

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.