

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2013

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

The Principles of Business (POB) examination was offered for the 34th time in June 2013. This year, 35,434 candidates sat the examination.

The composition of the examination was as follows:

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 031 – School-Based Assessment (SBA)

Paper 032 – Alternative to SBA (Private Candidates)

Paper 01 consisted of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory. The mean mark was 36.87 out of 60 (61.45 per cent). The standard deviation was 9.08. The means were 37.24 and 34.16 for 2102 and 2011 respectively.

Approximately 77 per cent of the candidates scored at least 50 per cent of the maximum available marks for this paper.

Paper 02 comprised two sections. Candidates were required to answer the three compulsory questions in Section I and two of four optional questions in Section II. The mean mark for this paper was 46.09 out of 100. The standard deviation was 19.82. The means were 47.30 and 47.45 for 2012 and 2011 respectively.

The highest mark on this paper was 98 out of 100. This was achieved by seven candidates. Approximately 43.08 per cent of the candidates achieved at least 50 per cent of the maximum available marks for this paper.

Paper 031, the School-Based Assessment (SBA), is usually done by school candidates. Candidates were required to prepare a business plan on one aspect of Profile 2: either production, marketing or finance.

Performance on this paper was quite good. The mean mark was 32.35 out of 40 (80.86 per cent). The standard deviation was 5.68. Four per cent of the candidates achieved the maximum available mark on this paper.

For Paper 032, the Alternative to the SBA, candidates were required to complete a business plan using a given template and a case. Performance on this paper was less than satisfactory. The mean mark was 21.73 out of 40 (54.32 per cent). The standard deviation was 7.11. The means in 2012 and 2011 were 16.87 and 20.12 respectively. No one achieved the maximum mark on this paper; however, the highest mark was 39 out of 40. This was achieved by two candidates.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory Questions

Question 1

This question was designed to test candidates' knowledge of business documents; understanding of insurance and assurance; implications of unethical business practices relating to record keeping; and appreciation of keeping good business records. Approximately 92 per cent of the candidates attempted the question with more than 40 per cent giving satisfactory responses. The mean mark was 8.69 out of 20 and the standard deviation was 4.52.

Part (a) required candidates to list two types of documents used in business transactions. This part was very well done as the majority of candidates scored the maximum available mark.

In Part (b) (i), candidates were required to distinguish between the terms *insurance* and *assurance*. The main weakness with the responses was candidates' failure to fully develop the points raised.

Part (b) (ii) required candidates to identify two types of insurance policies. This part of the question was very well done as over 80 per cent of candidates scored the maximum available mark. Weaker candidates confused types of insurance with principles of insurance, thereby listing insurance principles such as utmost good faith and indemnity.

Part (c) proved to be the most challenging part of the question. Candidates were required to outline two unethical business practices related to record keeping and state one consequence of each practice outlined. Most candidates performed poorly on this part of the question. The majority of them failed to address ethical issues, they instead stated improper practices such as keeping files on the floor and in boxes rather than in filing cabinets, not having files backed up, and recording information on paper rather than on a computer. Another common incorrect response was stating ethical issues such as child labour and inappropriate dumping of garbage, which are not related to record keeping. Additionally, even in circumstances where candidates were able to outline unethical business practices associated with record keeping, the majority of them failed to state consequences of the practices.

Part (d) required candidates to discuss two benefits of keeping good business records. The main weakness identified in this part of the question was the tendency of candidates to give vague and insufficiently developed responses.

Recommendations

- When teaching types of insurance, teachers should make a distinction between the broad categories of life and non-life insurance types as well as insurance types and insurance principles.
- Clear definitions should be given for insurance and assurance, with a focus on their differences. The concepts should also be reinforced by identifying several examples and guiding students in writing discussion-type essays.
- Business ethics should be covered with a degree of care to encompass ethical areas within record keeping and other aspects of business.

Question 2

This question tested candidates' knowledge of management information systems, conflict resolution and the responsibilities of management. Additionally, they were required to demonstrate an understanding of the concept of productivity by discussing two strategies management may use to increase productivity. The mean mark was 8.97 out of 20 and the standard deviation was 4.73.

Part (a) required candidates to define *management information system* (MIS). Most candidates who attempted this part of the question scored at least 50 per cent of the total available marks. Failure to obtain the maximum marks was primarily because candidates' responses outlined MIS as being linked with computers only but failed to mention its decision-making component. Weaker candidates merely repeated the words of the concept as a definition.

Part (b) required candidates to state two benefits and two challenges of using a management information system. Weaker candidates dealt with benefits from the perspective of employees and not management as well as repeated a definition for the benefits. The majority of candidates had difficulty stating the challenges of using the system.

In Part (c) (i), candidates were required to state three methods of resolving conflict among employees and to give an explanation of how each method works. Approximately 50 per cent of candidates were able to state the methods of resolution only. Many candidates offered solutions to prevent conflict between employer and employee.

Part (c) (ii) required candidates to state two responsibilities of management to employees. This part of the question proved challenging for the majority of candidates as they were unable to differentiate between the responsibilities of managers to employees and their responsibilities to the business as a whole. One common weakness was candidates' stating the functions of managers rather than their responsibilities to employees.

In Part (d), candidates were required to discuss two strategies which management can use to increase productivity. Approximately 60 per cent of the candidates found this to be very challenging. Responses from weaker candidates related to sales promotion and advertising. A frequent incorrect response was using marketing strategies as ways to increase productivity.

Recommendations

- In the teaching of management information systems, use can be made of the immediate school environment beginning with the classroom and the roll book. Teachers could take students on a field trip exercise to the administrative office of the school so as to make the concept more meaningful to them. They can emphasize the decision-making aspect of MIS and give several examples of MIS to students other than referring to it as a computerized system.
- The concept of productivity may be taught using games involving teams with an equal number of students, an equal amount and type of resources, same instructions and time limit allotted to complete what is stated on the instruction sheet.
- Conflict and conflict resolution can be enhanced by role playing as well as the use of case studies as resource material to help students offer strategies to solve the situations highlighted.

Question 3

This question tested candidates' knowledge of marketing: wholesaling, retailing methods and packaging. Generally, candidates performed fairly well on this question; the mean was 10.77 out of 20. The standard deviation was 5.2.

Part (a) required candidates to outline the importance of the wholesaler in the distribution process. This part of the question was satisfactorily done with the majority of candidates earning at least three out of the six available marks. The main weakness in responses was candidates' inability to be specific about the wholesaler's function in the distribution process. They simply outlined the importance of the wholesaler, without making reference to the distribution of goods.

Part (b) tested candidates' ability to distinguish between two pairs of retailing methods: (i) e-commerce and telemarketing; and (ii) convenience shops/stores and supermarkets.

Satisfactory responses were given by approximately 50 per cent of the candidates. The majority of candidates was able to distinguish between e-commerce and telemarketing. However, weaker candidates seemed to have misunderstood what was required. They clearly did not understand that convenience shops and stores are the same, thus some gave the responses to convenience shops, stores and supermarkets as three different establishments.

Part (c) required candidates to discuss two factors that affect forms of packaging used in the presentation of goods to consumers. The majority of candidates was able to identify at least one factor that was significant in the packaging process and about 50 per cent of them discussed the factors satisfactorily. The main weakness identified in this part of the question was the tendency to state the factors without attempting any discussion.

Recommendations

- Teachers need to emphasize and help students to understand the difference between verb cues such as *state, list, explain, discuss, evaluate, compare* by giving specific examples and providing opportunities for them to practice responding to questions using these verbs.
- Teachers should integrate the teaching of the topics related to wholesalers, wholesaling and distribution. When teaching these topics they should use real-life examples to which students can relate.
- Students should be encouraged to identify various types of packaging used in the production of different goods and teachers should place emphasis on the factors that would influence the selection of one type over another. Using real examples in the classroom may improve the delivery and understanding of this concept and related factors.

Section II – Optional Questions

Question 4

This question tested candidates' knowledge of the sources of capital to start a business; their ability to define the term collateral, give examples of collateral; their knowledge of the personal traits and role of the entrepreneur; and considerations regarding the establishment of a sole trader or partnership business.

Approximately 60 per cent of the candidates attempted this question. The mean was 12.35 of 20 marks and the standard deviation was 4.71.

Part (a) (i) required candidates to identify three sources of capital to start a business. The majority of candidates was able to identify three sources of capital thereby gaining the maximum marks. Weaker candidates identified types of capital such as working capital and fixed capital.

In Part (a) (ii), candidates were required to define the term *collateral*. Generally, performance on this part of the question was fair as the majority of candidates scored at least one of the two available marks. Stronger candidates were able to give suitable definitions of collateral but the majority failed to incorporate the purpose of collateral as a safeguard against non-repayment of a debt/loan. However, the majority of candidates were able to list two examples of collateral as required in Part (a) (iii).

Part (b) (i) was well done by most candidates. They were generable able to identify three personal traits of an entrepreneur. In Part (b) (ii), most candidates were able to identify two roles of an entrepreneur but most of the responses failed to describe each role mentioned; hence, the majority earned only two of the four available marks.

Part (c) appeared to be quite challenging for many candidates. It required a discussion of two factors to be considered when deciding whether to set up a sole proprietorship or a partnership type of business. While the majority of candidates was able to identify at least one feature of each type of business stated in the question, they did not adequately discuss how these factored in the decision to opt for one business type over the other.

Recommendations

- Students should be taught to differentiate between the *traits* and *roles* of an entrepreneur.
- Students should be taught that for a discussion they are to develop their points.
- Students should be taught to read questions carefully and make comparisons when asked to discuss two types of businesses.

- Teachers should provide students with the opportunity to practise answering more CSEC questions that consist of stimulus materials. This would help them become more familiar with the expectations of the questions thereby helping to improve their performance.

Question 5

This question tested candidates' knowledge of the functions of road transportation, the advantages of road and other forms of land transportation, problems encountered in the distribution process and the services offered by commercial banks. It was attempted by approximately 40 per cent of the candidates with the mean mark being 7.48 out of 20. The standard deviation was 4.04. Generally, this question was poorly done.

In Part (a) (i), candidates performed creditably with the majority giving very good responses. Weaker candidates were unable to differentiate between functions and advantages, and so most of them gave advantages of transportation.

Part (a) (ii) was generally well done. Candidates were able to outline the advantages of road or land transportation and gained most of the marks in this section.

Part (b) (i) and (b) (ii) seemed to pose challenges for the majority of candidates. They were unable to make a clear distinction between transportation and distribution, and so at least 50 per cent of them gave problems encountered in transportation instead of distribution. Therefore, the solutions which followed were also unrelated, causing candidates not to gain the maximum available marks in this part of the question.

Part (c) was also poorly done. The majority of the candidates made mention of insurance, and therefore very few gained full marks in this section. The others gave incorrect answers, for example, supplying the names of commercial banks and other sources of capital. A number of candidates just gave one word answers, for example, 'cheque' or 'loan' for the services; therefore, they were unable to score the maximum mark.

Recommendations

Teachers are urged to revise some basic English grammar with students in the form of words and meanings. Students should be taught the meanings of words such as *function*, *advantages*, *features* and *characteristics*.

Teachers are also urged to encourage more discussions in the classroom, as transportation, distribution and banking services are familiar everyday activities with which students are familiar, and so much information can be gained from these discussions.

Section III – Optional Questions

Question 6

This question was designed to test candidates' knowledge of taxes, subsidies and measures which Caribbean governments can use to protect local poultry farmers. Additionally, the question tested candidates' ability to apply knowledge about the services in the Caribbean which are normally subsidized and give suitable examples for both direct and indirect taxes.

Approximately 73 per cent of the candidates opted to answer this question. The mean mark was 7.48 out of 20. The standard deviation was 4.26.

Part (a) (i) required candidates to define the term *taxes*. Most candidates gave a satisfactory response as they were knowledgeable of the fact that taxes are compulsory payments used to finance public expenditure.

Part (a) (ii) required candidates to define the term *subsidies*. The majority of candidates had difficulty defining the concept. Responses were vague and incomplete and included misconceptions such as loans given by the government.

Part (a) (iii) required candidates to state two reasons why governments impose taxes. The majority of candidates provided very good responses and scored the maximum mark. Popular responses included the redistribution of income, controlling spending and raising revenue for government expenditure.

Part (a) (iv) required candidates to identify two services normally subsidized by Caribbean governments. At least 50 per cent of the candidates who attempted this question gave responses related to transportation, health and education. Weaker candidates tended to focus on goods rather than services that are subsidized.

Part (b) (i) required candidates to differentiate between *progressive* and *regressive* taxes. This part of the question was poorly done. The majority of the candidates stated what a progressive tax was but did not demonstrate how it was different from a regressive tax.

A minority of candidates attempted to use charts to develop the concepts but in most of these cases, the diagrams did not enhance their responses as they failed to give proper explanations and/or label the axes of the diagrams accurately.

Part b (ii) required candidates to list two examples of a direct tax. About 40 per cent were able to give good examples. There seemed to be some confusion in the minds of most candidates as a majority either gave incoherent responses or gave examples of indirect taxes.

When required to list two examples of indirect taxes in Part (b) (iii), the majority of candidates was able to do so. However, as in Part (b) (ii) there seemed to be some confusion in the minds of weaker candidates who gave garbled responses.

Part (c) required candidates to discuss two steps which governments can take to protect local poultry farmers. Generally, the responses were satisfactory as about 50 per cent of the candidates that attempted this part of the question used a practical and logical approach to provide good responses.

The main weakness in this part was the failure of candidates to discuss the points mentioned. Another weakness displayed by about 30 per cent of those who failed to score maximum marks was the inability to relate the protectionist policies they listed to the stem of the question.

Recommendations

- Teachers can use simulations of business scenarios to teach the differences between direct and indirect taxes.
- Teachers should utilize excerpts from current budget speeches to demonstrate the different forms of taxes as well as some of the key services which are subsidized in their respective countries.
- Teachers are also encouraged to have students conduct research assignments, and make presentations or engage in debates on the topic.
- The use of word puzzles/games should be incorporated in classroom activities.

Question 7

This question tested candidates' knowledge of per capita income, national income and the standard of living. It was attempted by less than five per cent of the candidates and performance was poor. The mean mark was 6.15 out of 20 and the standard deviation was 4.68.

In Part (a) (i), the majority of candidates failed to secure at least one of the two available marks. Their responses revealed some confusion as to the nature of per capita income as in many cases it was interpreted as an individual wage. In a few responses 'capita,' was confused with 'capital' and so candidates spoke of assets as used in accounting. Approximately zero per cent of candidates gave the same response for Parts (a) (i) and (a) (ii) thereby avoiding the need to give a definition as opposed to a formula when requested.

For Part (a) (ii), few candidates provided the required responses (NI/Population of a country). Common incorrect responses included candidates use of net income and any aggregate of national income (GNP, NNP, GDP) for the numerator, while with respect to the denominator, candidates opted to use number of people employed rather than the entire population of the country.

The failure of candidates to respond appropriately to Part (a) (i) resulted in their poor response to Part (a) (iii) which required them to state one advantage and one disadvantage of using per capita income to measure a country's standard of living.

Part (a) (iv) required candidates to list two factors, other than per capita income, which may be used to measure standard of living. More than half of the responses indicated that candidates grossly confused the concepts of *standard of living*, *quality of life* and *cost of living* and so the responses given were seldom accurately stated. For similar reasons, candidates were unable to discuss two factors which may cause the per capita income of a country to rise as was required in Part (b).

In Part (c) (i) the majority of candidates was unable to describe comprehensively one method used to calculate a country's national income. For the income method, it was clear that candidates did not understand the rewards to factors of production, as they interpreted a country's income as coming from only one source — workers' salaries. With the expenditure method, expenditure was equated to the expenses of the year and there was little indication of any awareness of the expenditure model (C+I+G) which identified the different facets of expenditure. With the output method, quantity of produced was offered as a response rather than the value of what was produced.

Candidates performed best on Part (c) (i), with approximately 45 per cent of them earning the maximum mark. The most popular responses included the size of the population, the state of the economy, the level of employment, culture and the basket of goods consumed.

Recommendations

- Teachers should consider to allocating more time to the teaching of this topic.
- The teaching of the concepts tested in this question could be enhanced by means of greater use of research and in-class presentations; use of guest presenters; as well as discussions and journal articles.
- Teachers may find discussing newspaper articles or news broadcast videos useful when teaching this topic.
- Teachers are also encouraged to compare other countries to their home countries, which will build students' comparison and discussion skills.
- Emphasis should be placed on the methods of calculating a country's national income.

Paper 031 – School-Based Assessment (SBA)

There has been a remarkable improvement in the overall quality of the projects submitted, most of which have successfully met the required standard. However, there are some areas of concern which need to be addressed, so that students can be as successful as possible.

The SBA is a projected business plan and should not be an investigation of an existing business; hence the use of future tense in the third person should be encouraged. Students should adhere to proper communication standards by ensuring that correct spelling, punctuation and grammatical standards are followed. They need to submit a complete cover page with all the required headings clearly and legibly listed.

Teachers must carefully follow the current mark scheme presented in the breakdown of the School-Based Assessment Mark Scheme for Principles of Business as prescribed by CXC (effective 2007) in order to avoid a disparity between their marks and those of the moderating team. In addition, teachers must guard against students submitting similar SBAs as this does not promote individuality.

It was noted that the majority of the plans presented were under the Production Plan. However, there were many instances where students' performance could have been improved if they were encouraged to present the business plan using the Marketing profile. Teachers should therefore guide students to ensure that the plan used is appropriate for the nature of the business.

Mention must also be made of the fact that many students exceeded the word limit given by CXC.

Production

Description of Business

Most students failed to identify all three required aspects of this criterion. They must be identified in order for students to be awarded the maximum mark.

Role of Entrepreneur

Many students quoted verbatim from the text regarding the roles and functions of the entrepreneur. This is unacceptable as students are required to apply the content from the text to the business.

Use of Technology

Technology identified by students must be related to the production process of the said business. In addition, students must fully describe how the technology identified will enhance the efficiency of the business.

Justification of Location

Students should ensure that the specific or exact location is identified. General locations were not awarded marks. Most students were able to adequately describe three reasons to justify the proposed location selected.

Selection of Appropriate Labour

Most students omitted the reason why the type of labour was necessary. This must be included in order for students to be awarded full marks under this criterion.

Sources of Fixed and Working Capital

Many students did not state the sources of fixed and working capital. In addition, students were unable to distinguish between the sources of capital and the examples. There were also issues regarding the interpretation of the word *sources*. Some students interpreted sources as the stores where the fixed or working capital can be obtained. This is an incorrect interpretation.

Type of Production

Most students addressed this criterion successfully by identifying and describing the type of production. However, some of them were unable to accurately describe the type of production identified.

Levels of Production

Most students were able to accurately identify the level of production. However, some failed to accurately describe the identified level of production. For example, in most cases students described domestic production based on the source of raw materials rather than the proposed target market. The latter is the accurate interpretation.

Quality Control Measures

Students should be encouraged to describe two measures that would enhance or maintain the quality of the good or service produced.

Linkages

This criterion posed some challenge to students. Generally, they were unable to explain and/or differentiate between backward and forward linkages. Students are encouraged to further illustrate the linkages with the aid of a diagram.

Potential for Growth — Externally

While responses were generally favourable in relation to internal potential for growth, some students failed to adequately describe external potential for growth. Students are therefore encouraged to fully describe both aspects of this criterion.

Government Regulations

Most students were able to state a related regulation but failed to describe the direct effect of the regulation on the business. Students are encouraged to fully describe the effects of the government regulation on the said business.

Ethical Issues

Most students were able to state the ethical issue but failed to explain the effects on the business. Again, students should be mindful of the fact that they need to adequately describe the direct effect of the ethical issue on the business.

Communication of Information

Most students demonstrated good use of the English language.

Teachers from some territories should encourage students to identify the criteria as subheadings. Students from some territories submitted the SBA in full essay format. This is not acceptable.

Marketing

Description of Business

The majority of students successfully addressed this criterion.

Organization of Marketing Department

Most students presented an organizational chart for the entire business and not for the marketing department as required. Many of them did not identify or describe the type of organizational structure of the marketing department. The roles/functions of the personnel in the marketing department were adequately described.

Use of Technology

In most cases, two types of technology were identified but students did not show how they were directly relevant to the business or how they could be used to enhance the efficiency of the business.

Market Research

The following points were common areas of concern among many students:

- They did not select *three* components of market research as required and did not adequately discuss the components they selected.
- They showed limited understanding of *price*, *substitutes* and the quantitative aspect of target population.

Product/Service

Many students did not describe *packaging* effectively as it relates to their specific product.

Pricing Strategy

Unlike *price* as it relates to market research, students must state the pricing strategy to be used and how it will aid them in entering the market and being successful there.

Place (Distribution Channels)

Students can use diagrams to assist them in illustrating the distribution of the product. Many of them did not address limitations nor did they suggest suitable alternatives in light of these limitations.

Promotion Mix

Most students effectively addressed this criterion.

Customer Complaints

Most students clearly illustrated the business' approach to customer complaints, but many of them did not use an example as required by the mark scheme.

Government Regulations

Most students clearly identified some government regulations but did not state their impact on the business. Students should choose government regulations which are directly related to their area of business and more specifically to marketing, for example, copyright infringement.

Ethical Issues

Most students discussed one ethical issue that would affect the business but did not explain the impact it would have on the business. Students should choose ethical issues which are directly related to marketing, for example, false advertising.

Communication of Information

Most students demonstrated good use of the English language.

Finance

This year, as in previous years, Finance was the least attempted profile of the three. There was an improvement in the overall quality of the work submitted. Students who attempted this profile performed satisfactorily.

In general, Profile 1 was done well but students continued to have some problems with some areas in Profiles 2 and 3.

Students were able to adequately deal with the following criteria:

- Description of Business
- Organizational Chart
- Collateral
- Use of Technology
- Purpose for which Finance is needed
- Capital Goods
- Sources of Finance

The use of English and the overall presentation of the SBAs were generally good.

The following areas were of particular concern:

Capital Instruments

Under this criteria, students were required to first describe the capital instruments selected under the headings Debt and Equity and state the implications of this capital mix.

While students were able to identify the instruments through which the capital was going to be raised, the vast majority was not able to categorize these instruments using the classification of debt and equity in the capital mix. Consequently, they had difficulty stating the implications of the capital mix selected.

Projected Performance

This criterion requires that students produce a preforma income statement clearly showing gross and net profit and a proforma balance sheet clearly showing the liabilities and capital sections.

The income statement was generally well done, but students were unable to place the net profit figure in the balance sheet.

Identifying Government Regulations Impacting on the Business

While the students were able to identify a government regulation, most failed to identify a financial regulation and were unable to show how the regulations impacted the business.

An example of a financial regulation that would impact on a business financially is the payment of taxes.

Ethical Issues

Students were able to identify an appropriate ethical issue but failed to show what impact the ethical issue would have on the business.

Paper 032 – Alternative to School-Based Assessment

Profile 1 – Production

There was a general improvement in the performance of candidates. However, spelling was a great concern. Candidates also used colloquial terms and wrote long responses in order to explain their answers. There was minimal use of business jargon.

1. Nature and Type of Business

In Part (a), candidates were required to classify the business based on the ownership style. Most candidates were able to supply the correct answer of *partnership*. However, some candidates confused business types with leadership styles.

In Part (b), candidates were asked to state one likely reason for Max and Emma wanting to establish this business. This question was reasonably well done as many candidates were able to identify the various reasons for wanting to establish a business.

2. Internal Structure of the Organization

In this question candidates were required to complete an organizational chart to show the proposed structure of the new business.

Candidates found this question challenging and many were unable to identify the correct positions on the organizational chart. They were unable to distinguish among the various relationship and authority lines on the chart. Many candidates supplied answers which were generic and out of context.

3 Management Functions

In Part (a), candidates were asked to identify management functions that Max and Emma must perform in their new business. This question was the most problematic as candidates had difficulty identifying the management functions. Candidates presented responses which were actual activities related to management functions. While candidates could have supplied a one word response, many sought to explain their answer. Some responses had nothing to do with management functions.

For Part (b), candidates were required to state the role that Sonia will perform in the new business. Many candidates did not make the correct connection between the various roles of persons in the given case. Candidates who gave the correct answer for Question 2 also answered this question correctly. Sonia's role was that of *advisor*.

In Part (c), candidates were asked to identify two important activities, other than the construction of a business plan, which the owners should undertake prior to establishing their new business. Many candidates were able to identify at least one important activity. However, this question proved difficult for a number of candidates who often confused the answer for this part with that for Part (a).

Profile 2 – Marketing Plan

4. Target Market

This question tested candidates' knowledge of the target market of the business. It was satisfactorily done. The majority of candidates was able to identify the answer from the case, while others provided a response which was unrelated to the target market.

5. Marketing Mix

Part (a) tested candidates' ability to recognize the marketing mix being considered by the business. It was satisfactorily done.

Part (b) tested candidates' ability to suggest the other P's the business should consider in relation to its marketing mix. This part of the question was done very well by the majority of candidates.

Part (c) required candidates to define the term *patent*.

This was done satisfactorily; however, the majority failed to gain full marks because they did not include a time frame in their responses. Many candidates defined the word 'patient' instead of *patent*.

6. Promotion

This question tested candidates' knowledge of promotional strategies, other than infomercials, that could be used to promote the product in the industry. It was well done by the majority of candidates.

7. Competition

This question tested candidates' ability to identify the competitors of the business.

This question was done satisfactorily by some candidates; however, some had difficulty identifying appropriate competitors.

8. Distribution Chain

This question asked candidates to identify the links in the distribution chain. However, the majority of candidates presented the different distribution chains instead of the links in the chain. It was well done by the majority of candidates.

9. Consumer Behaviour

This question was well done by the majority of candidates.

Part (a) tested the ability of candidates to explain one consequence that the business will face, if the product does not meet the required quality standards.

Part (b) required candidates to outline one redress that dissatisfied consumers can seek.

Recommendation

There was an overall improvement in performance on this paper. However, further improvements can be realized if candidates read the questions carefully and interpret them in light of the case.

Paper 032 – Alternative to School-Based Assessment

Profile 3 – Financial Plan

This profile tested the financial aspects of the business plan. Candidates were given information based on the capital and expenses of the proposed business and questions were then asked. Competence in the following areas was required:

- Calculation of the profit and loss statement
- Types of collateral
- Sources of capital
- Compilation of an executive summary

The majority of candidates gave responses in this section and was able to successfully demonstrate an understanding of the financial plan, attaining between five and ten marks. However, some candidates scored poorly, receiving less than five marks, while a few omitted certain areas of this section. This indicated a poor understanding of what was required from them.

10. Calculation of the Profit and Loss Statement

This question tested candidates' ability to calculate sales, total expenses and net profit/loss given sufficient information; candidates' performance was average. There were quite a few candidates who ignored calculating the sales figure (\$60,000) or computed an incorrect figure. Nonetheless, most of them were able to calculate total expenses (\$25,100) and to a lesser extent the net profit (\$26,900) which is equivalent to the gross profit less total expenses. In some cases, this question was left completely out.

11. Identification of Types of Collateral

In Part (a), candidates were asked to identify two types of collateral that business owners can offer the bank to secure a loan. Overall, most candidates responded correctly by identifying cash savings, insurance policies, mortgage deeds and fixed deposits as types of collateral. However, some candidates were too vague and provided answers such as fixed, current, building or transport.

For Part (b), candidates were asked to identify two other sources of capital that the business owners can use if the bank turned down their application. About 70 per cent of the respondents gave appropriate answers. Candidates correctly referred to loans from friends and family, financial institutions including credit unions, shares and grants from government. However, some candidates confused the types of collateral with the sources of capital, for example, the patent for tools should be listed as a type of collateral as opposed to a source.

12. Compilation of Executive Summary

This question tested candidates' ability to provide components on the operational, marketing and financial plans. Most candidates answered the question correctly. However, some only mentioned two areas: mainly the operational and marketing plan, paying little attention to the financial plan. Additionally, some candidates were too elaborate in the summary or simply reproduced information provided in the case with little analysis.

Recommendations

- Candidates need to read the questions carefully and interpret them in light of the case.
- Questions should be answered in complete sentences.
- Candidates need to be cognizant of the fact that the case study is built on principles and concepts of the syllabus; hence, they need to use the jargon of the subject when responding to questions.
- Candidates should be encouraged to attempt every question.