

CARIBBEAN EXAMINATIONS COUNCIL

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

JANUARY 2004

PRINCIPLES OF BUSINESS

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PRINCIPLES OF BUSINESS

GENERAL PROFICIENCY JANUARY 2004

GENERAL COMMENTS

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

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

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

DETAILED COMMENTS

Paper 01 Multiple Choice

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

Paper 02 Essay

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

Question 1 (Compulsory)

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

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

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

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

Question 2 (Compulsory)

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

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

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

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

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

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

Question 3 (Compulsory)

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

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

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

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

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

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

ORGANIZATIONAL PRINCIPLES

Question 4 (Optional)

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

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

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

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

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

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

Question 5 (Optional)

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

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

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

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

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

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

PRODUCTION AND MARKETING

Question 6 (Optional)

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

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

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

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

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

Question 7 (Optional)

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

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

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

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

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

FINANCE AND INTRODUCTION TO ECONOMICS

Question 8 (Optional)

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

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

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

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

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

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

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

Question 9 (Optional)

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

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

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

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

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

PAPER 03/2
Case Study
Alternative to the SBA

GENERAL COMMENTS

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

The marks were allocated as follows:

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

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

ORGANIZATIONAL PRINCIPLES
Questions 1 - 4

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

Question 1

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

Question 2

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

Question 3

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

Question 4

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

PRODUCTION AND MARKETING

Questions 5 - 8

The performance on this profile was satisfactory.

Question 5

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

Question 6

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

Question 7

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

Question 8

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

FINANCE AND INTRODUCTION TO ECONOMICS

Questions 9 - 14

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

Question 9

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

Question 10

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

Question 11

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

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

Question 12

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

Question 13

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

Question 14

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

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