business should consider in relation to its marketing mix. This part of the question was done very well by the majority of candidates.

Part (c) required candidates to define the term *patent*.

This was done satisfactorily; however, the majority failed to gain full marks because they did not include a time frame in their responses. Many candidates defined the word 'patient' instead of *patent*.

6. Promotion

This question tested candidates' knowledge of promotional strategies, other than infomercials, that could be used to promote the product in the industry. It was well done by the majority of candidates.

7. Competition

This question tested candidates' ability to identify the competitors of the business.

This question was done satisfactorily by some candidates; however, some had difficulty identifying appropriate competitors.

8. Distribution Chain

This question asked candidates to identify the links in the distribution chain. However, the majority of candidates presented the different distribution chains instead of the links in the chain. It was well done by the majority of candidates.

9. Consumer Behaviour

This question was well done by the majority of candidates.

Part (a) tested the ability of candidates to explain one consequence that the business will face, if the product does not meet the required quality standards.

Part (b) required candidates to outline one redress that dissatisfied consumers can seek.

Recommendation

There was an overall improvement in performance on this paper. However, further improvements can be realized if candidates read the questions carefully and interpret them in light of the case.

Paper 032 – Alternative to School-Based Assessment

Profile 3 – Financial Plan

This profile tested the financial aspects of the business plan. Candidates were given information based on the capital and expenses of the proposed business and questions were then asked. Competence in the following areas was required:

- Calculation of the profit and loss statement
- Types of collateral
- Sources of capital
- Compilation of an executive summary

The majority of candidates gave responses in this section and was able to successfully demonstrate an understanding of the financial plan, attaining between five and ten marks. However, some candidates scored poorly, receiving less than five marks, while a few omitted certain areas of this section. This indicated a poor understanding of what was required from them.

10. Calculation of the Profit and Loss Statement

This question tested candidates' ability to calculate sales, total expenses and net profit/loss given sufficient information; candidates' performance was average. There were quite a few candidates who ignored calculating the sales figure (\$60,000) or computed an incorrect figure. Nonetheless, most of them were able to calculate total expenses (\$25,100) and to a lesser extent the net profit (\$26,900) which is equivalent to the gross profit less total expenses. In some cases, this question was left completely out.

11. Identification of Types of Collateral

In Part (a), candidates were asked to identify two types of collateral that business owners can offer the bank to secure a loan. Overall, most candidates responded correctly by identifying cash savings, insurance policies, mortgage deeds and fixed deposits as types of collateral. However, some candidates were too vague and provided answers such as fixed, current, building or transport.

For Part (b), candidates were asked to identify two other sources of capital that the business owners can use if the bank turned down their application. About 70 per cent of the respondents gave appropriate answers. Candidates correctly referred to loans from friends and family, financial institutions including credit unions, shares and grants from government. However, some candidates confused the types of collateral with the sources of capital, for example, the patent for tools should be listed as a type of collateral as opposed to a source.

12. Compilation of Executive Summary

This question tested candidates' ability to provide components on the operational, marketing and financial plans. Most candidates answered the question correctly. However, some only mentioned two areas: mainly the operational and marketing plan, paying little attention to the financial plan. Additionally, some candidates were too elaborate in the summary or simply reproduced information provided in the case with little analysis.

Recommendations

- Candidates need to read the questions carefully and interpret them in light of the case.
- Questions should be answered in complete sentences.
- Candidates need to be cognizant of the fact that the case study is built on principles and concepts of the syllabus; hence, they need to use the jargon of the subject when responding to questions.
- Candidates should be encouraged to attempt every question.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION**

JANUARY 2014

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

This year a total of 2,993 candidates registered for the Principles of Business General Proficiency Examination, however only 2,037 candidates actually wrote the examination. The examination is comprised of the following papers:

Paper 01 – Multiple Choice

Paper 02 – Essay Paper

Paper 032 – Alternative to School-Based Assessment (Private Candidates)

Paper 01 consists of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory. The mean mark was 33.62 out of 60 (57%). The standard deviation was 8.48. The mean mark for January 2013 and 2012 were 31.86 and 33.69. Approximately 64 per cent of the candidates scored at least 50 per cent of the available marks on this paper. No candidate achieved the maximum available mark. The highest mark was 57 out of 60. This was achieved by one candidate.

Paper 02 comprises two sections. Candidates were required to answer three compulsory questions in Section I and two of four optional questions, one from Section II and one from Section III. The mean mark for this paper was 43.75 out of 100. The standard deviation was 16.84. The marks ranged from 0 to 96. Approximately 37 per cent of the candidates scored at least 50 per cent of the available marks on this paper.

Paper 032 is an examination offered to private candidates. Candidates were required to respond to questions based on a business plan using a given template.

The overall performance on this paper continues to show improvement. The mean mark was 27.53 out of 40 (68.83%). The standard deviation was 5.82. The maximum marked achieved was 39 out of 40. This was achieved by nine candidates. Approximately 88 per cent of the candidates scored at least 50 per cent of the maximum available mark on this paper.

DETAILED COMMENTS

Paper 02 – Essay

Question 1

This question was attempted by 99 per cent of the candidates. The question tested candidates' knowledge of forms of business organizations and arrangements. Performance on this question was unsatisfactory. The mean mark was 6.25 out of 20 (31.25%). The standard deviation was 4.34.

Part (a) (i) required candidates to define the term ‘private sector’. This part of the question was well done as many candidates gave acceptable definitions.

Part (a) (ii) required candidates to outline two ways in which a public sector business is different from a private sector business. This part of the question appeared to have presented some challenge for many candidates. Many of them confused the public and private sectors with public and private limited companies and so were unable to score the maximum available mark.

Part (b) (i) required candidates to describe two characteristics of a co-operative. This section was well done by most candidates, many of whom earned the maximum available mark.

Part (b) (ii) required candidates to state one way in which a co-operative is different from a company. This section proved to be challenging many candidates.

Part (b) (iii) required candidates to list two types of private sector businesses, other than companies and co-operatives. The majority of candidates gave poor responses in this section and so was unable to earn the maximum available mark.

Part (c) required candidates to discuss two ways in which a private company is likely to change if it were to be nationalized. The majority of candidates gave fair responses demonstrating some knowledge of the concept.

MODEL ANSWER

- (a) (i) The term “private sector” refers to that part of the economy that is owned and controlled by private individuals and firms.
- (ii) The public sector differs from private sector in the following ways:
- Public sector is controlled by government ministers while private sector is controlled by private entities.
 - Public sector employees are civil servants while private sector employees are non-government employees.
 - Public sector focuses on providing citizens with a service while private sector focuses on making a profit first and foremost.
 - Public sector has political appointees while private sector is void of political appointments.
- (b) (i) key characteristics of a co-operative:
- Co-operatives are organizations formed by groups with a common bond and governed by annual general meetings.
 - Co-operative members have similar objectives and/or interests and are managed by committee members drawn from membership.
 - Groups forming co-operatives may be users of products or services.
 - Co-operative members pool financial resources for their collective benefits.
 - Overall characteristics of co-operatives are determined by their types, e.g., producers’ co-operatives, buyers’ co-operatives, financial co-operatives.

- (ii) Differences between a co-operative and a company:
 - A co-operative is made up by members with similar objectives and interests while a company does not have membership.
 - A company has investors or stakeholders whose interest are not necessarily the same, while members of a co-operative share similar interests.
 - A co-operative has profit sharing while a company pays dividends to its shareholders.
- (iii) Other types of private sector businesses:
 - Sole proprietor
 - Partnership (limited or general)
 - Syndicates
 - Joint ventures
 - Franchise.

Ways in which nationalization changes a private company:

- A private company would change from being controlled by private entities and instead be controlled by government if it were nationalized.
- As a nationalized company the once private company would likely receive all or some revenue for the services it provides, some of the revenues may go to the government ministry in charge.
- As a nationalized company the once private company may be fully or partially financed by the government which is totally different from a private company which gets no government financing.
- While a nationalized company makes its own decisions, it must transact its business within the legal framework established by the state. Private companies on the other hand must adhere to government regulations but do not report to government ministries and are not created by an act of parliament.
- The chief executive officer and most of the top managers of the once private company would be replaced with government appointees once the company is taken over by government.

Recommendations:

- Students should be taught the meaning of and differences between the 'private sector' and 'public sector'.
- Teachers should employ strategies to enable students to differentiate between verb cues such as define, outline, describe, state, list, compare and discuss.
- Students should be taught the meaning of differentiating, and know that it requires a comparison between two terms/situations.
- Teachers should provide students with the opportunity to practise answering more CSEC
- Questions that consist of comparisons. This would help them become more familiar with how to contrast and meet the expectations of the questions.

Question 2

This question was attempted by 99 per cent of the candidates. The question tested candidates' knowledge of insurance. Performance on this question was unsatisfactory. The mean mark was 8.38 out of 20 (41.90%). The standard deviation was 3.99.

In part (a) (i), candidates were required to differentiate between 'insurance' and 'assurance'. The majority of candidates gave acceptable definitions of insurance. However, the term assurance seemed to have presented some challenges for some candidates. Less than 50 per cent gave adequate responses.

In part (a) (ii), candidates were required to differentiate between 'life insurance' and 'business insurance'. Many candidates confused a life insurance policy with medical and accident insurance. However, the majority gave reasonable explanations for business insurance.

Part (b) (i) required candidates to state two ways in which insurance facilitate trade. This part of the question was poorly done. Many candidates either did not respond at all, or gave unacceptable responses.

Part (b) (ii) required candidates to outline two reasons why documentation in business is important. The part of the question was dell done by most candidates.

In part (c), candidates were required discuss two reasons for purchasing business insurance. Many candidates were able to identify the reasons, but failed to develop their points into satisfactory discussions.

Recommendations

- Teachers need to coach students on how to adequately respond to questions. They should help students to determine the different requirements of questions based on key verbs such as identify, outline, state, discuss.
- Teachers also need to prepare students to respond to questions from all the sections of the syllabus.

Question 3

This question was attempted by 98 per cent of the candidates. The question tested candidates' knowledge of financial institutions. Performance on this question was fair. The mean mark was 9.25 out of 20 (46.25%). The standard deviation was 4.32.

In part a (i) Candidates were required to list three services provided by Central banks. Many candidates gave sketchy responses and in many instance were awarded only two of the three available marks. Common inaccurate answers included 'lending money' and 'lending money to the public'.

In part (a) (ii) Candidates were required to list three services provided by Commercial banks. This part of the question was well done by most candidates, many of whom achieved the maximum available mark.

Part b (i) required candidates to distinguish between an ‘open cheque’ and a ‘crossed cheque.’

This part of the question was poorly done by most candidates. Some of the inappropriate response given by candidates include “anyone can write on an open cheque as opposed to a closed cheque,” and “an open cheque does not have an expiration date as opposed to a closed cheque.”

Part b (ii) This section asked to state one advantage of both open and crossed cheques.

Although candidates performed better in this part of the question in comparison to the previous parts, there was still room for improvement.

Part b (iii) required candidates to identify two financial institutions, other than banks, that offer saving facilities to consumers. Some candidates incorrectly listed trade unions and sou sou.

In part (c), candidates were required to discuss two reasons why it was better to save money in a financial institution rather than at home.

The majority of candidates did not achieve the maximum mark because they failed to discuss the issue, instead, they briefly stated reasons.

Recommendations

- Teachers are advised to adequately prepare students for the examination by exposing them to CSEC type questions.
- Additionally, students need to be knowledgeable of the various verbs used in questions and the expected responses.
- Students must also be encouraged to use the awarded marks as a guide to the level of responses required by the questions.

Model answer

Part a (i) Services provided by Central banks include regulating the banking system, issuing notes and coins, acting as the bankers bank, and operating the government’s monetary policy.

Part a (ii) Services provided by commercial banks include offering safety deposit boxes and night safe facilities, providing credit references, issuing travellers’ cheques, facilitating foreign exchange purchases, acting as executors of wills, accepting deposits and lending money.

Part b (i) Open cheque is payable over the counter, whereas a crossed cheque must be lodged in the account of the payee. Alternatively, candidates could have explained that a crossed cheque has two parallel lines drawn across the face while an open cheque does not.

Part b (ii) Advantage of open cheques include no delay in obtaining funds (cheques can be cashed on demand). Advantage of closed cheques; they as security (as the cheques must be deposited in the payee’s account).

Part b (iii): Financial institutions, other than banks that offered saving facilities to consumers include; credit unions, insurance companies, building societies and unit trusts.

Part (c): Reasons why it was better to save money in a financial institution rather than at home. The following responses were developed to full discussions:

- A financial institution provides a safe and secure environment.
- Money saved in financial institutions attracts some form of interest earnings.
- The temptation to draw from money that is readily available at home is greater when the money is being hoarded at an institution, which protects consumers from making unwise and ad hoc spending decisions.

Optional Questions

Question 4

This question was attempted by 64 per cent of the candidates. The question tested candidates' knowledge of production. Performance on this question was fair. The mean mark was 10.90 out of 20 (54.50%). The standard deviation was 5.28.

Part (a) (i) required candidates to identify types of production. While the majority of candidates were able to recall the terms primary and secondary as types of production, many were unable to accurately classify the harvesting of sugar and the production of lumber. Some indicated that it was tertiary production for both, secondary production for sugar and primary production for lumber.

Part (ii) required candidates to list by-products of sugar. This part of the question was poorly done. The majority of candidates seemed not to have a clear understanding of the meaning of the term 'by-products' and responses were abstruse at times. One response noted was that malaria, water, wet sugar and glass for movies are by-products.

Part b (i) required candidates to differentiate between primary production and secondary production. The majority of candidates were able to differentiate between primary and secondary production. They gave appropriate examples. However, some confused both concepts.

Part (ii) required candidates to describe two ways in which primary products contribute to the local economy. This part of the question was very well done. The majority of candidates scored the maximum available mark. Other achieved at least half the marks because they fail to provide full explanation.

In part (c), candidates were required to discuss two ways in which technology impacts the sugar industry. This part of the question was very well done. Candidates were able to discuss, in detail, the negative and positive impact of technology has on the sugar industry. On the other hand, some response indicated that candidates were not adequately prepared for the examination.

Question 5

This question was attempted by 36 per cent of the candidates. The question tested candidates' knowledge of copyright, patent, brand name and brand loyalty. Performance on this question was less than satisfactory. The mean mark was 7.95 out of 20 (39.75%). The standard deviation was 4.22.

In part (a) (i), candidates were required to distinguish between 'copyright' and 'patent', while in (a) (ii). They were required to list four categories of persons whose works are protected by copyright laws. Distinguishing between the two concepts proved to be challenging for many candidates. Candidates were also unable to identify 'creation' of work and seemed confused between the person performing the work and the person who actually created the work. For example, the writer of a song compared with the person who sang the song. On the whole, several students were able to identify some examples but the mixture of creator and performer showed that the candidates did not understand the concept. Very few candidates correctly listed four categories.

In part (b), candidates were required to define the term 'brand name', explain what is meant by 'brand loyalty' and describe one way in which the use of brand names influences consumers. Many candidates used logo to define the brand name. Not enough candidates identified the purpose of brand as differentiating one product or group of products from others. They seemed clear that the brand represented a group of products. Candidates knew that the loyalty meant that people would buy the products but did not emphasize that the product would be purchased regardless of the price. Several candidates did not link loyalty to actually purchasing the product. Those candidates who were unable to explain brand loyalty were unable to describe how the use of brand names influences consumers.

In part (c), candidates were required to discuss two reasons why some consumers purchase pirated DVDs. This part of the question was poorly done. Many candidates were unable to say why these DVDs were bought. Candidates did not seem to appreciate the illegality and in some instances, referred to purchasing DVDs to sell over for profit. Many also seemed to respond based on their own personal experience and not on text.

Question 6

This question was attempted by 79 per cent of the candidates. The question tested candidates' knowledge of the impact of pollution on the environment as well as economic problems in the Caribbean. Performance on this question was fair. The mean mark was 10.26 out of 20 (51.30%). The standard deviation was 4.04.

In part (a) candidates were required to define the term 'pollution' and identify two types of pollution. Many candidates correctly referred to pollution as the introduction of harmful substances into the environment via improper waste disposal.

The majority of candidates were able to identify the types of pollution; namely air, water, land and noise.

Part (b) This section required candidates to outline three ways by which citizens of the Caribbean help to protect the environment.

This part of the question was well done. In many instances candidates achieved the maximum available mark. Successful responses included the planting of trees, recycling, proper waste disposal, avoidance of loud music and reduction of vehicle emissions.

In part (c) candidates were required to outline two major economic problems faced by Caribbean countries.

Candidates' responses were poor for the most part. Few candidates were able to correctly identify economic dualism, migration/ 'brain drain', unemployment and inflation as problems. In some cases marks were awarded for the economic impact of natural disasters namely hurricanes. Inadequate responses included health care facilities, lack of housing, poverty and crime as socio economic problems.

Part (d) required candidates to discuss measures used by governments to solve major economic problems as outlined in part (c).

Most candidates failed to score marks because of incorrect responses in part (c). Successful candidates gave responses such as the creation of employment opportunities, setting up factory shells, crime reduction, lowering interest rates and taxes as well as diversification of industries.

Question 7

This question was attempted by 21 per cent of the candidates. The question tested candidates' knowledge of the role of government and taxation. Performance on this question was fair. The mean mark was 11.60 out of 20 (58%). The standard deviation was 5.09.

Part (a) required candidates to differentiate between 'direct' and 'indirect' tax and to give examples of each.

This part of the question was generally well done. Candidates earned marks for making reference to the burden and incidence of tax. However, only a few of them included both elements in their responses.

Part (b) required candidates to discuss three strategies which government can use to encourage citizens to pay their taxes.

Responses were mainly good with typical responses such as – lower tax rates, simpler tax structure, tax incentives, penalties for non-compliance being the most common response.

Part (c) required candidates to state two ways in which tax payers are likely to react to a high level of taxation.

Candidates' responses were good, with many achieving the maximum mark. Typical responses included, wilful non-compliance, public protests, migration, decreased investment and vandalism of government property.

In part (d) candidates were required to discuss two purposes of taxation. Candidates scored poorly in this part of the question. Few candidates adequately discuss raising revenue, expenditure control, income redistribution as possible responses. Instead typical responses

focused on the uses of government tax revenue, such as building of hospitals, infrastructure development and payment of wages. This section proved the most challenging for candidates.

Recommendation

Teachers should encourage wider reading on this topic as well as emphasize the distinction between taxation purposes and tax revenue.

Paper 032 - Alternative

Operational Plan

Performance on this aspect of the business plan was very good. The mean mark was 8.23 out of 10. The standard deviation was 1.35. The marks ranged from 0 to 10 with 17 per cent of the candidates achieved the maximum available mark.

Question 1

Question 1 tested candidates' knowledge of the nature and type of business; including the type of business, the services that will be offered by the business and advantages and disadvantages of the location of the business.

The majority of the candidates demonstrated that they understood the nature and type of business and so were able to earn the maximum mark. In a few cases, however, some candidates erroneously identified 'a cottage industry' as the type of entity being described.

While a large percentage of the candidates were able to list two services that *For All Sizes* offered, seldom did candidates include the categories of clothing sold among services the business intended to offer.

Most of the candidates succeeded in identifying at least one advantage of the proposed location of the business but about 25 per cent of them struggled to suggest a disadvantage.

Question 2

Question 2 tested candidates' knowledge of the internal structure of the organization in which they were required to state the role performed by persons in the business.

Most candidates correctly stated the roles to be performed by Julia and Mary's father at *For All Sizes*.

Question 3

This question tested candidates' knowledge of the functions of management. In this question, candidates were required to suggest which of the sisters would most likely be the general

manager and to provide supporting reasons. Responses were split fairly evenly between the Mary and Julia, with candidates providing logically sound and comprehensive arguments for choosing either Julia or Mary.

Marketing Plan

Performance on this aspect of the business plan was fairly good. The mean mark was 13.41 out of 20. The standard deviation was 3.78. The marks ranged from 0 to 20.

Question 4

Question 4 tested candidates' knowledge of 'target market' in which they were required to identify potential customers and suggest reasons why those persons would desire the products. Nearly all of the candidates were able to identify two groups of potential customers and provide suitable reasons for their desiring the products sold by ***For All Sizes***. The weaker candidates indicated the products sold as responses for what potential customers desired.

Question 5

Question 5 tested candidates' knowledge of pricing strategies. Candidates were required to state factors that are likely to influence the pricing of the goods and services offered by the business; as well as to state two disadvantages, to the business of pricing products higher than the competitors'.

The first part of the question proved to be challenging for many candidates since the majority of them were only able to secure one of the two available marks.

In the second part, the majority of candidates clearly identified two disadvantages and went on to explain how these would impact the business. The remaining candidates misinterpreted the question and addressed disadvantages to the business' competitors.

Question 6

This question tested candidates' knowledge of promotional strategies. Candidates were required to identify four ways in which *For All Sizes* intends to promote its products.

Judging from the responses given, it seemed that this topic was the most familiar area as almost all of candidates scored the maximum available marks.

Question 7

This question tested candidates' knowledge of the use of technology. Candidates were required to explain why Mary social networking may be considered the cheapest form of advertising.

More than half of the candidates were able to explain why social networking was "the cheapest way to go" without repeating the term "cheapest" in their response. A significant number merely quoted from the question and stated that social networking was "cheap".

Question 8

In question 8, candidates were required to discuss two ways in which *For All Sizes* will have a competitive edge in the line of business. This question recorded the lowest scores in this section as the majority of candidates who attempted to provide suitable responses were only able to score at least half of the total marks. The general nature of responses showed a misunderstanding of the term 'competitive edge'. Some candidates gave responses that applied to the competitors' having the advantage over *For All Sizes*.

Financial Plan

Performance on this aspect of the business plan was fair. The mean mark was 5.84 out of 10. The standard deviation was 2.12. The marks ranged from 0 to 10.

Question 9

Question 9 tested candidates' knowledge of sources of finance. Candidates were required to list sources of start-up capital and state how the funds may be used in the operation of the business. The first part of the question was very well done as candidates were able to easily find the answers in the case. The more popular choices were: personal savings, family loans and government financing.

Responses to the second part of the question were concise and accurate. The popular response was to purchase stock and to add to the fixed asset or plant.

Question 10

In this question candidates were required to describe one government regulation which *For All Sizes* were required to satisfy and state one reason why the financial agency PSBA, requires businesses to provide financial statements. For the first part of the question, the payment of taxes was the most popular response, however, less than half of the candidates were able to develop and describe the government regulation. Some responses merely repeated the statement given in the question.

The second part was correctly attempted by about half of the candidates. Interestingly, some of them believed that a financial statement was a form of collateral to be presented in applying for a loan.

Question 11

For question 11, candidates were required to write an executive summary on the three aspects of the case. This question was the most poorly done on the paper, with few candidates successfully identifying three key elements of a business plan.

Recommendations:

Students need guidance in clarifying and concretizing some concepts such as

- the purpose of collateral;
- the purpose and content of an executive summary and gain experience in writing one; and
- Business plan in general, but the financial plan in particular

In addition, students must be encouraged to carefully read the question and appreciate the exact requirements that are stated.

They should be exposed earlier and in a more constructivist manner to the concepts being tested this should include students simulating businesses and producing business plans.

Additionally business persons should be invited to do guest lectures thereby apprising candidates on borrowing procedures, relevant pricing strategies to be adopted and the rationale behind such.

MODEL ANSWER

Question 1

- (a) (i) The type of business is a partnership
(ii) The services which this business intends to offer are:
- Sale of clothing
 - Sale of accessories
 - Making clothing
 - Alterations of clothing
 - Delivery of clothing
- (b) (i) Advantage of the location of the business:
- Lower overhead costs would be encountered
 - Extended business hours of operation
 - Employees do not have to incur any cost of transport to get to work
 - Loyalty of customers as they are members of your neighbourhood
 - A hub of activity with many potential customers
- b ii Disadvantages of the location of the business:
- Due to the fact that the firm operates from home means it may be open to burglary/security threats.
 - The operators of the business will lack privacy because their home will now be a business place.
 - There is the challenge of separating business and personal life
 - There could be congestion due to inadequate parking spaces.

Question 2

- a. **Roles to be performed by Julia:**
- Finance and accounting
- b. **Roles to be performed by Mary's father involves marketing:**
- the picking up of purchased items
 - making deliveries

Question 3

Either Mary or Julia can be chosen, but must be supported by a plausible explanation.

For Mary:

- It was her dream/idea
- She has definite plans as to how to manage the business
- She is a full time worker
- She possess formal dress making and design skills
- Her sister is just a part time worker there

For Julia:

- She has extensive experience on her job
- She has good business management skills
- She does not have to be pre occupied with production and can focus on management.

Question 4

Target Market

Two potential customers that the company hopes to target are plus size persons and teenagers. Plus size persons would want the products because it is not easy to find clothes which would fit them well and teenagers would prefer to buy the brand name products.

Question 5

Pricing Strategies

- a) Two factors which may influence the prices of the store's products are the costs of production to make the clothes as well as the demand for the clothes.
- b) A higher price than the competitors' could lead to the business losing some of their customers which would cause sales to fall. Also their ability to earn profits would be reduced as sales are reduced.

Question 6

Promotion Strategies

The company intends to promote its products through flyers, social networking, text messaging and newspapers.

Question 7

Technology

It is the cheapest way to go because there is no cost when posting information on Face book or any other network and the information on the products is spread to a wider market without any expense to the firm.

Question 8

Quality

The firm will have a competitive edge because it caters for all sizes of individuals and such persons will choose to purchase from this store which would make their market larger.

Also the flexible opening and closing hours would please those customers who cannot shop during regular business hours which would mean that more customers will form the market for the company.

Question 9

- a. The possible sources of funding from which the firm will obtain capital are:
- Loans from commercial banks through credit cards
 - Personal savings
 - Family
 - Traders' credit/suppliers
- b. Funds may be used in the operation of the business to:
- Purchase sewing machines and other equipment
 - Pay for promotion of the firm's goods and services
 - Purchase office equipment
 - Relocate and refurbish the business
 - Offer benefits to customers and employees

Question 10

- a. Government regulations the firm will be required to satisfy include:
- Payment of PAYE, social security, national insurance all to be paid into government as stipulated by the laws of the country. These regulations are to protect employees while providing the government with access to revenue.
 - Registration with the sales tax departments to collect taxes on behalf of the government. This tax is levied on the people of a country using the procedures and guidance of the government for proper implementation and remittance. The firm should turn over all of the monies collected for these taxes to government.
 - Ensuring that it disposes of its waste in a proper way so as not to harm the environment
- b. The reasons why PSBA requires the firm to provide financial statements are as follows:
- These documents provide the lending organization with information about how the business will be conducted and whether it will be able to succeed
 - They give clear indications of the financial status of the business over time and will indicate if the business will be able to sustain itself.
 - If the firm is not in possession of the information that should be in the documents, is an indication that the business will not be conducted in an orderly manner and may be a credit risk.

Question 11

Executive Summary:

“For All Sizes,” is a partnership providing local and overseas clothing and accessories for all sizes. The owners are very qualified in the area of dressmaking, design and accounting, and therefore have the potential to grow the business using sound business practices thus lowering their overhead costs. They will be using a number of marketing activities and strategies to promote the business and keep ahead of their competitors. The firm hopes to use personal funds as well as credit from the bank to start the business, but wants through this business plan to raise USD\$25 000 from the small business financial agency to finance refurbishing and operational cost.

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

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION**

MAY/JUNE 2014

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

GENERAL COMMENTS

The Principles of Business (POB) examination was offered for the 36th time in June 2014. This year, 32,189 candidates sat the examination.

The composition of the examination was as follows:

Paper 01 – Multiple-choice

Paper 02 – Essay

Paper 031 – School-Based Assessment (SBA)

Paper 032 – Alternative to SBA (Private Candidates)

Paper 01 consisted of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory. The mean mark was 34.81 out of 60 (58.02 per cent). The standard deviation was 9.29. The means were 6.87 and 37.24 for 2013 and 2012 respectively.

Approximately 70 per cent of the candidates scored at least 50 per cent of the maximum available marks for this paper.

Paper 02 comprised three sections. Candidates were required to answer the three compulsory questions in Sections I and one question from Section II and one from Section III. The mean mark for this paper was 43.73 out of 100. The standard deviation was 18.85. The means were 46.09 and 47.30 for 2013 and 2012 respectively. The highest mark on this paper was 59 out of 60. This was achieved by 8 candidates.

The highest mark on this paper was 96 out of 100. This was achieved by one candidate.

Approximately 38 per cent of the candidates achieved at least 50 per cent of the maximum available marks for this paper.

Paper 031, the School-Based Assessment (SBA), is usually done by school candidates. Candidates were required to prepare a business plan on one aspect of Profile 2: either production, marketing or finance. Performance on this paper was quite good. The mean mark was 32.68 out of 40 (81.71 per cent). The standard deviation was 5.58. Five per cent of the candidates achieved the maximum available mark on this paper.

For Paper 032, the Alternative to the SBA, candidates were required to complete a business plan using a given template and a case. Performance on this paper was fair. The mean mark was 23.60 out of 40 (59.00 per cent). The standard deviation was 6.84. The means in 2013 and 2012 were 21.73 and 16.87 respectively. No one achieved the maximum mark on this paper. However, the highest mark was 39 out of 40. This was achieved by five candidates.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory Questions

Question 1

This question was designed to test candidates' knowledge of the responsibilities of management to society, government and owners of business; sources of conflict within an organization; strategies for resolving conflicts within an organization; differences between a 'line relationship' and a 'staff relationship' in an organizational chart; how to construct an organizational chart to show the line relationship among employees in an organization; and reasons why teamwork is important to the success of small businesses.

The question was attempted by 99.8 per cent of the candidates. Performance was fair. The mean was 11.52 out of 20 (57.60 per cent). The standard deviation was 4.11.

Part (a) required candidates to state two responsibilities of management to society, government and owners of business. The majority of candidates correctly stated two functions of management to society but many of them failed to give suitable responses for management's responsibility to government and owners of businesses.

Part (b) (i) required candidates to identify two sources of conflict within an organization. This was very well done. The majority of candidates earned the maximum available mark. Responses included "low wages and unsafe working environment."

Part (b) (ii) required candidates to describe two strategies for resolving conflicts within an organization. Most candidates who gave responses identified strategies such as "confrontation and conciliation" but did not sufficiently describe them in order to earn the maximum available mark for this part of the question. A popular misconception was the identification of industrial actions such as strikes and sick-outs as conflict resolution strategies.

Part (c) (i) required candidates to outline one difference between a 'line relationship' and a 'staff relationship' in an organizational chart. This section presented the second highest level of difficulty for candidates. The majority of candidates gave excellent responses for the 'line relationship', but were unable to do so for the 'staff relationship' and so were unable to earn the maximum marks allocated. They incorrectly gave responses such as staff as being a relationship between manager and employees or having an intimate and inappropriate relationship with a member of staff.

Part (c) (ii) required candidates to construct an organizational chart to show the line relationship among the following three employees in a business: manager, supervisor of mail delivery and supervisor of mail sorting. This section of the question was very well done. The majority of candidates gave excellent responses and so were able to earn the maximum available three marks. However, some candidates earned two out of the three available marks allocated as they only showed the correct line connection from the manager to the supervisor of mail delivery, but incorrectly joined the supervisor of mail sorting downwards from the other supervisor.

Part (d) of the question required candidates to discuss one reason why teamwork is important to the success of small businesses. Most candidates were able to give partially correct responses to earn two out of the three available marks allocated for this question. The main weakness identified in responses was the failure of candidates to fully develop their points.

Recommendations

- Special emphasis should be placed on organizational charts, their interpretation and differences.
- Students should also be encouraged to pay attention to verb cues such as "state, identify, describe, outline, construct and discuss".
- Students should be encouraged to make clear distinctions between the responsibilities of a business to stakeholders versus the role of stakeholders to the business.
- Students should be encouraged to use the marks allocated to questions as a guide to the expected response.

Question 2

The question was designed to test candidates' knowledge of business ethics and entrepreneurship, including their ability to identify consequences of such practices, government regulations for the establishment of a business; and challenges faced by entrepreneurs when starting their businesses.

The question was attempted by 98.8 per cent of the candidates. Overall candidates performed fairly well on this question with most of the responses being at least satisfactory. The mean was 8.99 out of 20 (44.95 per cent). The standard deviation was 4.95.

Part (a) required candidates to define (i) business ethics and (ii) entrepreneurship. While responses indicated that most candidates were familiar with this term, more than 50 per cent of them failed to earn the maximum

marks because their answers were too vague. Examples of such responses included: “moral behavior”, “ethical practices” and “right from wrong”.

The majority of candidates gave fair definitions although many of them defined entrepreneur rather than entrepreneurship, thus they failed to fully define the term. A popular misconception was the definition of entrepreneurship as being the “sole owner of a business.”

In Parts (b), (c) and (d) a satisfactory number of candidates were able to achieve full marks for describing two unethical business practices and outlining two consequences of unethical business practices. In Part (c) more than half of the candidates scored 80 per cent of the marks for stating two government regulations for the establishment of the business, while more than half scored full marks for discussing two challenges which entrepreneurs usually face when starting their own businesses.

Recommendations

Teachers should emphasize clearly the difference between types of business organization and entrepreneurship.

They should also clearly define business ethics before discussing ethical issues and their consequences. The use of real world examples of unethical business practices will prove useful in ensuring that candidates appreciate fully the concept of Business Ethics and its importance. Additionally, students should be taught that entrepreneurship encompasses more than entrepreneurs themselves. The concept also covers calculated risk taking, vision, initiative, etc.

Question 3

This Question focused on Types of Banks and their interaction with the Government.

The question was attempted by 98.2 per cent of the candidates. Performance on this question was less than satisfactory. The mean was 6.72 out of 20 (33.6 per cent). The standard deviation was 3.97.

In Part (a), candidates were required to define bank rate, liquid assets and open market operations. This part of the question was very challenging to candidates as they were unable to satisfactorily define the terms. Many candidates equated bank charges with the bank rate, while the majority gave unsatisfactory responses for liquid assets. Many were able to identify money as an example of liquid asset but could not give a precise definition of the term.

In Part (b), candidates were required to state two differences between a commercial bank and a central bank. More than half the candidates who attempted this section were awarded full marks. Candidates performed very well on Part (c) which required them to outline two factors that a banker would consider when approving a request for a loan. The majority of them gained the maximum four marks. The weaker candidates interpreted the question from the point of view of the borrower and not the lender.

In Part (d), candidates were required to discuss two ways in which governments can regulate the financial sector of a country. The majority of candidates interpreted the question with respect to government regulation of the economy in general and not the financial sector and so this resulted in responses that were not relevant.

Recommendation

Teachers should make every attempt to encourage students to read the financial section in the newspaper and listen to discussions relating to the economy, so as to reinforce concepts taught in class. This will help them to broaden their knowledge on key financial terms relating to the economy.

In addition, they could be taken on financial tours to the central bank and other financial institutions and invite representatives from the sector to speak on concepts related to the syllabus and the economy.

Section II – Optional Questions

Question 4

Question 4 tested candidates' knowledge of production. The question was attempted by 66 per cent of the candidates. Performance was less than satisfactory. The mean mark was 8.31 out of 20 (41.56 per cent). The standard deviation was 5.88.

In Part (a), candidates were required to (i) differentiate between production and productivity and (ii) subsistence production and domestic production. Section (a) (i) was very well done as the majority of candidates scored the maximum available marks. The main weakness with the responses was candidates' failure to fully differentiate between the two terms. The weaker candidates tended to repeat the terms given in their definitions. For example, production was defined as "producing items" and productivity as "being productive".

In responding to Part (a) (ii), most candidates showed that they had an understanding of the two terms. However, once again responses were weakened by candidates' failure to fully develop the points. The weaker candidates confused the two terms and a significant minority also referred to primary and secondary production. An appropriate definition for productivity that would be awarded full marks is as follows: "the quantity of output per worker per hour/day/week."

In Part (b), candidates were required to (i) define the term capital-intensive production and to give two examples of capital-intensive production and (ii) state one advantage and one disadvantage of capital-intensive production.

Both (b) (i) and (b) (ii) were well done as the majority of candidates scored the maximum available marks. Most candidates cited relevant examples and were able to state an advantage and a disadvantage of capital-intensive production. The main weakness was the failure to indicate that capital intensive production required greater capital expenditure in relation to human effort. Weaker candidates also related their responses to marketing strategies. Some considered capital-intensive production as the 'money invested at the start of operating the business'. Many referred to the definition as the 'use of capital (money)', while others define it as the 'use of only machinery in production'.

In Part (c), candidates were required to discuss two measures that a production manager could implement to increase productivity. Responses to this part of the question were fairly good. The majority of candidates were able to score full marks. Responses from weaker candidates related to marketing strategies such as sales promotion and advertising.

Part (c) of the question was also reasonably done with more than half of the candidates being able to clearly discuss measures that the production manager could implement to bring about an increase in productivity. Very few candidates gave reasonable responses for this section and achieved four out of the six marks allocated. A marginal number of candidates were able to offer acceptable responses for measures that could be taken to increase the sales of the company. Rather, suggestions were therefore made in regard to increasing advertisements, increasing promotion, and increasing exports among other things.

Recommendations

Teachers and facilitators should —

- Organize more field trips to expose students to capital-intensive items used in various industries.
- Get students to create a dictionary of business terms and use the terms often.
- Keep abreast of current knowledge and business practices so that they can effectively impart the information to students.

- Set up the class as a studio for call in programmes, interviews, panel discussions. This will provide students with opportunities to practice the use of terms.
- Encourage regular revision of areas already dealt with.
- Clearly point out to students that capital as a factor of production is different from capital-intensive production.
- Advise students that they should not use a word in its definition.
- Give students guidance and practice in writing essays/discussion type questions.

Question 5

The question tested candidates' knowledge of marketing. Thirty-one per cent of the candidates attempted this question. Performance was satisfactory. The mean mark was 10.32 out of 20 (51.6 per cent). The standard deviation was 5.38.

Part (a) required candidates to (i) list two middlemen in the chain of distribution and (ii) describe two services performed by middlemen. This part of the question was fairly well done.

Part (b) required candidates to (i) describe two factors that should be considered when choosing a distribution channel; and (ii) outline two benefits of direct distribution. The majority of candidates offered acceptable responses and achieved most of the allotted marks. Nearly all candidates scored full marks for Part b (ii). Most if not all cited time and cost factors as benefits to be obtained from direct distribution. A significant number of candidates confused direct distribution with direct production, while others out of proportion using terms such as insurance, taxes, stem, branches, without answering what was required.

In Part (c) candidates were required to discuss two problems which may affect a firm involved in the external distribution (export) of cut flowers. The majority of candidates gave satisfactory responses and were able to secure most of the allotted marks. Many of them demonstrated adequate understanding of what was required of them, as they used terms such as import and export, company factory workers, customer, workers and executives. There was a tendency of some candidates to outline problems associated with distribution in general, without applying these problems to the distribution of the specific product identified in the question. Some went as far as to say, when choosing a channel you have to be the leader of the ship. A marginal number of candidates related this section with a ship going through a channel in the ocean.

Recommendation

Teachers should —

- Reinforce the technical meaning of the word channel as it relates to distribution of a product or service.
- Give practical examples of how the distribution channel is operated. They may consider it useful to relate the concept through the delivery of goods by informal delivery men (hand cart man) in Jamaica or the street vendor in Jamaica or St. Lucia.
- Emphasize that the words chain and channel can be used interchangeably when relating to distribution;
- Highlight how transportation fits into the distribution process.

Section III – Optional Questions

Question 6

This tested candidates' knowledge of social accounting and global trade. The question was attempted by 48 per cent of the candidates. Performance was less than satisfactory. The mean was 7.71 out of 20 (38.6 per cent). The standard deviation was 3.86.

Part (a) required candidates to define (i) standard of living (ii) economic growth and (iii) economic development.

This part of the question offered a great deal of challenge to the candidates. Many of the definitions were unsatisfactorily vague and in many cases candidates repeated the term to be defined.

In Part (a) (i) most of the candidates were able to secure at least one of the two marks allotted, as their responses suggested that they recognized that the standard of living was somehow associated with individuals' quality of life. However, for the most, part responses were incomplete.

Performance on Parts (a) (ii) and (a) (iii) were poor with the majority of candidates failing to secure any mark. Many candidates merely juggled the words around and offered responses such as "economic growth is the growth in the economy".

In Part (b), candidates were required to identify two factors which contribute to economic growth. Having failed to define economic growth, in Part (a), most candidates had difficulty in responding to Part (b). In addition, a significant number were unable to distinguish between factors contributing to economic growth and the perceived outcomes of economic growth. However, some were able to identify two factors which contributed to economic growth.

In Part (c), candidates were required to outline three ways in which a government could improve the standard of living of its citizens. While most of them were able to outline three ways, a number of them were unable to develop the points made and therefore could not achieve the maximum mark.

Part (d) required candidates to discuss two measures which governments could implement to correct an adverse balance of payments. The majority of candidates demonstrated very little knowledge of the concept of an adverse balance of payment. There was also some confusion of balance of payment with the concepts of gross domestic product and national income. Most of the measures cited by candidates were internal measures that could be used to influence citizens' standard of living, but could not address adverse balance of payments, such as misinterpretation of balance of payment as providing equal payments for worker or simply paying back money to the government and individuals.

Recommendation

Teachers should —

- Integrate these topics with earlier topics covered in the syllabus.
- Engage in team teaching to allow persons to deliver the aspect of the syllabus with which they are most comfortable.
- Make use of real life situations (role play) and case studies to help students to fully grasp or internalize these concepts.
- Encourage students to create a glossary of terms as they encounter them and do more testing of the key terms getting the students to put them in their own words.

- Invite corporate partners to visit schools and lead discussions related to the concepts tested in this question.

Question 7

This question tested objectives candidates' knowledge of public sector, unemployment and foreign investment. The question was attempted by fifty-one per cent of the candidates. The mean mark was 8.63 out of 20 (43.2 per cent). The standard deviation was 4.46.

Part (a) required candidates to define (i) public sector ((ii) unemployment and (iii) foreign investment. This part of the question was attempted by the majority of the candidates and satisfactory answers were given overall. However, candidates who only indicated that the public sector was government owned and failed to indicate that it provides essential goods and services for the country failed to gain full marks.

Part (a) (ii) was attempted by nearly all candidates in this question. However, few gained full marks as the majority did not include the fact that those who are considered unemployed must not just be out of work or a job, but must also be actively seeking work or a job. While the most were able to at least partially define unemployment, most of them were unable to list types of unemployment. A common incorrect approach was to suggest reasons why persons might be unemployed such as "lack of qualifications" and "lack of jobs".

Part (a) (iii) was well done by most candidates. The definitions of foreign investment were correct for 90 per cent of the candidates. They were able to clearly define the term indicating government or private sector of one country giving loans, investing money in businesses in another country, or setting up businesses in another country.

Part (b) required candidates to identify two types of unemployment. This was the most poorly done part of the question. Most candidates failed to accurately identify two types of unemployment. It was clear that they lacked knowledge in this area.

Part (c) required candidates to outline three ways in which government can assist private sector businesses. Candidates performed fairly well on this part of the question. However the majority of candidates only listed ways in which government could assist private sector businesses and so only gained half of the allotted marks. Those who were able to accurately state and outline the ways in which governments could assist private sector gained full marks.

Part (d) required candidates to describe benefits of foreign direct investment. Most of the candidates made satisfactory to good attempts discussing the benefits of foreign direct investment (FDI) to the host country. In a few cases, this part of the question was either not attempted, not enough discussion offered, or confused FDI with FBI.

Recommendations

Teachers should —

- Increase their efforts to explain to their students that definitions must be concise and accurate. Also students need practice in defining terms and or concepts. Teachers could give definition tests and assign written definitions for class work and / or home work.
- Encourage more group discussions and reading widely so that where students are required to develop their answers, apply and evaluate, they will not "ramble" on but answer the questions effectively.
- Not only use many examples in teaching concepts in these areas to students but also reinforce them by use of field trips and websites. The practical experiences gained will reinforce as well as make

the areas become more real, because these concepts may be abstract and outside of students' everyday experiences.

Paper 031 – School Based Assessment

The overall quality of the content of the scripts continues to improve remarkably, but the quality could be further improved if candidates use more creative ideas and use standard English. Some general concerns were noted, which if addressed can assist candidates in excelling.

The SBA Project should be a projected business plan and not an investigation of an existing business; hence the use of future tense in the third person should be encouraged, for example, the entrepreneur will... The partners will... etc. Some centres continue to submit SBAs where candidates have conducted a research paper on an existing business and this should be discouraged. Candidates should use Standard English and adhere to proper communication standards by ensuring that correct spelling, punctuation and grammatical standards are followed. Candidates need to submit a complete cover page with all the required headings clearly and legibly listed: "the student's name, registration number, name of subject, school, centre number and the date submitted".

Teachers must carefully follow the current marking scheme presented in the Caribbean Examinations Council CSEC® Principles of Business Syllabus in order to avoid a disparity between their marks and those of the moderating team. In addition, teachers must guard against candidates submitting similar SBAs as this compromises the integrity of the examination.

It was noted that the majority of the plans presented were under the Production Plan. However, there were many instances where candidates' performance could have been improved if they were encouraged to present the business plan using the Marketing profile, especially when the business plan is for a service-oriented venture e.g. a salon, boutique, etc. Caribbean Examinations Council CSEC® Principles of Business Syllabus, pg 35. Teachers therefore should guide candidates so that the plan used is appropriate for the nature of the business.

Candidates must be reminded to adhere to the word limit as stipulated within the Caribbean Examinations Council CSEC® Principles of Business Syllabus. Candidates must be commended for the appropriate use of graphs, diagrams and graphics which served to enhance the overall presentation of their school-based assessments.

Profile 1 - Production

Description of the business

Generally this sub-topic was well done. Candidates were generally able to present all three areas i.e. type of business, nature of business and objective/mission statement. However there were a few candidates who after stating the type of business, incorrectly described it later on in the report.

Justification of location

This area was well done by candidates. They were able to give a location and then give reasons for having chosen the location.

Selection of appropriate labour

This area was fairly well done although some candidates failed to outline the reason for the selection of the types of labour. In some cases candidates omitted some of the more logical or essential personnel.

Sources of fixed and working capital

This area was poorly done. Candidates are still not clear as to the distinction between fixed and working capital. The candidates are still not able to differentiate between sources of finance and examples of fixed and working capital. At times the quoted figures were unrealistic.

Role of the entrepreneur

Most of the candidates are still not clear about the difference the roles and functions of the entrepreneur. Candidates continue to quote the text verbatim and therefore failed to link this area to their specific businesses.

Type of production

This area was fairly well presented, however many candidates mixed up the types of production, especially as it relates to secondary and tertiary production. In cases where the business was involved in two types of production, candidates highlighted the one of lesser importance rather than the production type that best represents the nature of the business.

Levels of production

Candidates were not clear about the meaning of domestic production. They defined domestic production as one which involves the use of only domestic inputs rather than production for the local market.

Quality control measures

Candidates failed to link the measures that they had chosen to the quality assurance of their product or service. In some cases the measures chosen were not even linked to the business.

Use of technology

While candidates were able to cite examples of technology, they were, in numerous cases, unable to describe how the particular technology would enhance the business. Candidates should be reminded that the internet and the use of it in any format should be presented as one example of use of technology.

Linkages

This area proved a challenge for most candidates. In most cases candidates were unable to define the concept. Those candidates that mastered the definition, were then unable to outline the benefits of the type of linkage cited to their business. It may be useful for candidates to use a diagram to show the linkage.

Potential for Growth (internal)

While most candidates stated the potential for growth, many of them were unable to describe the factors that would facilitate that potential growth.

Potential for growth (external)

This area was generally well done; candidates were able to give realistic examples of external growth. However candidates must be encouraged to indicate the factors that would facilitate the projected growth.

Government Regulations

Candidates were able to list relevant government regulations but some were unable to give the impact of the regulation on the business. Those that were able to cite the impact, only cited the negative impacts.

Ethical Issues

Candidates confused ethical issues with government regulations. When the issues were correctly identified, the candidates failed to give the impact these issues would have on the business.

Communication of information

In general, candidates exhibited poor language skills. Vocabulary continues to be limited and candidates were therefore unable to express themselves properly in acceptable language standard. Some candidates are still not able to produce a bibliography in an acceptable format.

Profile 2 - Marketing

The number of SBAs submitted under this profile was limited but as stated before there are many SBA's that should be presented under this profile that are incorrectly being submitted under the production profile. Many service oriented businesses were not under this profile.

Organisation of Marketing Department

Many candidates presented diagrams that lacked titles and the descriptions were not related. Many of them illustrated a general chart but did not necessarily identify a marketing department. Additionally, they did not state the structure of the organization nor describe it. In some cases candidates failed to describe the diagram in a systematic way. Most of the roles and functions of personnel were well done. However, there was too much emphasis placed on this area.

Market Research

This area must be given special attention as candidates appeared to have difficulty explaining the research conducted and the decisions that would be made based on the research.

Target Population is one of the subtopics that was not well presented. Candidates did not identify both quantitative and qualitative factors of the target population.

Sales Forecast — this area was not fully assessed nor described. This area should always be a projection presented with a diagram.

From a general perspective, some candidates did all the areas under this section instead of concentrating on three as specified.

Product/Service

Many candidates did not discuss this sub-topic adequately. Candidates needed to focus on the brand of the business and not so much the brand of the products that are being offered to customers. Creating a logo for the business would greatly enhance the presentation. Moreover, candidates should be able to relate the brand of their business to the success of the business.

Packaging too was not related to the business being established. Candidates must be encouraged to study packaging from a service oriented business perspective.

Pricing Strategy

Candidates failed to state and justify the pricing strategy they would utilize in the business. Candidates must be encouraged to use the jargon of the subject to assist with the presentation of this area.

Place and Distribution

Candidates were able to identify an appropriate distribution channel but many of them failed to identify the limitations and develop suitable/appropriate alternatives for the business. In most cases, the alternatives did not rectify the limitations mentioned.

Promotional Mix

When choosing or discussing the various promotional strategies, candidates failed to choose two strategies that would complement each other, so as to compensate for the short comings of the other. It is imperative that candidates choose suitable promotional strategies for the business, which was rarely seen in the business plans submitted.

Use of technology

While candidates were able to cite examples of technology, they were unable in some cases to describe how the particular technology would enhance the business. Candidates should be reminded that the Internet and the use of it in any format (social media, advertising etc.) is seen as one example of use of technology.

Customer Complaints

Candidates failed to use examples to illustrate the manner in which customers' complaints would be addressed by the particular business. This section was generally poorly completed by the candidates.

Government Regulations

Candidates were able to list relevant government regulations but some were not able give the impact of the regulation on the business. Those candidates who cited the impact, only cited the negative impact.

Ethical Issues

Candidates confused ethical issues with government regulations. When the issues were correctly identified, the candidates failed to explain their impact on the business.

Communication of information

In general, candidates exhibited poor language skills. Vocabulary continues to be limited and candidates were therefore unable to express themselves properly in acceptable standard language. Some candidates were unable to produce a bibliography in an acceptable format.

Profile 3 - Finance

Finance continues to be the least attempted of the three profiles. There was an improvement in the overall quality of the work submitted. However, candidates need to make a greater effort to ensure a higher score.

The description of the business, the organizational chart, the issue of collateral and the use of technology were all well done.

Purpose for which finance is needed

This section was generally well done as candidates were able to identify the purpose for which the finance was needed.

The cost of producing goods

The candidates were able to identify the two types of expenses and were able to distinguish between the two types of expenses by way of examples. They were however unable give the reasons for the different types of expenses.

Capital goods

Candidates were required to identify the main goods required for the business. This was well done.

Capital instruments

Under this criterion, candidates were required to describe the capital instruments selected under the headings of 'debt' and 'equity' and state the implications of this capital mix. While candidates were able to identify the instruments through which the capital was going to be raised, the vast majority of them were unable to categorise these instruments using the classification of 'debt' and 'equity' in the capital mix. Consequently, they had difficulty in stating the implications of the capital mix selected.

Implication of capital mix selected

The candidates were not able to adequately state the implication of the capital mix selected. This results from the fact that the candidates were unable to discuss the capital instruments in terms of debt and equity in the previous section.

Projected performance

This criterion requires that candidates produce a proforma income statement clearly showing gross and net profit and a proforma balance sheet clearly showing the liabilities and capital sections. The candidates were able to produce a pro forma profit and loss account but found great difficulty in preparing a pro forma balance sheet.

Sources of finance

The candidates were able to identify the sources of finance but were unable to justify them as they related to the business.

Government Regulations

While the candidates were able to identify a government regulation, most failed to identify a financial regulation and then were unable to show how the regulation impacted the business. Some were able to list relevant government regulations but were unable to give the impact of the regulation on the business. Those that were able to state the impact only cited the negative impact.

An example of a financial regulation that would impact on a business financially is the payment of taxes.

Ethical Issues

Candidates again confused ethical issues with government regulations. When the issues were correctly identified, the candidates failed to give the impact these issues would have on the business.

Communication of information

In general, candidates exhibited poor language skills. Vocabulary continues to be limited and candidates were therefore unable to express themselves properly in acceptable language standard. Some candidates failed to produce their bibliography in an acceptable format.

Recommendations

The following should be addressed by teachers to enhance the overall performance under this criterion:

The cover page must include all the required components as stated in syllabus: the student's name, registration number, name of subject, school, centre number and the date submitted.

The table of contents must be complete — including the topics and page numbers, which must also correspond correctly.

Candidates must include a bibliography, pay closer attention to its correct presentation and it must be presented on a separate page.

Paper 032 – Alternative to School-Based Assessment

For this paper, candidates were given a case study, divided into three sections based on the profiles. They were required to answer all questions.

This paper is done by private candidates in lieu of the School Based Assessment. This paper was done by 3 249 candidates. Performance was satisfactory. The mean was 23.60 out of 40 (59 per cent). The standard deviation was 6.84. The marks ranged from 0-39.

Profile 1 — Operational Plan

The questions tested candidates' knowledge of the reasons why individuals establish businesses; benefits of forming partnerships; identifying the functional areas of a business; the responsibilities of management and leadership styles.

Candidates performed well on this profile. The mean was 6.69 or of 10 (66.9 percent). The standard deviation was 2.09. The marks ranged from 0-10. Eight per cent of the candidates achieved the maximum available mark.

1. Nature and Type of Business

Part (a) tested candidates' knowledge of the factors that motivate individuals to set up businesses. This part of the question was well done by the majority of the candidates, with the stronger candidates giving explanations to support their statements as to why the professors were motivated to start a business.

Part (b) was also very well done as candidates were able to clearly identify the areas of expertise that the partners in the business possess. The weaker candidates gave incorrect answers from the case such as "partners have applied to the Ministry of Education".

In Part (c) candidates were required to state two benefits that the partners are likely to receive from starting the partnership. This too was very well done. The majority of candidates were able to list the benefits with many citing benefits presented in the case, whereas others gave general benefits of partnerships. Weak answers included responses such as "they would be good in business", and "shared benefits", without identifying what these benefits are.

2. Internal Structure of the Organisation

This question dealt with the internal structure of the organisation requiring candidates to (a) identify two functional areas that the business is likely to have and (b) state one key responsibility of the sales manager.

Part (a) posed the greatest level of challenge as the majority of candidates could not identify two functional areas of business. The weaker candidates confused the functions of management: organizing

and planning with the functional areas such as production and marketing. Other weak responses included the listing of areas such as bathroom, office and tidy environment.

In Part (b), candidates performed fairly well, as the majority were able to state one key responsibility of the Sales Manager. The weaker responses confused the sales manager's responsibilities with those of a production manager or a financial manager.

Some candidates did not provide any responses to both sections of the question, which indicated that they did not know the functional areas of a business or the role of business functionaries or personnel.

3. Management Function

This question related to the management of business specifically that of leadership.

Part (a) was poorly answered. Very few candidates were able to identify the leadership style displayed by the partners in the case study as being democratic/consultative/participative. They were unable to differentiate among the various leadership styles of management i.e. autocratic, charismatic, laissez-faire and democratic in order to determine one that matched the case they were examining.

Part (b) required candidates to support their answers given in Part (a) with evidence from the case. Some candidates disregarded the evidence in the case and gave other reasons applicable to the behaviour of a democratic leader. The majority of the candidates who answered Part (a) incorrectly gave supporting evidence in (b) that related to a democratic style of leadership.

Recommendations

Candidates need to expand their vocabulary so that words such as 'expertise' would not be difficult for them to understand. They should study different types of businesses so that they can recognize the benefits to be derived from forming a partnership as opposed to *all* other types of business units. This would help them also to be able to distinguish between the functional areas of a business and the functions of management. Also they need to look at many examples of leadership styles and study their features so that they are familiar with the characteristics of all the leadership styles so as to be able to distinguish among them.

More attention *must* be placed on not just the content, but how the content is applied to the understanding of different aspects of business, roles of business functionaries, leadership styles and identifying/defining their characteristics, factors that give rise to different business arrangements and the general benefits of such arrangements.

Profile 2 – Marketing Plan

This profile tested candidates' knowledge and application of concepts related to marketing and production. Given results of a feasibility study questions were based on the following: target market, factors affecting consumer behaviour, promotion strategies, pricing strategies, packaging, branding and copyright, factors concerned with decisions related to production, distribution and the success of the business.

Performance on this profile was fairly good. The mean was 12.88 out of 20 (64.4 per cent). The standard deviation was 3.72. The marks ranged from 0-20. One per cent of the candidates achieved the maximum available mark on this profile.

4. Target Market

Part (a) tested candidates' ability to identify the main target market of the product. The majority of candidates answered the question satisfactorily, indicating that the teachers, parents and primary school age students were the targets. However, some responses were not in keeping with the target market in the industry. The weaker candidates referred to the lessons, the equipment or even the sales manager as the target.

Part (b) tested candidates' knowledge on the likely benefits of conducting a feasibility study. This question was answered satisfactorily by the majority of candidates.

Part (c) tested candidates' knowledge of a factor that the partners should consider when deciding how much of the product to produce. It was well done by the majority of candidates. Cost of production, the size of the market and the production time were among some of the responses given.

5. Pricing Strategies

This question tested candidates' ability to identify two factors the partners should consider when pricing the product. This question was done satisfactorily by the majority of candidates. The purchasing power of the target market, the mark-up they would add to the price and competition from other businesses were some of the responses given by the stronger candidates.

6. Promotion Strategies

Part (a) of the question tested candidates' knowledge of two ways in which the sales manager can promote the business. This question was very well done by the majority of candidates. They gave responses such as: advertisements via email, radio and television advertisements, flyers and the use of social networks. The majority of candidates gained the maximum on this part of the question.

Part (b) tested candidates' ability to describe two factors related to packaging that will be important when promoting the product. The question required them to be able to relate issues to packaging and then further explain these issues. There were a number of responses indicating 'label' and 'brand'. In some cases candidates made two valid points but did not properly discuss them. This part of the question seemed to have presented the most challenge to candidates. However, it was satisfactorily answered by the majority of them.

7. Copyright

This question tested candidates' ability to explain the importance of copyrighting products. The majority of the candidates showed an understanding of the question and gave satisfactory responses such as preventing the partners work from being used without them getting financial gain or being replicated without their knowledge. However, some candidates did not fully expand on their points and failed to gain the maximum two marks.

8. Quality

This question tested candidates' ability to outline one factor that is likely to contribute to the success of the business. This question was done satisfactorily by the majority of candidates. They presented responses such as *many persons were demanding the product; the partners were experts and thus parents would be confident in using the product, also that parents were interested in the new technology*. In some cases, candidates made good points but failed to fully develop the points and hence could not be awarded the maximum mark.

9. Technology

Part (a) tested candidates' knowledge of two ways in which Internet Technology can be used to distribute the product. This question was very well done, as candidates gave very accurate responses.

Their responses included points such as: *Internet technology can be used to send emails to advertise the products by linking to the website of the products and the website can be used for accessing and downloading the products*.

Part (b) was also based on the Internet. Candidates were required to outline two problems that are likely to occur when using the Internet as a distribution channel. This question was fairly well done by the majority of candidates who demonstrated mastery of the content by giving appropriate responses such as: *the Internet may not always work and therefore the products would not be sent on time; computer viruses can be sent and received and mail may be sent to the wrong address and the Internet may be slow and the products may not be easily downloaded.* The weaker candidates in some cases, outlined two points which were related to one problem.

Recommendation

Candidates need to practice examination techniques to develop skills in answering questions so that they will respond accurately to questions.

Profile 3 – Financial Plan

This profile tested candidates' knowledge of the financial aspect of the business including identifying source of finance and calculating sales. Candidates were also required to discuss factors that government is likely to consider when approving the business. They were also required to write an executive summary.

Performance on this profile was less than satisfactory. The mean was 4.11 out of 10 (41.1 per cent). One per cent of the candidates achieved the maximum available mark on this profile.

10. Sources and uses of Finance

Part (a) tested candidates' knowledge of the sources of capital for start-up of the business. This was well done as the answer was evident from the case. However, the weaker candidates attributed this to government funding or the money earned from the launch of the business.

Parts (b) and (c) tested candidates' ability to calculate total sales under different situations. The majority of candidates were able to compute the total sales and discount but neglected to deduct the amount of the discount from the total sales. Therefore they were only able to score one mark out of a possible two marks.

In Part (c), most candidates calculated the gross sales but some confused it by including the discount from Part (b) and thus were unable to score any marks for this question.

11. Government Regulations

This question tested candidates' skills in identifying regulatory practices instituted by governments for the establishment of different types of businesses. This question was not well done as candidates failed to identify the regulations that related to the case. The majority of candidates mentioned educational benefits to students as the likely reason why government approved the product but failed to properly discuss this point. This meant that they could earn only one or two marks out of the three that were available.

12. Executive Summary

Candidates were required to write an overview of the business incorporating the three main areas of the business plan. This part of the question tested candidates' knowledge of the elements of a business plan that is included in an executive summary such as the operational, marketing, and financial plans. This required that they summarise the main elements of these three main areas of the case. The majority of candidates failed to provide information from all three areas and also to write this in the form of a summary. The candidates who scored the maximum mark were able to comment on all three areas of the case from the operational; marketing and finance plans and presented it in the form of a summary. The weaker candidates wrote jottings or notes which at times did not relate to the case. In a number of cases they simply listed the words, operational, marketing and financial while others gave descriptions that were general and definition-based and did not relate to the case.

Recommendations

Candidates need to be able to read questions carefully and answer what they are asked. In many instances in this part of the case if candidates paid attention to the case they would be able to recognize how the business was funded. Additionally, the computational questions are basic accounts requiring basic mathematical skills.

It was also evident that candidates did not know what an executive summary is or the purpose that it plays in a business plan. Therefore in preparation for this paper candidates need to know the purpose of the executive summary and therefore would be able to select the correct information from the case to construct it and to write in the style and pitch of a summary.

Candidates need to obtain copies of past examination papers and practice answering these types of questions and especially in writing summaries.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION**

JANUARY 2015

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

GENERAL COMMENTS

This year a total of 1906 candidates wrote the Principles of Business General Proficiency examination. The examination comprises the following papers:

Paper 01 – Multiple Choice

Paper 02 – Essay Paper

Paper 032 – Alternative to School-Based Assessment (Private Candidates)

Paper 01 consists of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was commendable. The mean mark was 34.56. The standard deviation was 8.69. Approximately 69 per cent of the candidates scored at least 50 per cent of the available marks on this paper. No candidate achieved the maximum available mark. The highest mark was 56 out of 60. This was achieved by three candidates.

Paper 02 comprises two sections. Candidates were required to answer three compulsory questions in Section I and two of four optional questions, one from Section II and one from Section III. The mean mark for this paper was 52.20 out of 100. The standard deviation was 17.78. The marks ranged from 0 to 97. Approximately 54 per cent of the candidates scored at least 50 per cent of the available marks on this paper.

Paper 032 is an examination offered to private candidates. Candidates were required to respond to questions based on a business plan using a given template. The overall performance on this paper continues to show improvement. The mean mark was 24.19 out of 40. The standard deviation was 7.12. Two candidates achieved the maximum mark.

Approximately 75 per cent of the candidates scored at least 50 per cent of the maximum available mark on this paper.

DETAILED COMMENTS

Paper 02 – Essay

Question 1

This question was attempted by approximately 99 per cent of the population. Performance was only fair. The mean mark was 9.02 out of 20 (45.10 per cent). The standard deviation was 4.29.

For Part (a), candidates were required to define the terms *bill of exchange*, *electronic transfer* and *e-commerce*. For Part (b), they were required to distinguish between pairs of concepts such as: *traditional economy* and *planned economy*, and *public sector* and *private sector*. For Part (c), candidates were required to explain ways in which businesses can contribute to the development of the communities in which they are located.

In Part (a), a significant number of candidates failed to define the terms correctly. Some did not attempt this part of the question at all. The term least understood was *bill of exchange* which the majority defined either as the receipt obtained when making purchases or as a document to be produced when returning goods to be exchanged. Some candidates even identified this term with the return of notes and coins to a commercial bank.

While many candidates understood that the term electronic transfer referred to *the movement of funds from one account to another via electronic means*, a significant number associated the term with the movement of electrons and with the sharing of an electricity supply. However, the majority of candidates was able to define the term e-commerce correctly.

In Part (b), while the concept *planned economy* posed little difficulty, outlining the features of a *traditional economy* presented challenges for most candidates. A significant number of them were able to distinguish between the concepts *public sector* and *private sector* but there were many who misinterpreted these concepts. They confused public sector with public companies and private sector with private companies.

In Part (c), the majority of candidates was able to explain ways in which businesses can contribute to the development of the communities in which they are located. There were some candidates, though, who focused on the benefits businesses could derive from being located in communities.

Recommendations

- To ensure that students are conversant with business jargon, teachers should encourage them to compile personal directories of business terms associated with each unit of the syllabus.
- To avoid misinterpretation, students should be urged to read questions carefully.
- Students should be reminded that the length of their responses should be guided by the marks allocated to the question and by the space provided for their answers.

The following is a model answer to Question 1:

(a) Define EACH of the following terms:

(i) Bill of exchange

A bill of exchange is an unconditional order in writing issued by a person or a business organization instructing payment of money to another party. It is non-interest bearing and is used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined future date.

(ii) Electronic transfer

This involves the use of an electronic terminal to access one's account online and pay bills or transfer funds from the owner's account to the account of another entity, for example, using ATMs or other electronic means to transfer funds from one account to another, thus eliminating the use of cash.

(iii) E-commerce

E-commerce involves the use of the web to carry out a business model in which all aspects of the business are conducted via the Internet, for example, accepting credit cards for commercial online sales.

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

(i) Traditional economy and planned economy

A traditional economy is an undeveloped economy in which communities engage in subsistence farming using primitive tools and methods to harvest and hunt for food, often resulting in little economic growth. A planned economy on the other hand is a type of economy in which the government has total control over the allocation of resources, the private sector is excluded and the government determines everything from production to distribution.

(ii) Public sector and private sector

The public sector includes all central and local government activities which are funded by the government. Unlike the private sector, profit is not the driving motive in the public sector but rather the provision of services for the benefit of the country and its citizens. Emphasis is on the welfare of the public. The private sector on the other hand is that part of an economy that is not state controlled and is run by individuals and companies for a profit. Unlike the public sector, the private sector is not under government control and is driven more by desire for profit than by provision of services to citizens.

(c) Explain TWO ways in which businesses can contribute to the development of the communities in which they are located.

- *Businesses develop the infrastructure of communities and enhance the physical environment thereby improving the value of land in the area. The improvement in infrastructure attracts other businesses and residents as well and causes the government to offer more services to the area adding to further development and opportunities for growth in that community. These businesses pay taxes and contribute to the growth of the economy.*

OR

- *Businesses contribute to the development of communities by employing persons from within the communities they operate. This improves the economy and also provides opportunities for the development of employees through training programmes offered by the businesses. Socially responsible businesses also engage in initiatives that develop and train youth within the community.*

Question 2

This question was attempted by approximately 98 per cent of the population. Performance was satisfactory. The mean mark was 10.66 out of 20 (53.30 per cent). The standard deviation was 4.90.

Part (a) tested candidates' knowledge of communication. Candidates were required to identify means of communication, barriers to effective communication, and strategies for effective communication within an organization. Part (b) required candidates to describe the purpose of a management information system (MIS). In Part (c), they were required to state the benefits and challenges of an MIS. Part (d) required candidates to describe needs satisfied through employment.

Part (a) (i) was generally well answered. Most candidates provided the two means of communication. However, there were some unsatisfactory responses such as 'downward and upward communication'.

Part (a) (ii) was relatively well answered by the majority of candidates. However, a few candidates misinterpreted the question by either giving the means of communication or the strategies for effective communication.

In Part (a) (iii), although most candidates correctly stated two strategies for effective communication, not all of them clearly outlined strategies for effective communication.

Most candidates who attempted Part (b) correctly identified a purpose of MIS. However, they failed to explain these purposes to satisfactorily demonstrate a clear understanding of the concept.

In Parts (c) (i) and (ii), candidates generally identified both benefits and challenges of MIS. Ideal responses included *implementation cost* and *employee training* as challenges, and *increased profit* and *efficiency of production* as benefits.

Part (d) offered the most challenge to candidates. Frequently, candidates did not fully develop their points to give a full description of needs satisfied through employment.

Recommendations

- It is recommended that teachers coach students to recognize clearly what is expected of a question which instructs candidates to give a description.
- Teachers should also invite resource persons such as entrepreneurs to cover topics that have been tested here such as MIS and communication.
- Students can also be encouraged to conduct research on entrepreneurs in their communities.

The following is a model response to Question 2:

- (a) (i) Identify TWO means of communication in an organization.

Two means of communication are meetings and suggestion boxes OR telephone and emails.

- (ii) Identify TWO barriers to effective communication.

Two barriers to effective communication may be physical such as: closed doors, cubicles with high walls, far distances between desks or offices or inappropriate communication channels OR perceptual barriers such as preconceived notions about persons' ability to understand, accept or be interested in what you have to say or cultural barriers.

- (iii) Outline TWO strategies for effective communication.

Two strategies for effective communication are:

- *Listening and showing interest in what others have to say*
 - *Getting to the point and not giving unnecessary information*
- OR
- *Using non-verbal communication, keeping eye contact, showing confidence.*
 - *Creating an atmosphere of openness and inviting suggestions*

- (b) Explain the purpose of a management information system (MIS).

The purpose of a management information system is to collect, process, store and retrieve data which is disseminated in the form of information for management decision-making.

OR

MIS focuses on providing information for management decision-making, by processing inputs and providing outputs as required or requested.

- (c) State TWO benefits and TWO challenges associated with the use of an MIS.

- (i) Benefits

- *Ease of communication, makes communication more readily available*
- *Able to establish systems to improve and/or support functional areas of business*

OR

- *Able to produce summarized reports on a regular basis*
- *Reduces delays in response time to stakeholders queries and complaints*

(ii) Challenges

- *The need to train and retrain workers to support the MIS*
- *Internal and external threats to security*

OR

- *Keeping information up to date and real time*
- *Cost associated with adopting MIS*

(d) Describe TWO needs that are satisfied through employment.

- *Employment satisfies a person's financial or economic needs. Having a job provides individuals with the money to purchase needs and wants, provide for children and dependents, rent or own a home and provide meals. Individuals are able to buy insurance, burglar bars or other means of security to safeguard themselves and their families. Being employed may also provide needed capital for individuals to start their own businesses which in turn generate greater economic opportunities.*
- *Employment satisfies a person's social needs by providing them with a network of co-workers who have similar interests. Through associations created at work, individuals are invited to activities and events outside of work. Some organizations may even publicly recognize employees which build their credibility and good reputation and may lead to opportunities to meet even more people and be embraced and recognized in other circles.*

OR

- *Employment satisfies a person's physiological needs. Basic needs for food, water, shelter are often met by wages and benefits obtained from having a job. Being able to improve on these needs can also be met by opportunities for promotions and more pay at one organization or another.*

Question 3

This question was attempted by 100 per cent of the population. Performance was fair. The mean mark was 9.64 out of 20 (48.20 per cent). The standard deviation was 3.58.

Part (a) required candidates to define the term *entrepreneur*, to list two characteristics of an entrepreneur and outline two features of a business plan. In Part (b), they were required to identify three steps to be considered when establishing a business and state three reasons why persons may want to establish their own business. In Part (c), candidates were required to describe the likely effects of two unethical business practices on the society.

Part (a) (i) was attempted by most candidates. The majority of them gave satisfactory responses. Only a minority showed no knowledge of the term entrepreneur. Overall, this part of the question was well done.

In Part (a) (ii), the majority of candidates was unable to list two definitive characteristics of an entrepreneur. Some candidates offered unrelated responses, or gave vague responses while others did not attempt this part of the question.

Part (a) (iii) was attempted by the majority of candidates but the responses lacked depth and clarity. Very few candidates were able to satisfactorily identify clear elements and achieve the maximum available mark.

Part (b) (i) was well done as nearly all candidates gave satisfactory responses and achieved the maximum available or close to the maximum available mark. A few candidates were of the opinion that a registered business must have an article of association.

The vast majority of candidates who attempted Part (b) (ii) was able to put forward acceptable reasons and achieved the maximum available mark. Very few gave unrelated responses.

The majority of candidates attempted Part (c). However, they were unable to identify real unethical practices or their impact on society.

Recommendations

- Students should be encouraged to actively identify and discuss ethical issues in class.
- Teachers should consider placing more emphasis on the features/elements of a business plan, that is, executive summary, operational/production plan, marketing plan and financial plan.
- Consideration may also be given to emphasizing that not all businesses require an article of association, only companies do.

The following answer is a model response to Question 3.

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

The term entrepreneur refers to someone who takes risks, invests resources, organizes and manages a business venture. An entrepreneur converts ideas into actual business ventures.

- (ii) List TWO characteristics of an entrepreneur.

Two characteristics of an entrepreneur are: willingness to take risks and vision or innovativeness OR creativity and persistence.

- (iii) Outline TWO features of a business plan.

Two features of a business plan are:

- *Executive summary: These are introductory, compelling statements outlining what is contained in the plan. It sums up the nature and objectives of the business, and succinctly captures how it plans to go about its work. It is the last part to be written and the first part to be seen by readers of the plan.*
- *Operational plan: This element of the plan gives details about the location of the business and how it will be organized and managed. It outlines the organizational structure of the business and describes the products or services that are to be offered.*

OR

- *Marketing plan: This section identifies the target market and explains how market research was conducted. It identifies existing and likely competitors and points to industry trends in the market. It also includes information on arrangements for getting the products and services to consumers. This plan includes information on the marketing mix: product, price, promotion and place.*
- *Financial plan: This part of the plan gives information on how the business is to be funded and how it plans to make money. It provides estimates of the cost of capital needs and other expenses, outlines the sources of finance, and indicates the profitability of the business.*

- (b) (i) Identify THREE steps that should be taken when establishing a business.

- *Conceptualizing the business idea*
- *Choosing a location*
- *Registering the business*

OR

- *Conducting market research*
- *Identifying resources*
- *Creating a business plan*

(ii) State THREE reasons why persons may want to establish their own business.

- *Financial independence*
- *Self fulfilment*
- *Self-actualization*

OR

- Profit motive

(c) Describe the likely effects of TWO unethical business practices on the society.

- *The inconsiderate and improper disposal of waste can create immense environmental damage. Discharging effluents indiscriminately lead to contamination and cause irreparable damage to a society's water supply. This unethical practice can also cause severe health problems and may even result in legal action being taken against perpetrators. It may be added that improper disposal can take the form of air pollution and compromise air quality, resulting in harmful effects on the earth's ozone layer.*
- *Misleading advertising can tarnish the reputation of a business and result in loss of patronage. This unethical practice can also lead to negative publicity and may even cause some customers to take legal action against those engaged in these practices. Affected customers can also report such practices to relevant consumer protection agencies. In extreme cases, authorities may be forced to sanction businesses engaged in unethical practices.*

Question 4

This question was attempted by approximately 49 per cent of the population. Performance was good. The mean mark was 12.47 out of 20 (62.35 per cent). The standard deviation was 3.69.

Part (a) required candidates to list four marketing activities and to state two elements of the marketing mix. In Part (b), candidates were required to differentiate between *sales promotion* and *public relations*. In Part (c), they were required to list examples of advertising and personal selling, while Part (d) required them to outline three problems which a consumer might experience while purchasing goods via the Internet.

Candidates performed well on Part (a) (i). A wide variety of responses were presented. Responses were accepted once they did not duplicate each other. For example, if the candidate gave advertising and airing advertisements on radio, as two separate answers then marks were awarded for either one of the responses but not both since advertisements on radio is a form of advertising. However, if candidates gave sampling and advertising as two separate answers they received one mark each for each of these responses because sampling is an example of sales promotion while advertising is a separate marketing activity from sales promotion.

For Part (a) (ii), the majority of candidates was unable to identify correct responses although they had listed aspects of the marketing mix in Part (a) (i). Seemingly, candidates did not realize that they could have repeated the elements even if they were already mentioned in Part a (i). This demonstrated that candidates were not confident of their knowledge base in this area of the syllabus.

Candidates performed poorly in Part (b). A significant number of them were unable to properly differentiate between *sales promotion* and *public relations*. Many differentiated by using the words in the subject matter for which the differentiation was required. For example, a number of them

indicated that sales promotion is promoting sales and public relations is relating or listening to the public which technically is not incorrect but indicates an inability to differentiate in a manner that showed full understanding of the concepts. Many candidates made reference to public relations being the government having a relationship with the people. Most candidates were able to get the maximum available mark for sales promotion, particularly if they used an example to make their point. However, only a few of them were able to do the same with public relations.

In Part (c) (i), candidates performed very well. They were able to gain marks in this section for listing types of advertising, for example, *persuasive* or *comparative*; or for giving different ways of advertising, for example, *television* and *newspaper*.

In Part (c) (ii), candidates also performed fairly well. However the majority of candidates provided only one of the two required examples of personal selling. The most common responses were going door to door to sell and setting up a street side stall. Far too many candidates misunderstood the concept of personal selling to mean selling an item that an individual personally owns, for example, many of them mentioned putting up one's car or house for sale.

Part (d) was very well done. The majority of candidates was able to get at least half the marks allocated to this part of the question. A significant number of the candidates lost marks for listing instead of outlining, but had they followed the instructions and outlined they would quite likely have received the maximum mark.

Recommendations

- Teachers must continue to stress the importance of students reading and following instructions and to give students more practice in answering questions and understanding how to accurately respond to various verb cues given, such as *outline* or *describe*.
- Teachers need to reinforce the four P's of the marketing mix. These are crucial to understanding marketing and students should be familiar with them. It is also important for teachers to spend more time ensuring that students are able to differentiate between and among marketing concepts and are able to give examples to demonstrate their understanding of marketing concepts and terms.

The following are model responses to Question 4.

- (a) (i) List FOUR marketing activities.

Any FOUR of the following:

- *Market research*
- *Pricing*
- *Packaging*
- *Branding*
- *Sales promotion*
- *Advertising*
- *Merchandising*
- *Distribution/transport*

- (ii) State TWO elements of the marketing mix.

Any TWO of these elements:

- Product
- Price
- Place
- Promotion

- (b) Differentiate between 'sales promotion' and 'public relations'.

Sales promotion includes short-term incentives such as coupons, discounts, competitions, BOGOF) which are used to increase market demand and sales whereas public relations is a sustained effort which includes activities to enhance the public image of a company for example, sponsorship, open days, press releases. Sales promotion techniques are often more costly than public relations whose activities often involve no additional cost to the company.

- (c) List TWO examples of:

- (i) Advertising

Any TWO of the following:

- *Collective*
- *Comparative*
- *Persuasive*
- *Informative*

- (ii) Personal selling

Any TWO of the following:

- *Selling insurance*
- *Selling items door to door, for example, ice cream, cosmetics*
- *Selling items via personalized telemarketing*
- *Selling items by the roadside, for example coconut vendors*

- (d) Outline THREE problems which a consumer might experience when purchasing goods via the Internet.

Problems which arise in purchasing via the Internet may be security-related. Buyers using this medium are required to enter credit card information, exposing them to the dangers associated with credit card and identity theft and must be mindful of using secure sites.

Some problems might be product-related. Since buyers are unable to examine goods as they would in a physical store, the goods advertised on the website might not meet the expectations of buyers in terms of quality and materials used. It might also be inconvenient for purchasers to return items.

Other problems in purchasing via the Internet relate to the technology. Buyers must not only be computer literate but must have access to a computer. Buyers should also be able to depend on reliable Internet service. Moreover, if the bandwidth is inadequate and the speed is slow, the purchasing process would be slow and frustrating for buyers.

Question 5

This question was attempted by approximately 51 per cent of the population. Performance was good. The mean mark was 13.70 out of 20 (68.50 per cent). The standard deviation was 4.08.

Part (a) required candidates to list services offered by commercial banks and state functions of central banks. Part (b) required them to differentiate between savings and investment. Part (c) required candidates to state sources of short-term and long-term financing and Part (d) required them to outline reasons for personal budgeting. The majority of responses given was satisfactory.

Candidates performed best on Parts (a) (i) and (a) (ii) which required them to list four services offered by commercial banks and state two functions of central banks respectively. Most candidates were

able to list at least two of the commercial banking services, and some of them were able to provide all four services. One common error was that candidates listed ‘making deposits/deposits’ as a service provided by commercial banks seemingly confusing services offered by commercial banks with ways in which customers can use these banking services.

While candidates correctly stated at least one function of central banks, a popular misconception among candidates was to ascribe some of the broader functions of government, such as revenue collection, to the central bank.

Responses to Part (b) suggested that while most candidates had an understanding of the concept of *savings*, less than half of them had a similar understanding of *investment*. They were not able to pinpoint the key difference between savings and investment and vice versa. A small percentage of candidates identified the risk factor associated with investments but most candidates indicated that when investments were made it was with the expectation of higher returns than from savings, implying that there was a risk factor but failing to clearly state that individuals were ‘risking’ their money when making investments. Others implied that there was a risk by stating that when money was invested individuals did so ‘with the hope of profits or returns’ or ‘expecting to make money’. As a result, the majority of the responses to this part was less than satisfactory.

Part (c) was very challenging for most candidates. At least 50 per cent of them attempted to explain the concepts *short-term* and *long-term financing* rather than identify the sources of each. It was apparent that many candidates either did not read the instructions before writing a response or were not clear on what were the ‘sources of financing’.

Responses to Part (d) indicated that most candidates had an understanding of reasons for personal budgeting as a majority of them were able to list three such reasons. However, responses were generally weakened because of candidates’ inability to develop the points listed.

Recommendations

Teachers should continue to reinforce the differences between saving and investing money. They should also continue to stress the importance of students reading and following instructions carefully when sitting examinations. Of equal importance is the need for teachers to give students more practice in answering questions and understanding how to accurately respond to questions that require differentiation or outlining as opposed to listing and stating.

The following is a model response to Question 5.

- (a) (i) List FOUR services offered by commercial banks.

- *Accepting deposits*
- *Providing loans*
- *Cashing cheques*
- *Offering money transfer services*

OR

- *Providing ATMs*
- *Issuing credit/debit cards*
- *Offering on-line banking services*
- *Making payments on behalf of customers*

- (ii) State TWO functions of a central bank.

- *Issue notes and coins*
- *Control of money supply*

OR

- *Provide financial advice to government*
- *Act as bankers’ bank*

OR

- *Serve as government's banker*
- *Lender of last resort*

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

The term 'savings' refers to that part of income which is unused. It is created when expenditure is less than income. Such money may be deposited in a savings account or even hoarded but is easily accessible and carries little risk of recovery. On the other hand, while investment also derives from the portion of income which is unused, it carries some risk and involves putting savings into some financial enterprise or institution with the expectation of realizing a return. Even though the risk of loss is greater, the expected returns are higher than is the case with savings.

(c) (i) List TWO sources of:
Short-term financing

- *Loan from commercial bank*
- *Loan from credit union*

OR

- *Increase in limit of credit card*
- *Traders' credit*

OR

- *Hire purchase*
- *Money lenders*

(ii) Long-term financing

- *Selling of shares*
- *Building societies*

OR

- *Mortgage banks*
- *Trust companies*

OR

- *Commercial banks*
- *Credit unions*

- (d) Outline THREE reasons why personal budgeting is important.

A major reason why personal budgeting is important is that it encourages households to avoid impulse buying, thereby promoting financial discipline and cutting back on non-essential purchases. By taking the time to itemize all income and all expenses, households are forced to tabulate their needs and decide on essential as opposed to non-essential purchases.

Personal budgeting promotes the objective of saving and can encourage thrift, thereby helping to develop a culture of better financial management. By encouraging households to save, personal budgeting can provide financial institutions with money for loans and in the long run enable citizens to take advantage of investment opportunities.

Personal budgeting also assists households to set goals and engage in long-term planning. By setting aside a portion of income, they can save money to purchase property, pay for children's education or take advantage of investment opportunities.

Question 6

This question was attempted by approximately 72 per cent of the population. Performance was fair. The mean mark was 11.59 out of 20 (68.50 per cent). The standard deviation was 4.74.

Part (a) (i) required candidates to state two ways in which businesses can protect the natural environment of a country. Part (a) (ii) required candidates to describe measures used by governments to protect consumers from unfair business practices. Part (b) required candidates to outline the forms of assistance offered by governments to help businesses develop. Part (c) required candidates to explain two ways in which governments could improve the health care sector in a country.

Part (a) (i) was fairly well done as the majority of candidates was able to identify at least one way. Candidates gave responses such as reuse, recycle, proper disposal of waste, replanting trees, preventing/reducing smoke emissions. However, a few of them had difficulty comprehending what was meant by the term *natural environment*.

Part (a) (ii) was also fairly well done as candidates drew on knowledge of government using various agencies to provide consumer protection and wrote in particular about the activities of these agencies. Candidates were familiar with the Bureau of Standards, and the role of the Ombudsman and Consumer Affairs. Some candidates even wrote about the Fair Trade Commission and the prevention of the formation of monopolies which can result in consumers paying higher prices. A few candidates misinterpreted or did not read the question carefully and gave responses in terms of how government protects businesses, for example, through subsidies and taxation. They ignored protection of consumers from unfair business practices. Others wrote about the unfair actions of businesses.

Candidates excelled in Part (b). They were able to provide three ways in which governments assist businesses but a significant number of them merely listed the points rather than explain them as part of an outline. The most common responses were loans, subsidies and helping the business to acquire land. The majority of candidates had no difficulty explaining the points; however, a few simply stated the points and could only be awarded one mark for each point.

In Part (c), candidates provided a number of tangible ways in which governments could assist and were able to earn a portion of the marks. They gave very 'affective' responses as they could relate to the question. A significant number of candidates indicated having more beds; better, well-trained doctors and nurses; free medication; having mobile hospitals to visit the elderly; and properly monitoring doctors and nurses. Weaker candidates resorted to airing grouses about different health care workers and the low level service they provided while others misunderstood the ways the

government could improve the health sector to mean physically clean up the environment, spraying to kill mosquitoes and 'don't litter' campaigns.

Recommendations

This is a very interesting area of the syllabus and can be taught by students doing investigative work on the role of government which can be presented in interviews, speeches, role play and surveys.

It is important that teachers coach their students to properly answer these types of questions. Candidates need to adequately describe, outline or explain concepts as required by the questions, in order to be awarded the maximum available mark. They must be taught to write in complete sentences and adequately develop the points they are advancing, giving reasons and examples to support their answers.

The following is a model answer to Question 6.

- (a) (i) State TWO ways in which businesses can protect the natural environment of a country.

Businesses can protect the natural environment by disposing of waste in landfills or dumps rather than burning it.

Businesses within the construction industry can refrain from purchasing sand, gravel, stones from those who illegally remove these from beach fronts and watershed areas.

OR

Businesses can engage in recycling activities to reduce the amount of solid waste being dumped in landfills.

Businesses can also use energy efficiently so as to assist in fighting global warming.

- (ii) Describe THREE measures used by governments to protect consumers from unfair business practices.

Governments can protect consumers from unfair business practices through the passing of laws relating to zoning. This will prevent firms that produce harmful substances by way of by-products from operating in residential areas so that persons' health is not compromised.

Through the Food and Drug Act, government stipulates that food and drugs must be prepared under sanitary conditions to avoid exposing consumers to potential health hazards.

Through the Public Health Safety Act government regulates the conditions under which animals are slaughtered and meats are stored. This Act also requires butchers to be licensed and to be free of infectious diseases so as not to be potential contaminants.

OR

Governments protect consumers through the establishment of official bodies such as the Bureau of Standards. This is an agency of the government set up to protect consumers. The Standards Act gives the Bureau the right to develop and promote standards for the improvement of goods and services so as to ensure the health and safety of consumers and the protection of the environment.

- (b) Outline THREE forms of assistance offered by governments to help businesses to develop.

Governments may offer concessions or tax exemptions to help small, fledgling businesses to develop. These businesses in their start-up phase may lack the capital for stability so this assistance can help them to grow.

Governments may also subsidize firms that produce basic items; this cash assistance will help them with working capital as well as funds to expand their businesses.

Government can provide loans to small and medium-sized businesses to finance capital expansion.

Government can provide training facilities to improve the human resources employed by businesses.

- (c) Explain TWO ways in which governments could improve the health care sector in a country.

Governments can ensure that these health institutions are properly equipped and staffed and that proper policies and procedures are in place for the orderly distribution of supplies and maintenance of these units. Patients can be charged a minimal fee that will cover the basic upkeep of these facilities.

Governments can set as priority the training of the various health care professionals to provide the right quality and quantity of care necessary for the people who visit these institutions. Government can subsidize this training and bond the employees to work for a period of time within the country when they graduate.

Question 7

This question was attempted by approximately 25 per cent of the population. Performance was unsatisfactory. The mean mark was 7.72 out of 20 (38.60 per cent). The standard deviation was 4.15.

Generally candidates found this question challenging and did not perform well on it.

Part (a) (i) required candidates to identify factors that determine a country's standard of living. Part (a) (ii) required them to describe the measures that governments can take to improve the standard of living of its citizens. Part (b) (i) required candidates to define the term *gross domestic product (GDP)*. Part (b) (ii) required candidates to outline the approaches to measure the national income. Part (c) required candidates to provide explanations for ways a country can address its balance of payments problems.

Part (a) (i) was fairly well answered. The majority of candidates gave very good answers using points related to economic development such as the number and quantity of schools, housing and transportation. However, a few candidates misinterpreted the question and gave ways of getting data or statistics on the standard of living, such as through surveys and questionnaires.

The responses to Part (a) (ii) were quite good as the majority of candidates were knowledgeable about the measures. A few candidates failed to gain full marks because they only listed the measures and made no attempt to describe them.

Part (b) (i) was not very well done as candidates could not give an accurate economic definition. Answers skirted the main issues and earned a portion of the marks by virtue of mentioning some elements involved in the definition. Of those who responded, the answers were, for the most part, inaccurate since candidates did not indicate that it is the value of the output and that the output must be produced within the physical boundaries of a country, by the citizens of the country.

Part (b) (ii) proved very challenging for the majority of candidates, as they failed to provide two of the three economic approaches used to measure the national income. Various incorrect answers were

presented for this part of the question. Of the few candidates who knew the approaches, not many were able to outline the approaches and so they lost marks.

Part (c) required candidates to provide explanations for ways a country can address its balance of payments problems. This was also very challenging for candidates. Some candidates explained ways used to balance or finance the balance of payments in the short-term, which is different from the ways to address or correct it in the long-term. Where candidates showed that they knew the differences, they sometimes did not expound on the measures or did not provide enough explanation to gain the maximum available mark.

Recommendations

- It is imperative that teachers discuss the objectives in this area of the syllabus with their students. Students need to understand the concepts involved in each of the objectives. These can be taught by students doing their independent guided research and making presentations using various media. It cannot be overstated that many examples need to be used to explain these concepts so that students learn by association.
- Definitions must be concise and accurate and so teachers should encourage their students to keep a personal dictionary of terms and concepts that they can constantly refer to.
- Students should also be encouraged to listen to business news and read financial newspapers and magazines, where they will find adequate application of the terms and concepts they are learning.
- Teachers can create PowerPoint presentations or edit those on the Internet to teach important terms and concepts.

The following is a model answer for Question 7.

- (a) (i) Identify TWO factors that can be used to determine a country's standard of living.

- *Level of income*
- *Access to modern technology*

OR

- *Level of consumption of goods and services*
- *Number of doctors per population*

OR

- *Number and quality of schools*
- *Number and quality of housing*

OR

- *Number and quality of transportation*
- *Number and quality of communication options*

- (ii) Describe THREE measures that a government can take to improve the standard of living of its citizens.

Governments can improve the standard of living of its citizens by increasing the quantity and improving the quality of educational facilities in the country. They could ensure that more teachers are trained and schools are equipped.

Governments can improve the standard of living of its citizens by increasing the quantity and improving the quality of health institutions in the country. They could ensure that more nurses, doctors and other health care professionals are trained and health institutions/centres are equipped.

OR

Governments can improve the standard of living of its citizens by increasing the quantity and improving the quality of housing in the country. They could ensure that more houses are built and transferred to its citizens.

- (b) (i) Define the term 'gross domestic product' (GDP).

Gross domestic product is the total money value of all goods and services produced in a country during the year.

- (ii) Outline TWO approaches used to measure national income.

The income method: The income method involves adding income from employment to income from profits plus net factor income from rents plus income from abroad. This would result in gross national product, depreciation must then be subtracted and national income would result.

Income from employment + Profits + Rents + Net Factor Income from Abroad = GNP – Depreciation = National Income

The expenditure method is another way of calculating the national income. It may be calculated by adding investment expenditure at market prices to consumption expenditure at market prices plus subsidies minus indirect taxes plus net factor income from abroad which results in gross national product. Depreciation is then removed resulting in national income.

Investment Expenditure at market prices + Consumption Expenditure at market prices + Subsidies – Indirect Taxes – Net Factor Income from Abroad = GNP – Depreciation = NI

The product or output method is calculated by taking total domestic product or gross domestic product added to net factor income from abroad which would result in gross national product. Depreciation is subtracted from this figure resulting in national income.

Total Domestic Product/GDP + Net Factor Income from Abroad = GNP – Depreciation = National Income

- (c) Explain TWO ways in which a country can address its balance of payments problems.

A country can address its balance of payments problem in the long run by increasing its exports. By increasing its exports it can earn foreign currency which can be used to pay debts and purchase necessary imports.

Another way a country can address its balance of payments problems is by decreasing its imports. A reduction in imports over time means that a country will reduce its debts and conserve foreign currency thereby avoiding a balance of payments problem.

OR

To avoid BOP problems a country could devalue its currency, thereby reducing the exchange rate of the local currency in relation to foreign currencies. This would have the effect of making its exports cheaper on the overseas markets, enabling the local country to earn more foreign currency which can be used to pay for imports. Imports would also become more expensive and this would force/encourage consumers to purchase locally produced substitutes.

Paper 032 – Alternative to School-Based Assessment

Profile 1 – Operational Plan

The mean for this profile was 6.74 out of 10 (67.40 per cent). The standard deviation was 2.02. Marks ranged from 1 to 10.

Question 1 – Nature and Type of Business

This question tested candidates' knowledge and understanding of the different forms of business and the various stakeholders of businesses.

For Part (a), the majority of candidates failed to identify the type of business discussed in the case. They called it a partnership, failing to identify that limited is associated with a company. In answering Part (b), the majority of candidates was able to list the stakeholders of the business. However, some lost marks because they mentioned stakeholders in the same category such as officers and managers.

Question 2 – Internal Structure of Organization

This question examined sources of conflict in a business as well as the benefits of a management information system (MIS).

In Part (a), candidates were able to identify potential sources of conflict in the case presenting some very clever reasons why the owners would disagree. However, in Part (b), the majority of candidates showed a lack of knowledge of a management information system (MIS) and therefore could not proffer plausible benefits to the company. That part of the question was poorly answered.

Question 3 – Management Function

This question looked at the functions of the general manager as well as leadership qualities.

Candidates were able to answer Part (a) very well, stating clearly the functions of management. In Part (b), the majority of candidates were able to list the qualities of the directors that would lead to success. Weaker candidates confused this with leadership styles and functions of management.

Recommendations

Students must know the distinguishing features of different types of businesses so that they will be able to clearly identify them. They must be given the option to examine many examples to reinforce concepts taught.

Emphasis must be placed on MIS. This area of the syllabus deals with the use of technology in business and may not be familiar to many students. With regard to the use of the Internet, students can do much research and find their own solutions to problems. Case studies can be used here as an approach to teaching the topic.

Candidates are still confusing leadership qualities with leadership styles and functions of management. Much effort has to be expended in helping them to learn and discern the differences.

The following are model answers for Questions 1–3.

1. Nature and Type of Business

- (a) Identify the form of business under which Call 4 You Ltd would be classified.
- *Private company or private limited liability company*
- (b) List TWO stakeholders of Call 4 You Ltd.
- *Employees or workers*
 - *Employers*
- OR
- *Owners or shareholders*
 - *Directors*

2. Internal Structure of the Organization

- (a) Suggest ONE potential source of conflict among the owners.

Any of the following:

- *Poor communication OR Lack of respect*
- *Lack of trust*
- *Autocratic leadership approach by brothers*
- *Dissatisfaction with decisions made*
- *Personal goals given priority over business goals*
- *Unfair business practices*
- *Failure to come to clear agreement on ownership*

- (b) State TWO benefits to Call 4 You Ltd of using a management information system.

Any TWO of the following:

- *More efficient and effective decision-making which could lead to increased production*
- *Centralization of data collection*
- *Better able to solve problems*
- *More informed decision- making leading to savings in time, money and labour*
- *Support for internal communication and sharing of data*
- *Access to relevant information*
- *Access to archives*

3. Management Functions

- (a) State TWO functions of the general manager.

Any TWO of the following:

- *Planning*
- *Leading*
- *Controlling*
- *Decision-making*
- *Motivating*
- *Negotiating*
- *Organizing*

(b) Suggest TWO factors that would attract clients to Call 4 You Ltd.

Any TWO of the following:

- *Focused under pressure*
- *Command trust and respect*
- *Exercise flexibility when needed*
- *Takes the lead*
- *Shows good judgment*
- *Fair/just*
- *Creative*
- *Tenacious*
- *Reliable*
- *Resilient*

Profile 2 – Marketing Plan

The mean for this profile was 10.82 out of 20 (54.10 per cent). The standard deviation was 4.19. The marks ranged from 0 to 20.

Question 4 – Target Market

Part (a) tested the ability of candidates to identify the main target group of the product/business. It was well done by most of the candidates and they scored well on it.

Part (b) required candidates to suggest what attracted clients to the product/business. This was well answered by the majority of candidates.

Question 5 – Market Research

This question called for a description of the benefits the business would have obtained from conducting market research.

The majority of candidates did not do this question well. In many instances they failed to develop the salient points.

Question 6 – Marketing Activities

Part (a) required candidates to outline ways the business could promote its services to potential clients. The responses were satisfactory. However, although many candidates knew what they were asked, many failed to expand or develop the relevant points.

Part (b) tested candidates' ability to identify two media that the business could use to reach potential clients. Candidates had no difficulty and scored maximum marks.

Question 7 – Customer Service

Part (a) required that candidates state the advantages of using a call centre to address customer concerns. This was fairly done. However, some responses were not standard answers.

Part (b) required that candidates state the disadvantages of using a call centre to address concerns. This was also fairly well done. However, the responses here again were not the standard answers expected.

Question 8 – Pricing Strategy

This question required candidates to identify factors a business should consider when pricing its services. This was fairly well done.

Recommendations

Candidates are encouraged to become familiar with Section 6 of the syllabus on the various aspects of marketing such as marketing activities, marketing research, customer service and pricing strategy. By so doing they will be competent in fielding questions in this area of the syllabus.

The following are model answers for Questions 4–8.

4. Target Market

(a) Identify TWO potential clients for Call 4 You Ltd.

- *Telecommunications company*
- *Commercial banks*
- OR
- *Business owners who are clients of the bank and telecommunications companies that use the call centre*
- *Organizations that train employees hired by the call centre*
- *Government agencies*

(b) Suggest TWO factors that would attract clients to Call 4 You Ltd.

Any TWO of the following:

- *The call centre has qualified employees.*
- *The call centre offers 24 hour services all week long.*
- *The call centre provides services in more than one language.*
- *Employees are trained.*
- *The call centre hires skilled/educated employees.*
- *Efficiency of employees.*

5. Market Research

Describe TWO ways in which Call 4 You Ltd would have benefitted from conducting market research.

Any TWO of the following:

- *Conducting the market research would have allowed the owners to identify competitors and other businesses that offer similar services.*
- *In conducting the marketing research the researchers would have interacted with persons in the field to get an understanding of consumer behavior.*
- *The company would have an understanding of the demand of target markets— how much of the service customers would require.*
- *The company would have received information on the needs of potential clients and the types of services they require.*

6. Marketing Activities

- (a) Outline TWO ways in which Call 4 You Ltd can promote its services to potential clients.

Any TWO of the following:

- *Giving specials by offering discounts on prices, such as introductory prices*
- *Offering free trial periods so that potential clients can test out the system to see if it meets their requirements*
- *Offering free week for every month of service paid for*
- *Sponsoring events of potential customers, for example, social clubs – football team*
- *Offering switching over benefits to potential clients to encourage them to leave their present providers*

- (b) Identify TWO media that Call 4 You Ltd can use to reach potential clients.

Any TWO of the following:

- *Television advertisements and infomercials*
- *Newspaper advertisements*
- *Radio advertisements*
- *Inserts in utility bills*
- *Advertisement in airline magazines*
- *Email advertisements and infomercials*

7. Customer Service

- (a) State TWO advantages of using a call centre to address customer concerns.

Any TWO of the following:

- *Cheaper for businesses to outsource some services*
- *Able to provide dedicated services in particular areas*
- *Fewer full-time staff needed on payroll*
- *Less physical space needed to conduct business*
- *Personal, physical attacks on employees by displeased customers are unlikely*

- (b) State TWO disadvantages of using a call centre to address customer concerns.

Any TWO of the following:

- *Impersonal service to clients*
- *Agents do not always understand needs of customers*
- *Language barriers may pose problems*
- *Customers do not always trust agents who are not knowledgeable about the service being offered*
- *Distance does not allow for improving customer/client relationship*

8. Pricing Strategy

Identify TWO factors that Call 4 You Ltd should consider when pricing its services.

Any TWO of the following:

- *Hours of service requested per day/week*
- *Language needed, whether English only or English and another language*
- *Length of contracts desired by clients*
- *Number of dedicated agents needed*
- *Cost of telecommunications*
- *Nature of service requested by clients*
- *Qualification of employees*

Profile 3 – Financial Plan

The mean for this profile was 6.78 out of 10 (67.80 per cent). The standard deviation was 2.11. The marks ranged from 1 to 10.

Question 9 – Sources and Use of Finance

In Part (a), the majority of candidates was able to identify two sources of funding. In some responses, sources identified for accessing funding needed clarification, for example, *selling shares* instead of simply stating shares; *loans/gifts from friends/family* instead of family/friends and so on.

In Part (b), the majority of candidates was also able to list two expenses of the firm. Some responses failed to specify the exact expense, for example, *rental for office space* rather than simply office space; *loan/interest repayment* instead of just loans.

Question 10 – Role of Government

Part (a) was fairly well done as the majority of candidates was able to give at least one type of government assistance. Some candidates disregarded *other than financial* and mentioned grants, payment of company's rent etc.

In Part (b), whereas most candidates identified the two taxes to be paid, some identified the source and failed to name the tax, for example, tax on profits instead of *corporation tax*; tax on service call instead of VAT and so on.

Question 11 – Executive Summary

Very few candidates scored the full two marks. The majority failed to include information from the three sections. Some candidates gave information from three subdivisions within one section of the business plan, for example, the marketing plan. A few candidates knew that the business was a private limited company. The majority referred to it as a partnership or 'partnership company' which affected their scores.

Recommendations

- Candidates are encouraged to learn many examples of concepts such as sources of finance and business expenses.
- Through role play and other activities students can simulate government activities.
- Candidates should also learn to write proper executive summaries.

The following are model answers for Questions 9–11.

9. Sources and Use of Finance

- (a) Identify TWO sources of funding, other than personal savings and bank loans, from which the company can acquire working capital.

Any TWO of the following:

- *Family*
- *Credit unions*
- *Overdrafts, credit cards and other lines of credit*
- *Selling of shares*
- *Selling of personal assets*
- *Trade credit*

- (b) List TWO monthly expenses that the business will incur.

Any TWO of the following:

- *Rent*
- *Salaries*
- *Telephone*
- *Interest on loans and loan repayments*
- *Light*

10. Role of Government

- (a) State TWO types of assistance, other than financial, which government can offer to Call 4 You Ltd to help the business to succeed.

Any TWO of the following:

- *Providing training for employees*
- *Technical assistance to businesses*
- *Research and development assistance*
- *Providing tax exemptions*
- *Providing low interest loans*
- *Paying for infrastructure development near the business*

- (b) Identify TWO taxes that Call 4 You Ltd will be required to pay to the government.

Any TWO of the following:

- *Income tax for employees*
- *Company tax*
- *Corporation tax*
- *Duties on imports*
- *Sales tax, value added tax*
- *Licensing fees*

11. Executive Summary

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

Four brothers decided to open a call centre, Call 4 You Ltd in their hometown. The call centre will provide employment to high school graduates. The owners will target telecommunication providers and financial institutions as their main clients. The business plans to acquire and maintain new customers through excellent customer service and marketing activities. The business intends to provide quality services that are superior to its competitors and will market its services using various media. The business hopes to access whatever assistance government provides for which they qualify. Call 4 You Ltd will also be seeking additional funding and aims to achieve breakeven within eight months.

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

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION
MAY/JUNE 2015**

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

GENERAL COMMENTS

The Principles of Business (POB) examination was offered for the 38th time in June 2015. This year, 30 217 candidates sat the examination.

The composition of the examination was as follows:

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 031 – School-Based Assessment (SBA)

Paper 032 – Alternative to SBA (Private Candidates)

Paper 01 consisted of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory. The mean mark was 36.61 out of 60 compared with 34.81 and 36.87 in 2014 and 2013 respectively. The standard deviation was 9.22. Two candidates achieved the maximum available score, while 76 per cent scored at least 50 per cent of the maximum available marks for this paper.

Paper 02 comprised three sections. Candidates were required to answer the three compulsory questions in Sections I, one question from Section II, and one from Section III. Candidates performed exceptionally well on Paper 02. The mean mark was 63.63 out of 100 compared with 43.73 and 47.30 in 2014 and 2013 respectively. The standard deviation was 19.46. The highest mark on this paper was 59 out of 60. This was achieved by eight candidates. Forty-two candidates scored 100 per cent on this paper. Approximately 82 per cent of the candidates achieved at least 50 per cent of the maximum available mark for this paper.

Paper 031, the School-Based Assessment (SBA), is usually done by school candidates. Candidates were required to prepare a business plan on one aspect of Profile 2: either production, marketing or finance. Performance on this paper was quite good. The mean mark was 32.71 out of 40 compared with 32.35 and 32.68 in 2014 and 2013 respectively. The standard deviation was 5.55. Five per cent of the candidates achieved the maximum available mark, while 98 per cent achieved 50 per cent or more of the available mark.

For Paper 032, the Alternative to SBA, candidates were required to complete a business plan using a given template and a case. Performance on this paper was good. The mean mark was 29.98 out of 40 compared with 23.60 and 21.73 in 2014 and 2013 respectively. The standard deviation was 6.44. Eight candidates achieved the maximum available mark, while 92 per cent achieved 50 per cent or more.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory Questions

Question 1

This question tested candidates' knowledge of business terms and concepts, characteristics of the forms of business and the role of stakeholders. Overall the question was generally well done. Five per cent of the candidates scored the maximum available mark for this question, while 77 per cent scored at least 50 per cent of the marks allocated for the question. Candidates provided satisfactory responses for most of the sections of the question. The mean mark was 13.64 out of 20 (68.20 per cent). The standard deviation was 4.30.

Part (a) required candidates to define the terms *profit*, *enterprise* and *specialization*. This part of the question was generally well done. Most candidates were able to provide a satisfactory definition of the term *profit*. The stronger candidates recognized that profit has two components: *revenue and expenditure*. The weaker candidates recognized at least that profit provided a financial gain.

Most candidates were able to explain the concept of *enterprise* as being *a business venture/entrepreneurship or as a factor of production*. The stronger candidates alluded to either of the above definitions, while the weaker candidates gave no response.

Most candidates were able to provide a satisfactory definition for the term *specialization*. The stronger candidates recognized that it is *division of labour and assignment of tasks/degree of mastery in an area of production or focusing on producing a limited scope of products to gain efficiency*. The weaker candidates were able to identify that *it involves someone who is an expert or focusing on a particular task*.

Part (b) required candidates to identify franchises in the Caribbean. The vast majority of candidates provided good examples of franchises operating in the Caribbean. The weaker candidates confused franchises with parent companies that have expanded, local firms or public enterprises or gave no response at all.

Part (c) required candidates to state two characteristics of partnerships, co-operatives, and sole proprietorships. The majority of candidates was able to provide good responses for both partnerships and sole traders and were able to score full marks for these concepts. The weaker candidates were able to give one characteristic of each concept. However, some candidates were of the notion that partnerships had shareholders and confused the liability status of sole traders and partnerships.

The concept of co-operatives posed the greatest challenge for candidates and this aspect of the question was generally poorly done. The stronger candidates were able to provide both characteristics or give at least one. The weaker candidates gave poor responses or provided none at all.

Part (d) required candidates to describe the role of employers and employees in business. The majority of the candidates satisfactorily described the role of the employer and employee. The stronger candidates provided proper descriptions and in some cases provided more than one role and as a result scored the maximum mark. The weaker candidates identified a role but did not provide a description and a few confused the role of employers and employees.

Recommendations

In teaching this area of the syllabus teachers are encouraged to:

- Emphasize how to provide proper descriptions as it relates to answering questions.
- Engage in proper revision prior to the examination on areas covered early in the syllabus.
- Place more emphasis on co-operatives when teaching forms of business.
- Place emphasis also on the difference between multinational corporations and franchises, and give many examples of both to reinforce the concepts.
- Emphasize the liability status of each form of business and on differentiating each form of business from the other.

Question 2

This question tested candidates' knowledge of management, workplace relations, leadership styles and characteristics as well as teamwork. The question was very well done. The mean mark was 16.33 out of 20 (81.65 per cent). The standard deviation was 3.89. Twenty-seven per cent of the candidates achieved the maximum available mark, while 91 per cent scored at least 50 per cent of the total mark.

Part (a) required candidates to list four functions of a manager and state three guidelines for establishing good relations between management and employees. The majority of candidates correctly listed the functions of a manager, while a small minority mistakenly gave characteristics of a leader or functional areas of management. Candidates performed fairly well in stating guidelines for establishing good relations between management and employees. A notable number of candidates offered acceptable responses for either what a manager should do, or what an employee should do. Very few offered a balanced description from both perspectives.

Part (b) required candidates to identify three characteristics of a good leader and to differentiate between *participatory leadership style* and *autocratic leadership style*. The vast majority of candidates was able to identify acceptable characteristics of a leader thus demonstrating excellent knowledge of the content. However, differentiating between *participatory leadership style* and *autocratic leadership style* was challenging for many candidates. They confused the description of the participatory leader with that of a laissez faire leader. The majority of candidates could, however, adequately describe an autocratic leader.

Part (c) required candidates to explain two ways in which an organization can benefit from teamwork. This part of the question was well done by the majority of candidates. They were able to, very satisfactorily, identify acceptable benefits of teamwork, not only to the organization, but also to the employee as well as to the customer in many instances. Some candidates used examples to concretize their point.

Recommendations

- Teachers should emphasize the distinction between functions of a manager and functional areas of management.
- Teachers may also consider utilizing *role play* as a teaching method to increase students' ability to clearly distinguish between the different types of leadership styles.
- Students may find it useful if teachers provide them with assignments, such as completing a report, on the benefits of good relations between management and employees. This would help to reinforce the concepts in this area of the syllabus.

Question 3

This question tested candidates' knowledge of migration, types of production, and the use of technology in production. Overall, candidates performed fairly well on this question. The majority of them gave satisfactory responses. The mean mark was 12.85 out of 20 (64.25 per cent). The standard deviation was 5.02. Seven per cent of the candidates achieved the maximum available mark while 69 per cent of them scored at least 50 per cent of the available mark.

Part (a) required candidates to define the term *migration*, state one positive effect and one negative effect of migration, and outline two reasons for migration. Part (a) was well done by the majority of candidates. The majority of them correctly defined the term migration and some of them correctly stated both positive and negative effects of migration. The majority of candidates also gave two reasons for migration. However, a main area of weakness was the tendency of many candidates to merely list or state reasons rather than seek to develop the points.

Part (b) required candidates to list two characteristics of subsistence production and explain how *capital-intensive production* differs from *labour-intensive production*. Listing characteristics of subsistence production proved most challenging for many candidates. Fewer than 50 per cent correctly stated at least one characteristic of subsistence production and only about twenty-five per cent correctly stated two characteristics. A popular misconception was to state features of domestic level production as characteristics of subsistence production.

Explaining the difference between capital-intensive production and labour-intensive production also created some challenge. While the majority of candidates seemed to be familiar with the concept of labour-intensive production, many of them were less familiar with capital-intensive production, and so the majority failed to satisfactorily explain the difference between the two concepts. A general weakness with the responses was the tendency of candidates to only offer definitions of 'capital' and 'labour'.

Part (c) required candidates to explain one advantage and one disadvantage of computer-aided designs (CAD) in the production process. The performance of candidates on this part of the question could be considered fair. However, the following weaknesses were identified:

- There was an apparent lack of knowledge that CAD is a software, and not a type of computer-controlled machinery. As a result, many of the responses were applicable to the use of computers

in general, and not to CAD specifically. This was exemplified in this popular response given as an advantage of CAD: 'It increases the amount of goods produced.'

- It appeared that many of the candidates were taught that CAD is useful in the designs of labels and logos. However, a significant number of the responses suggested that many candidates confused these examples with CAD in general. This lack of clarity led to the popular response as an advantage: 'It shows the name of the producer.'
- Many candidates failed to earn the maximum mark available because they gave partial responses.

Recommendations

- Students should be continually assessed on those areas of the syllabus (such as levels of production) that are taught earlier in the course of study.
- Teachers are urged to assist students to articulate their responses, paying particular attention to the action words (such as *list*, *state*, *outline*, *differentiate*, *explain*) by applying appropriate rewards in their assessments.

Section II – Optional Questions

Question 4

This question tested candidates' knowledge of marketing and was attempted by approximately 80 per cent of candidates. Overall, performance on this question was fairly good. The mean mark was 13.37 out of 20 (66.85 per cent). The standard deviation was 5.20. Ten per cent of the candidates achieved the maximum available mark while 73 per cent of them scored at least 50 per cent of the available mark.

Part (a) required candidates to define the term *consumer protection*. The majority of candidates gave suitable definitions.

Part (b) required candidates to list two rights of the consumer and outline two roles of the Bureau of Standards. The majority of candidates was able to identify the basic rights of the consumer such as the *right to redress* and *the right to be heard*. However, the majority of candidates was unable to outline two roles of the Bureau of Standards. The majority of them responded by stating that the Bureau of Standards protects consumers but could not expound on how it protects the consumers. Many candidates focused more on the role of the Consumer Affairs Commission.

Part (c) required candidates to state two characteristics of the wholesaler as a distributor and to outline one advantage and one disadvantage of e-commerce as a method of retailing. The first part was poorly done by. The majority of candidates referred to the wholesaler as a producer and not the distributor of goods. However, some candidates clearly stated that *the wholesaler distributes goods to the retailers by breaking the bulk and selling the goods at a cheaper price*.

The majority of candidates adequately outlined one advantage and one disadvantage of e-commerce. It was clear that candidates are in the technological age and know about shopping on-line.

In Part (d), candidates were required to identify two problems related to the distribution of goods and to outline one measure that producers could take to avoid each problem identified. Candidates performed well on this part of the question as the majority of them satisfactorily identified problems relating to the distribution of goods and outlined ways to avoid those problems.

Recommendations

- Teachers need to reinforce the distribution channels to students. Students could engage in role-play activities to show how the distribution of goods is done from the producer to the middlemen to the final consumer.
- Teachers need to continue to encourage students to be aware of their rights as consumers and the agencies which are available to protect them from unfair treatment.

- Students could be taken on financial tours to the Consumer Affairs Commission, Bureau of Standards or the Fair Trading Commission to reinforce the role played by these organizations. Teachers could also invite guest speaker from these institutions to give talks to their students.

Question 5

This question tested candidates' knowledge of business finance, including investment, insurance, shares, savings and banking. It was attempted by approximately 20 per cent of the candidates. Performance on this question was below average. The mean mark was 7.26 out of 20. (36.30 per cent). The standard deviation was 4.43. Less than one per cent of the candidates achieved the maximum available mark on this paper. Twenty-two per cent scored at least 50 per cent of the available mark.

Part (a) required candidates to define the term *overdraft*. This part of the question was well done. The majority of candidates achieved the maximum available mark.

Part (b) required candidates to list two forms of investment and to outline two principles of insurance. The majority of candidates correctly listed two forms of insurance. Outlining two principles of insurance presented some challenge to many candidates. Only a minority of candidates correctly developed each principle in order to earn the maximum mark. Some candidates gave definitions and functions of insurance in their responses rather than specifying the principles involved.

Part (c) required candidates to state two characteristics of ordinary shares and to outline one advantage and one disadvantage of the *sou sou* (meeting turn) as a form of saving. Stating two characteristics of ordinary shares presented some level of difficulty for many candidates. Many gave weak responses including 'profits' but about half of the candidates were able to earn the full two marks.

The latter part of (c) was very well done by the majority of candidates. Most candidates gave excellent responses and so were able to earn the full four marks. However, a minority merely earned two out of the four marks allocated as they only identified the advantage and the disadvantage but failed to elaborate on the points.

Part (d) required candidates to describe two measures which a central bank may use to influence the behaviour of commercial banks. This part of the question was very challenging for the majority of candidates, many of whom gave incorrect functions of a central bank. Of those who cited measures, the majority was unable to elaborate correctly on the measures identified and were therefore not able to earn the full six marks allocated for this part of the question.

Recommendations

- Special emphasis should be placed on principles of insurance, characteristics of ordinary shares and measures a central bank uses to influence the behaviour of commercial banks.
- Students should also be encouraged to pay attention to verb cues such as *define*, *list*, *outline* and *describe* and to respond accordingly.
- Students should be reminded to observe the marks allocated for the various parts of the questions and to use these marks to guide them in answering questions appropriately.

Section III – Optional Questions

Question 6

The question tested candidates' knowledge of economic problems facing Caribbean countries. It was attempted by approximately 30 per cent of the candidates. Overall, performance on this question was less than satisfactory. The mean mark was 9.73 out of 20 (48.65 per cent). The standard deviation was 5.64. Three per cent of the candidates achieved the maximum available mark. Forty-seven per cent of them scored at least 50 per cent of the available mark.

Part (a) required candidates to identify two economic problems facing Caribbean countries and to outline one way in which each problem may be solved. Candidates showed great competence in identifying the economic problems as evidenced by the high scores gained. While most candidates were able to identify clearly two economic problems, for example, *debt burden* or *inflation*, weaker candidates mentioned economic problems that are universal, for example, scarcity. Some candidates even stated social issues for economic problems, for example, teenage pregnancy or street children. Many of the candidates who correctly identified the economic problems also outlined suitable solutions, thereby earning the full four marks, but a few were unable to explain fully how the solution would address the problem and so scored half the marks.

In Part (b), candidates were required to define the term *foreign direct investment* (FDI) and outline three factors that are likely to discourage foreign direct investment. This part of the question provided some challenge for the majority of candidates. A small proportion of candidates were able to define FDI correctly by mentioning the two parties involved in the process viz. the foreign investor and the host country and by so doing gained the full two marks. The weaker candidates provided a definition that played upon each letter of the abbreviation, which allowed them to earn half or no marks.

The majority of candidates who answered the latter part of (b) was able to identify three factors that were likely to discourage foreign investors from investing in the Caribbean, securing at least one mark for each factor. The failure to elaborate on the factor identified, however, denied many candidates the additional mark.

Part (c) required candidates to explain two ways in which Caribbean countries benefit from foreign direct investment. This part of the question was generally well done. The majority of candidates who answered it was able to state at least two benefits of FDI to Caribbean countries, for example, inflow of foreign currency. The stronger candidates were able to gain at least five or six marks for stating the two benefits and explaining fully how the benefits trickle down in the economy. The weaker candidates stated only one benefit and fell short of explaining the effects of the benefit and so gained one third of the marks.

Recommendations

- When teaching FDI, use should be made of actual foreign direct investors operating in the country, using a map of the world or globe to locate the country of origin and to trace the journey of the FDI locally and worldwide.
- Students should be encouraged to create a glossary of terms related to this topic, for example, *foreign investor*, *host country* and *subsidiary*) in order to reinforce work done.
- To enable students to recognize clearly the contributions of FDI to their country, teachers should promote discussions on the economic activity foreign direct investors are engaged in.

Question 7

This question tested candidates' knowledge of the role of government in an economy. The question was attempted by approximately 70 per cent of the candidates. Overall, performance on this question was satisfactory. The mean mark was 13.88 out of 20 (55.52 per cent). The standard deviation was 4.77. Six per cent of the candidates achieved the maximum available mark while 75 per cent scored at least 50 per cent of the available marks.

Part (a) required candidates to outline two ways in which governments can regulate business activity and describe two measures which governments can take to protect consumers. The majority of candidates gained full marks. Those who did not gain full marks either did not outline the points or the points were not outlined properly. A few candidates outlined factors which led to regulating consumers or employees and not businesses. The majority of candidates was able to give two ways in which governments protect consumers through direct means such as the *hire purchase laws*, *through ensuring that their rights are acknowledged* and *through various institutions or agencies such as the Bureau of Standards*.

For Part (b), candidates were required to outline three ways in which their country can benefit from improved roads and transportation. Not many candidates outlined the benefits of improved roads and transportation to their country. The benefits they alluded to, although correct, were mostly personal benefits.

Part (c) required candidates to explain two ways in which governments could improve the education sector. This part of the question yielded the best responses. The majority of candidates gained full marks for Part (c). They showed that they are very much aware of what can be done to improve the education sector. A few candidates, however, did not develop the points sufficiently to gain the full marks.

Recommendations

- In teaching this section of the syllabus, teachers should consider looking specifically at the governments' role not only generally but also as it relates to their own country and to the different economic agents.
- Students should be guided to speak and write in specific terms and to avoid general statements that do not result in them gaining any marks, they should also avoid repeating the question.
- Students must also be taught how to separate their points clearly and to avoid making statements indicating that three points will be given and then proceeding to give one or two points.
- Lack of economic jargon is also a problem. To alleviate this problem, teachers could give students an ongoing assignment to produce a dictionary of terms used throughout the syllabus.
- Visits to institutions involved in government regulation will also help to cement the role of such institutions in the minds of students and lead to better performance on the external examination.

Paper 031 – School-Based Assessment

There was a remarkable improvement in the overall quality of the samples submitted, most of which have successfully met the required standard. Students continue to perform well on this component. The mean mark for Paper 031 was 32.71 out of 40 (81.78 per cent). The standard deviation was 5.55. Five per cent of the students achieved the maximum score while 98 per cent earned 50 per cent or more of the available mark. However, there are some areas of concern which need to be addressed, so that students can maximize their performance.

The SBA project is a projected business plan and should not be an investigation of an existing business. Students should adhere to proper communication standards by ensuring that correct spelling, punctuation and grammatical standards are followed. They need to submit a complete cover page with all the required headings clearly indicated.

There were some instances of obvious collusion, where students submitted the same SBA word for word. Every effort should be made to discourage this practice. The majority of the plans presented fell under the Production Plan and were not always appropriate for the nature of the business. Mention must also be made of the fact that the majority of projects exceeded the word limit given by CXC.

The topics chosen this year reflected innovative and creative business concepts. However, a small percentage of students failed to adhere to the guidelines stipulated by the mark scheme.

Establishing a Business – Production

Description of the Business

The fundamental concept needs to be emphasized, for example, the type of business. In some cases students stated that the business was a sole trader, but indicated Ltd in the business title. The Nature of the Business and Objectives/Mission Statement were clearly stated. A high percentage of students gained full marks under these criteria.

Role of the Entrepreneur

This was generally well done, but when defining the role of an entrepreneur, a small percentage of students failed to incorporate the concept of the risk-taking element as an integral part of defining an entrepreneur.

Use of Technology

This section was generally well done. Most candidates were able to identify two types of technology used in the business. However, approximately 40 per cent of the students failed to show how the technology identified was used to enhance the efficiency of the business. In addition, the technology identified did not relate specifically to the nature of the business.

Internal Potential for Growth

The majority of students scored full marks in this section but the less successful ones failed to fully develop their points and thus failed to obtain full marks. Some students also did not justify the reason for internal growth occurring in the business.

Justification of Location

Students performed well on this criterion. The majority of students stated the location and successfully outlined three reasons to justify the location.

Selection of Appropriate Labour

The majority of students gained full marks in this area. A small percentage of students failed to outline one reason why this type of labour was necessary.

Sources of Fixed and Working Capital

The majority of students gained full marks in this area. Nevertheless, there was a problem identifying the different sources of working and fixed capital.

Types and Levels of Production

The majority of the students scored full marks on this area. Nevertheless, a minority of students failed to describe the type and level of production.

Quality Control Measures

Students performed well on this criterion. Most of them described two control measures to which the business should adhere.

Linkages

The majority of the students was able to identify a type of linkage but they were unable to relate the linkage identified and its benefit to their projected business.

External Potential for Growth

The majority of students scored full marks in this section. The less successful students failed to fully develop their points and, thus, failed to obtain full marks. Also, students did not justify the reason for the external growth occurring in the business.

Government Regulations

The majority of students was able to list the government regulations but failed to show their impact on the business.

Ethical Issues

The majority of students were able to list and discuss ethical issues. Nonetheless, many were unable to show how ethical issues impacted the business.

Communication of Information

Most students performed well in this section. The majority of them included a title page, table of contents and bibliography which led to an improvement in the overall presentation of the report. Nevertheless, students need to use an acceptable format for their bibliography for example, the APA style.

Establishing a Business – Marketing

Description of the Business

This aspect of the SBA was adequately addressed. Most students identified the type of business, the nature of the business and stated the mission statement/objectives of the business.

Organization of the Marketing Department

Most students did not identify the structure of the marketing department, for example, line, functional; nor did they draw an organizational chart of the marketing department.

After identification of the structure of the marketing department, most students adequately described the roles and functions of the marketing department personnel.

Market Research

This part of the syllabus requires students to discuss three of the five components of market research. The discussion should inform the reader of the students' findings and how the findings are likely to impact the business.

Target Population

Most students provided the qualitative aspect but did not adequately address the quantitative aspects, for example, the approximate number of persons in their target market, percentage, etcetera.

From the market research conducted, students should identify the possible prices for their proposed product or service. Most students did not address price adequately. The current market price and price favoured by customers should also be included.

Competitors

Students must identify their competitors, what they offer and what makes their product different. They then need to state what they will do to gain the competitive advantage.

Substitutes

Students must identify another product/service that can be used instead of theirs, then state what will be done by them to make customers select their product above the substitute.

Sales Forecast

Students can use graphs/charts to aid their discussion. They can be specific to show the expected sales over timeframes, for example, months, years. The *projections* can also incorporate market trends, for example, more sales expected during Christmas time, Easter, Mother's Day, Valentine's Day etcetera.

Product/Service

Students can improve their discussion with the use of a logo, slogan, symbols, uniforms, corporate colours etcetera. The discussion needs to be more thorough and should fully address branding and/or packaging.

Packaging needed to be more thoroughly discussed for tangible goods as well as services. For goods, students can address the suitability of packaging, materials used, etcetera. For services, they can consider the experience of the consumer before, during and after purchasing the product.

Pricing Strategy

Most students mentioned a strategy but did not adequately justify their choice of pricing strategy. They needed to fully describe the pricing strategy selected and justify it accordingly.

Place

Most students did not fully describe the distribution channels used. Neither did they show where their business is positioned in the distribution chain. Students should illustrate this with the aid of a diagram. They needed to clearly show what challenge(s) or problem(s) they are likely to have with the selected distribution channels. They also needed to state a suitable alternative. That is, suggest strategies to address the stated limitations.

Promotion Mix

Most students addressed this area well. Subheadings chosen were thoroughly discussed, showing how the selected mix would bring awareness to the product and lead to increased sales.

Technology

Students needed to state at least two forms of technology that the business would use. They needed to show how their choice of technology would enhance the efficiency of the marketing function in the business. They are advised to select varied types of technology and clearly discuss how they will enhance the functioning of the marketing department.

Customer Complaints

Students need to illustrate, by way of an example, how the business addresses consumer issues and complaints. Few students stated an example of a customer complaint and how the business would solve the problem.

This area has improved but it still requires further improvement.

Government Regulations

The regulations were well identified and some students showed how these regulations impact on the business. Students need to ensure that they explain how the regulations impact on the business, whether financially, legally or otherwise, noting that the impact can be either positive or negative.

Ethical Issues

Students need to ensure that they address ethical issues instead of mentioning basic operational practices, for example, clean working environment. The ethical issues mentioned need to be relevant to the business being presented. It should also be linked to the marketing function, for example, copyright infringement, etcetera. It must be noted that the impact can be either positive or negative. That is, if the business follows ethical practices, it will reap the relevant rewards.

Communication

Students need to pay attention to their use of language — expression and flow of language. They are reminded that they should include the necessary components in order to be rewarded the maximum grade for overall presentation. All three components need to be included.

In addition, students need to fully complete the title page. It should include all the components outlined in the syllabus. The table of contents must be complete and must correspond to the page numbers in the report. They also need to use an acceptable format for the bibliography, for example, the APA style.

Establishing a Business - Finance

This year, as in previous years, Finance was the least attempted of the three profiles. There was an improvement in the overall quality of the work submitted. Those students who attempted this profile, however, did satisfactorily.

In general, Profile 1 was done well, but students continued to encounter challenges with some areas in Profiles 2 and 3.

Students were able to adequately address with the following criteria: Description of Business

- Organizational Chart
- Collateral

Use of Technology

- Purpose of which Finance is needed: Capital Goods
- Sources of Finance

The use of English and the overall presentation of the SBAs were generally good.

The following areas were of particular concern:

- Capital Instruments

Under this criterion students were required to first describe the capital instruments selected under the headings of 'debt' and 'equity' and state the implications of this capital mix.

While students were able to identify the instruments through which the capital was to be raised, the vast majority of them were not able to categorize these instruments using the classification of 'debt' and 'equity' in the capital mix of their company. Consequently, they had difficulty stating the implications of the capital mix selected.

- Projected Performance

This criterion requires students to produce a pro-forma income statement clearly showing gross and net profit and a pro-forma balance sheet clearly showing the liabilities and capital sections.

Both the income statement and balance sheet were generally well done.

- Identify Government Regulations Impacting the Business

While students were able to identify a government regulation, most failed to identify a financial regulation and were unable to show how the regulations impacted the business.

An example of a financial regulation that would impact a business financially is the payment of taxes.

- Ethical Issues

Students were able to identify an appropriate ethical issue but failed to show what impact the ethical issue would have on the business.

Paper 032 – Alternative to School Based Assessment

Profile 1

This profile tested elements of the syllabus contained in the section Organizational Principles.

These included the nature and type of business, organizational structure and management functions, as well as ethical and legal issues. Generally, candidates' performance on this profile was good. The mean mark was 8.18 out of 10. The standard deviation was 1.90.

Question 1

This question required candidates to identify the kind of business based on the type of ownership. Most of the candidates who attempted this question managed to secure the one mark awarded. Those who failed to secure the mark gave responses that indicated some confusion with the term *kind of business* and which suggested that candidates lack knowledge of the elements of the various forms of business.

Question 2

In this question, candidates were required to complete an organizational chart showing the structure of Poplen Iron Works. Approximately 85 per cent of the candidates successfully completed this question. Many incorrect responses were given, including the name of the business and the type of business, to fill the box at the top of the organizational chart. Acceptable responses included *owner*, *manager*, *supervisor* and *CEO*. Although many candidates knew what to write in the different boxes of the chart, it appeared that some of them were unsure as to where to place their responses.

Question 3

This question comprised two parts. Part (a) required candidates to show how Ford Poplen demonstrated his responsibility to society and the second part his responsibility to government. The majority of candidates was able to identify one responsibility Ford Poplen honoured to society and the government. Where candidates were unable to answer successfully, this was as a result of not being able to distinguish between a responsibility to society and one to the government. In most of the correct responses, candidates cited relocation of the business and hiring of an accountant to organize his finances and pay off taxes due. A small percentage of candidates gave registering the business as a social responsibility.

In Part (b), candidates were required to describe how Ford Poplen executed the management function of *organizing*. Approximately 85 per cent of the candidates who responded were able to secure at least one mark. The popular response given referred to the hiring of an accountant, a painter and finisher, deciding on the location of the business and arranging the organizational structure, thereby identifying the division of labour for the business. Some candidates however, confused the function of planning with that of organization.

Question 4

This question required candidates to state two unethical business practices in which Poplen Iron Works was involved. From the responses given, it was clear that the majority of candidates did not grasp the concept of *unethical business practices*. Their responses encompassed what was being sold — metal gates and furniture. Additionally, some responses related to how the unethical issue was ameliorated, that is, Ford Poplen moved to a commercial district thereby no longer operating unethically. Acceptable responses included *noise and air pollution, not registering the business, not keeping proper accounting records and setting up in a residential area*. Unacceptable responses included ‘health care’, ‘lack of communication’, and ‘union rights infringements’, all of which were unrelated to the case.

Recommendations

To enable students to give better and more complete responses teachers should take note of the following

Students must be able to:

- Identify the features of different forms of business with emphasis on the type of business.
- Know the tenets of a basic organizational structure.
- Be guided by the mark allocated to the question.
- Have a working knowledge of the management functions inclusive of the function of *organizing*.
- Understand what are ethics and ethical issues and be able to differentiate between ethical and unethical issues in a given business.
- Read questions carefully and appreciate the requirements stated.

Profile 2

This profile tested candidates’ knowledge of the business plan. Aspects related to the impact that competitors have on a business as well as how specific promotional strategies can be used to boost business activity were tested. Candidates were also required to demonstrate that they had knowledge of the various distribution strategies that a business can use as well as the advantages of branding to a business. Performance on this profile was fairly good. The mean mark was 14.51 out of 40. The standard deviation was 3.72.

Question 5

This question required candidates to outline reasons why Poplen Iron Works may not have been making as much sales as it could. The question was done well as approximately 90 per cent of the candidates scored the full four marks. Candidates gave good responses such as *the business did not have a distinctive brand,*

it needed to advertise more, the business only supplied local customers and did not export. Some of the weaker responses candidates gave were that 'Poplen did not have a brand', which was not true.

Question 6

This question required candidates to identify two of Poplen's competitors. This was generally well done. In some of the better responses, candidates were able to identify *tourist markets/vendors, local companies that sold souvenirs and other producers of grills and gates*. Some weaker responses indicated that 'there were no competitors' or that 'the Local Small Producers' Association were competitors' which was inaccurate.

Question 7

This question required candidates to outline two advantages that the business is likely to have over its competitors. Candidates performed exceptionally well on this question. More than 85 per cent of them achieved the full four marks. Strong responses indicated that they were the *only business using metal which gave them monopoly power, it produced high quality unique products which were durable and that Poplen catered to wholesalers and retailers who had advantages of stocking and bulk breaking as necessary*. Some of the weaker responses gave an advantage of having a private car to use but discussion on how this was an advantage was lacking.

Question 8

Candidates were required to identify potential customers of Poplen Iron Works. Candidates did not pay attention to the term *potential customers* and as a result candidates who identified two groups of customers were awarded the two marks. At least 80 per cent of the responses were very good. Some of the stronger responses identified groups such as *art lovers, regional customers, overseas/foreign/international customers and tourists*. The weaker responses included retailers and wholesalers, which were not awarded any marks.

Question 9

Candidates were required to describe one promotional strategy that could help the firm to increase sales. This question was well done most candidates. In at least 90 per cent of the responses given, candidates were able to describe a promotional activity that could assist the firm. Strong responses included *putting advertisements on the van, having the art displayed or advertising the firm online electronically*. Some candidates also described how *sales promotion techniques* can be implemented *and the use of public relations by holding press conferences to make the community aware of the product*. Weaker responses simply gave the promotional strategy. For instance candidates simply stated 'advertisements' as a strategy and did not state the type of advertisements to be used. As such, these candidates did not score full marks.

Question 10

This question required candidates to state two ways in which the firm can distribute its products to its market and explain one advantage of branding the products. At least 70 per cent of responses indicated ways in which the firm can distribute its product to the market. The strong responses indicated that *the firm could use its own transport to deliver goods or that customers could come directly and purchase from the business*. The use of e-commerce, retailers/wholesalers were other popular answers given by candidates. Marks were also awarded where candidates gave specific modes of transportation, via land, sea and air transport to distribute the product. In weaker responses, candidates gave two forms of the same means of transport which were not awarded full marks.

Recommendations

- Set up small business teams at school which can expose students to marketing aspects. This would empower students in planning a marketing process where teachers can guide the process from a marketing aspect.

This framework can be used to encourage competition amongst different teams, where each team can use, for example, different pricing, promotional, public relations and distribution strategies. Once these techniques are practised by students, these marketing tools can be used to demonstrate the impact that competitors have on a business, how to target a market, how to do market research and what kinds of promotional activities appeal to specific groups. Students can be made to present the findings within their team and this can lead to some debates on which techniques are the best etcetera. Students will gain some practical exposure to marketing, thereby making the subject content more interesting.

- Have external personnel deliver guest lectures. This can also give some deep insight into marketing. Marketing managers, sales representatives, brand managers and promotional managers can be included in the list of persons to deliver valuable insights into marketing.
- The use of online resources (websites) as well as magazines/articles /newspapers/ can be formidable sources of information to share with students to sensitize them on issues related to marketing.
- Simple projects such as going to a small business (grocery/parlor) and investigating the products, ways in which the business promotes itself, the various pricing strategies used for various products in the business and how the business distributes its products can be compiled in the form of a presentation or documented report.

Profile 3

This profile tested candidates' knowledge of a business plan as it relates to the financial aspect. It examined elements of the financial plan and included sources of finance, government regulations and the executive summary. Generally, candidates performed well in this profile. However, a few candidates did not attempt any questions in this profile. The mean mark was 6.59 out of 10. The standard deviation was 2.01.

Question 11

This question required candidates to (a) list two sources from which Poplen Iron Works obtained capital to expand the business and (b) state two reasons why Poplen Iron Works may be having a cash-flow problem. On the whole, this question was well done.

In Part (a), most candidates gave acceptable responses such as personal savings, loans from the credit union and/or commercial banks. However, in this part some candidates listed sources from which Poplen Iron Works could obtain capital rather than sources from which it obtained capital. In addition, some candidates stated 'change in the form of business' and 'issuing shares' as sources of finance.

In Part (b), the majority of candidates was able to state acceptable reasons for Poplen Iron Works having a cash-flow problem. Thus, this part of the question was well answered.

Question 12

This question required candidates to outline one way in which Poplen Iron Works could contribute to the growth and development of the country. Most candidates were able to state one way in which the business could contribute to the growth and development of the country, but many of them failed to logically develop the ways put forward. For example, some candidates stated that *the firm could employ more persons* but

did not expand on the point to indicate that *employing more persons would reduce unemployment*. Thus, many of them did not succeed in scoring full marks for the question.

Question 13

This question required candidates to identify two government regulations to which Poplen Iron Works must adhere. The majority of candidates provided acceptable responses and so performance was good. It was evident that candidates understood what was required of them. Acceptable responses included the following: *paying all taxes required, registering the business, following the laws of the country relating to the safety of employees, setting up businesses only in commercial areas*.

Question 14

This question required candidates to write an executive summary. Of all the questions in the profile, this question proved to be the most difficult for candidates. Many candidates simply extracted parts of the case study verbatim to compile their summary and some of the information they included bore little or no relevance to the summary. Additionally, many of them did not include information from the three sections of the business plan. In the majority of cases, candidates included information from the operational plan and the financial plan, but omitted the marketing plan.

Recommendations

Teachers should:

- Provide students with practice in writing executive summaries from given case studies
- Assist students in distinguishing between terms such as *list* and *outline*.
- Impress upon students the need to carefully read questions and to take note of the marks being awarded.