

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2011

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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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

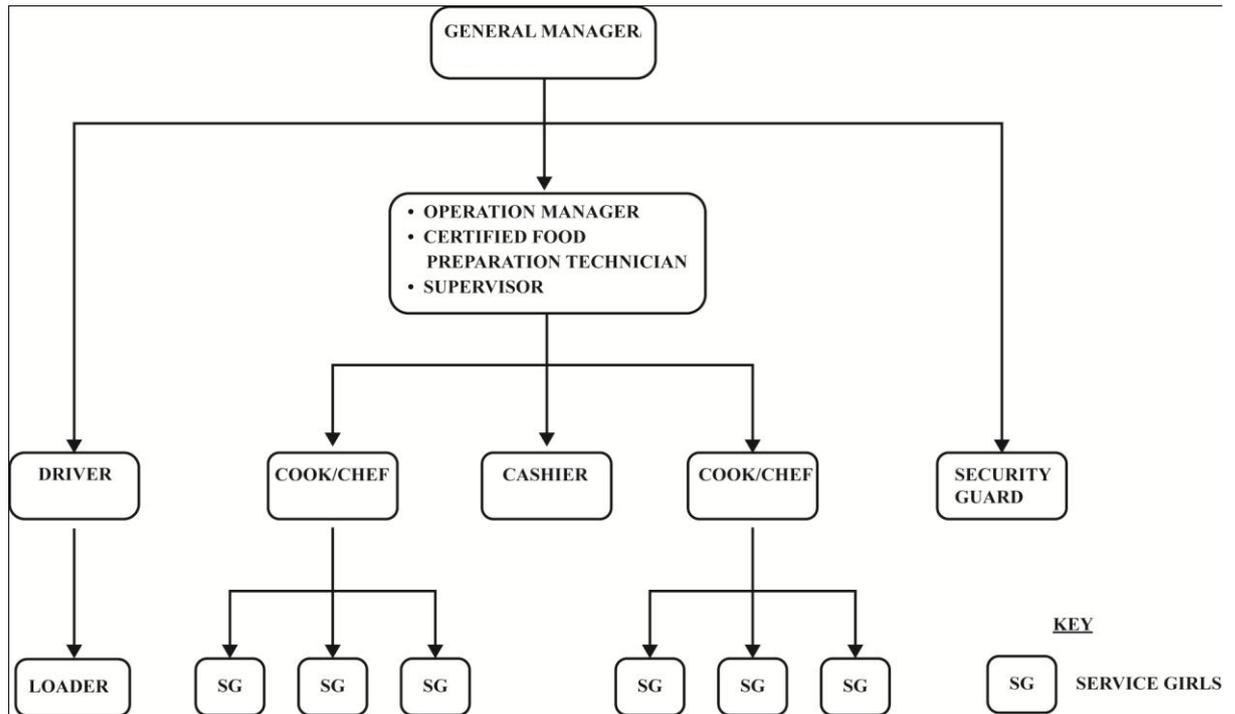
This question tested candidates' understanding of the nature and type of business. The majority of candidates attempted the question, however, candidates seemed to have difficulty in classifying the business based on its ownership type. The responses were satisfactory.

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 “she 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.