

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2012

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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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 used 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.