

CARIBBEAN EXAMINATIONS COUNCIL

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

JANUARY 2012

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

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GENERAL COMMENTS

This year a total of 4, 913 candidates registered for the Principles of Business General Proficiency examination. The examination is comprised of the following Papers:

Paper 01	-	Multiple Choice
Paper 02	-	Essay Paper
Paper 032	-	Alternative to School Based Assessment (Private Candidates)

Paper 01 consists of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was commendable. The mean mark was 33.69. Approximately 67 per cent of the candidates scored at least 50 per cent of the available marks on this paper. One candidate achieved the maximum available mark.

Paper 02 comprised two sections. Candidates were required to answer three compulsory questions in Section I and two of four optional questions, one from Section II and one from Section III. The mean mark for this paper was 51.35 out of 100. The standard deviation was 16.93. The marks ranged from 0 to 98. Approximately 53 per cent of the candidates scored at least 50 per cent of the available marks on this paper.

Paper 032 – the alternative to the School-Based Assessment (SBA) – is an examination offered to private candidates. Candidates were required to respond to questions based on a business plan using a given template.

The overall performance on this paper continues to show improvement. The mean mark was 19.89 out of 40. The standard deviation was 6.98. The maximum marked achieved was 39 out of 40. Approximately 54 per cent of the candidates scored at least 50 per cent of the maximum available mark on this paper.

DETAILED COMMENTS

Paper 02–Essay

Section I – Compulsory

Question 1

This question tested candidates' knowledge of the functions of a business and types of business organizations. The question was attempted by approximately 52 per cent of the candidates, the majority of whom gave good responses. The mean mark was 10.49 out of 20. The standard deviation was 4.34.

Part (a) (i) required candidates to outline two functions of a business. This part of the question was well done by most candidates, most of them achieved the maximum available mark for this part of the question.

For Part (a) (ii), candidates were required to state two ways in which a sole proprietorship is different from a partnership. The majority of candidates answered correctly, but there were some who failed to make this distinction.

Part (b) (i) required candidates to define the term *franchise*. Most candidates confused a franchise with multi-nationals and were therefore unable to score the maximum available mark for this section of the question.

In Part (b) (ii) candidates were required to identify four popular franchises. The majority of candidates were able to score the maximum mark.

For Part (c), candidates were required to discuss two advantages of operating a franchise. The majority of candidates was unfamiliar with the concept '*franchise*' and did not perform well. Candidates gave poor responses in this section and so was unable to earn the maximum mark. Weaker candidates gave the advantages to the franchisor rather than the franchisee. Some candidates even gave advantages to the country where the franchisee operates.

The following are suggested responses to Question 1

- (a) (i) The functions of business are:
- To produce goods and services by converting raw materials or inputs into saleable products.
 - To manage money and money resources of business operations which relate to its accounting and financial function.
- (ii) Two ways in which a sole proprietorship is different from a partnership:
- A sole proprietorship is owned and managed by the same person while a partnership is jointly owned by the parties involved and may or may not be managed by owners.
 - A sole proprietorship lends itself to quick decision making while a partnership does not generally lend itself to quick decision making but engages in more informed decision making.
- (b) (i) Definition of *franchise*
A *franchise* is a legal agreement with a parent company to abide by the guidelines and regulations set out by that company for a period of time and can take the form of a sole proprietorship, partnership or limited company. A franchise is easily recognized because it carries the logo and other physical similarities and characteristics of its parent company.
- (ii) Four popular franchises are:
- McDonalds
 - Burger King
 - KFC
 - Texaco/Esso

(c) Advantages of operating a franchise:

- A franchise is usually based on a proven idea. A person will be interested in buying a franchise because he or she knows of the business' track record. The franchisee can research the success history of the business as well as the success history of other businesses before making a commitment.
- The franchisee can use a recognized brand name and trademarks. The public would have already been aware of the products and/or services offered by the business. The franchisee will benefit from any advertising or promotion by the owner of the franchise, – the 'franchisor'.

Recommendations

- Teachers should ensure that students are able to differentiate between various types of business organizations such as *sole proprietorship* and *partnership*. This can be achieved with the use of tables as part of the teaching tool. These can be used to show similarities of and differences between concepts.
- More emphasis should be placed on the definitions of business organizations such as franchises and the differences and similarities should be highlighted.

Question 2

This question tested candidates' knowledge of documenting business transactions, instruments of payment, as well as contract law, including types of contracts, termination of contracts, explanations of the concepts of offer and acceptance and consideration. The question was attempted by 54 per cent per cent of the candidates, the majority of whom gave good responses. The mean mark was 10.89 out of 20. The standard deviation was 3.69.

Part (a) (i) required candidates to state four reasons for documenting business transactions.

This part of the question was well done by most candidates, and they were able to earn the full four marks for this section.

Part (a) (ii) required candidates to identify three instruments of payment, other than a credit card.

The majority of candidates gave good responses, but there were some who incorrectly gave the response of a medium of finance such as credit union.

Part (b) (i) required candidates to define the term *contract*. The majority stated that a contract is an agreement, but a minority failed to mention that the agreement is *between two or more parties*, and others omitted that a contract is *legally binding or enforceable by law*, thus losing valuable marks.

Part (b) (ii) required candidates to identify the type of contract entered into by Sun and Sand Resort and Mr. Jones. The majority of candidates did not know the correct answer—a *simple contract* – and so lost the one mark allocated to this section.

Part (b) (iii) required candidates to state four ways in which the contract between Sun and Sand Resort and Mr Jones may be terminated. The majority of candidates responded correctly to this part and so was able to earn the full four marks allocated. However, some candidates mistakenly gave the response that Mr Jones was not able to pay for the scuba instructions, in spite of the information provided in the case study that stated otherwise.

In Part (c), candidates were required to explain the legal concepts of (i) offer and acceptance and (ii) consideration, with reference to the relationship between Mr Jones and Sun and Sand Resort. The majority of candidates gave incorrect responses, thus, they lost most of the marks allocated to this part of the question. Additionally, weaker candidates did not refer to the relationship between Mr Jones and Sun and Sand Resort in their responses. Very few candidates gave the correct explanation of the legal term *consideration*, with the majority giving the layman's meaning of the word 'consideration'.

The following are suggested responses for Question 2

- (a) (i) Four reasons for documenting business transactions:
- Business documents help to keep track of all official and unofficial business transactions.
 - Business documents are used for reference purposes to clarify or answer queries.
 - Business documents are used to inform people about business transactions.
 - Documenting business transactions saves time when looking for information since the documents contain relevant information on the business that transpired.
- (ii) Instruments of payment other than a credit card:
- Money order
 - Bank draft
 - Cheque
 - Cash
- (b) (i) Definition of *contract*:
A *contract* is an agreement made by two or more parties that is legally binding or enforceable by law.
- (ii) The type of contract entered into by Sun and Sand Resort and Mr. Jones is a simple contract
- (iii) Four ways in which the contract between Sun and Sand and Mr Jones may be terminated are:
- Performance – both parties carried out their side of the agreement.
 - Agreement – both parties agree to cancel the contract before it is completed.
 - Breach – one party breaks the contract by failing to carry out his side of the agreement.
 - Renunciation – one party carries out a portion of the contract and fails to go any further.

- (c) An explanation of offer and acceptance and consideration with reference to Sun and Sand Resort and Mr. Jones:
- (i) Offer and acceptance
Offer: An offer is a proposal or bid made by a person or his agent to another person or his agent. The person making the offer is the offeror, in this case Sun and Sand Resort, and the person accepting the offer is the offeree, in this instance Mr Jones. In this scenario the offer is the services advertised to all by Sun and Sand Resort on their website and via other marketing tools.
- Acceptance:* An acceptance exists when the offeree or his agent agrees to all terms or conditions laid down by the offeror or his agent. In this case the acceptance exists when Mr Jones pays for the services offered and Sun and Sand Resort accepts the payment to offer service by confirming receipt of payment from Mr Jones.
- (ii) *Consideration:* Consideration is a promise or action made by one party for the request for action made by another party. Mr Jones requests and pays for scuba services and Sun and Sand Resort promises to honour this request by accepting and acknowledging payment.

Recommendations

- Teachers must encourage students to read the stimulus material carefully before answering questions, in particular when the questions refer to the information from the stimulus material in their responses.
- Teachers should provide students with the opportunity to practise answering more CSEC questions with stimulus materials. This would help them to become more familiar with the expectations of the questions, especially when they are required to make reference to a particular situation or scenario.
- Students must also be encouraged to pay attention to the verb clues in the question such as *state, outline, discuss*.
- Teachers should help students to differentiate between the terms *instruments of payment* and *medium of payment*. This can be achieved by having students bring samples of these instruments of payment to class sessions.
- Role play can be used to reinforce the topic of contract law among students. In such role play sessions, students should examine the sequence involved in the process of formulating a contract. They should differentiate between the legal concepts of *offer* and *acceptance*, giving examples of relevant situations to justify their explanations, they should also be able to use the terminologies associated with principles of business to explain the meaning of legal concepts such as *consideration*.
- To help students to better understand the concepts of *payment methods* and the *mechanism of contracts* teachers should arrange visits to companies, they should also encourage students to view documentaries as well as read pertinent articles from newspapers and the Internet.

Question 3

This question tested candidates' knowledge of setting up a business, with respect to the use of resources and the factors to consider in deciding on its location. Candidates were also expected to discuss the benefits of a business to a country. Approximately 63 per cent of the candidates attempted this question, the majority of whom performed well. The mean mark was 12.51 out of 20. The standard deviation was 4.84.

In Part (a), the candidates were required to define the term *resources*. The majority of candidates was unable to give a comprehensive definition. They provided vague responses that just entailed examples of resources.

Part (b) (i), required candidates to identify two types of resources that were important in starting a business. This was well done. The majority of candidates scored the maximum mark for this part of the question.

In Part (b) (ii), candidates were required to explain the importance of the resources identified in Part (b) (i). This part of the question was well done with the majority of candidates gaining the maximum mark.

Part (c), required candidates to outline factors to be taken into consideration when selecting a location for a business. This was also well done, with most candidates scoring the maximum mark.

In Part (d), candidates were required to discuss the benefits of the new business to the country. The majority of them scored the maximum mark for this part of the question. Candidates failed to develop their response into a discussion, instead, they gave brief, vague statements.

The following are suggested responses for Question 3.

Definition of *resources*:

(a) *Resources* – the assets used in the production of goods and services and in the starting or maintenance of a business.

(b) Two resources that are important to Sally in starting her business are:
Human/labour resources – vital for people to be involved in the production process. Manual labour can be used in transforming physical resources into products (goods and services), promoting the products and selling the products.

Physical/Land resources – raw materials necessary for making goods or to be used in the provision of services.

(c) Three factors that Sally should consider when choosing a location for her business.

- Access to raw materials – If raw materials are not in close proximity, then transportation costs will have to be considered. These can affect the price of the product.
- Access to labour – If individuals are not in close proximity, then they should be able to be transported easily. A good supply means that the cost of labour would be lower whereas a short supply would cause an increase in cost, resulting in a higher price for the product.
- Access to markets – If markets are not in close proximity, then distribution costs will have to be added to the product, thereby increasing the price of the product.

- (d) Two ways in which the country could benefit from the new business:
- The use of local raw materials will help the country through the creation of linkages with other firms, ensuring growth of these firms and the growth of the country's gross domestic product. Sally could link backwards to get raw materials shells, beads, straws, fabrics – from local suppliers.
 - Sally would also be employing local people, thus assisting in the reduction of unemployment and also assisting in human resource development.
 - Export of these products will aid in earning foreign currency which can reduce balance of payments debts. Additionally, tourists coming to the island will spend foreign dollars to purchase these items which will also be a source of foreign currency.

Recommendations

- Teachers can test students' understanding of resources, via class discussions where students identify model definitions and apply their knowledge by creating simulated businesses.
- Teachers must encourage students to use key verbs in the questions such as *state, discuss, outline* and describe as well as the marks allocated as an indication of the expected responses.

Question 4

This question tested candidates' knowledge of consumer behaviour, consumer protection and management responsibilities to consumers. Approximately 63 per cent of the candidates attempted this question. Generally, the candidates performed creditably. The mean mark was 12.55 out of 20. The standard deviation was 4.33.

Part (a) (i) required candidates to explain the term *customer satisfaction*. Candidates were able to score the marks but responses could be improved by reference to customer expectations and needs, for example, *lower price, high quality and availability of products*. The majority of candidates tended to focus on 'needs' and 'wants' with the weaker ones explaining *customer satisfaction* as a customer being satisfied'.

Part (a) (ii) required candidates to state two ways in which a firm can ensure customer satisfaction. Candidates were able to score the maximum marks in this section. The better responses *included good quality products on a timely basis, after sales services, 'responding to customers request and market research through surveys*.

In Part (b) candidates were asked to outline three responsibilities of management to customers. While candidates were able to list the responsibilities of management to customers, they were unable to develop their answers to respond correctly to what they were being asked. Suitable responses included *customers safety in terms of product and premises, product information and consumer education with regard to making informed choices, truthful and honest communications and feedback*. *Suggestion boxes* were also identified.

Part (c) required candidates to explain the role of the Bureau of Standards and the Consumer Affairs Commission (CAC) in consumer protection. The majority of the candidates indicated that the bureau sets

standards for products with regard to proper labelling, proper packaging, safety guidelines, expiry dates, ingredients and so on. While they stated that CAC ensures that laws protecting consumers' rights are upheld and seeks to address unfair pricing practices.

In Part (d), candidates were required to discuss two factors influencing consumer behaviour. While they were able to score some marks, many candidates did not fully discuss how the factors influenced the behaviour of consumers. Most of the responses focused on economic factors, for example, 'price', 'quality', 'taste', and 'income'. Acceptable responses should have included *social, psychological, personal* and *cultural factors*. For example, cultural factors would include values and attitudes in the community/country – race, religion, social areas and family traditions.

The following are suggested responses to Question 4

Explanation of *customer satisfaction*:

(a) (i) *Customer satisfaction* means the ability of a product or service to meet customers' expectation in the main areas of customers' needs such as lower price; *high quality*; sufficient quantity and availability of products at points of distribution.

(ii) Two ways in which firms can improve customer satisfaction:

- A firm can improve customer satisfaction by being able to meet the customers' needs for the goods and services they require by providing high quality products on a timely basis.
- Another way a firm can improve customer satisfaction is by quickly responding to customers complaints and requests.

(b) Three responsibilities of management to customers:

- Management should be concerned about customers' safety and should ensure that the products bought by customers do not cause them injury in normal use. Therefore products should be of high quality.
- Additionally, the place of business should be safe and nothing on the premises should, in the normal course of business, cause bodily harm or injury to customers.
- Management should ensure that customers are informed so that they make informed decisions. Therefore, communication with customers should be truthful. For example, company brochures, advertisements, verbal statements made by salespersons should give correct information.

(c) (i) The role of the Bureau of Standards in consumer protection:

The Bureau of Standards is set up to ensure that firms produce and maintain the quality of their products so that consumers have high-quality products from which to choose. The governments set rules and regulations and these are enforced by the Bureau of Standards. Among the guidelines set are that food products are to be properly labelled, showing ingredients, contents and weight should be shown; expiry dates should also be provided

on packages so that consumers are given adequate information. Additionally, products should contain the ingredients that are indicated.

(ii) The role of the Consumer Affairs Commission in consumer protection:

The Consumer Affairs Commission (CAC) is an arm of the government that represents consumers and ensures that they are fairly treated. It seeks redress on unfair pricing practices, poor quality, and discrepancy in weight and measures. The CAC also ensures that laws protecting consumers' rights are upheld.

(d) Two factors that influence customer behaviour are:

- Cultural: These include values and attitudes that dominate the community or country of the consumer. These may be race, religion; family traditions or social class that play a significant role in determining what consumers choose. Religion and race, for example, often determine food choices and methods of preparation.
- Social: Social factors include reference groups, for example, family and friends and, role expectations. Consumers are members of social groups and these groups influence the decisions that they make. Vacation destinations and activities are often decided on after consultation with other members of the reference group.

Recommendations

Teachers need to help students to distinguish among *list, state, outline, explain and discuss* so that they can give the desired responses and demonstrate a deeper understanding of the content area.

Question 5

This question tested candidates understanding of the role and responsibilities of the central bank and its relationship with commercial banks. It also tested candidates' knowledge of sources of financing other than commercial banks. Approximately 18 per cent of the candidates attempted this question. The performance on this question was unsatisfactory. The mean mark was 3.51 out of 20. The standard deviation was 3.15.

Part (a) (i) required candidates to outline two reasons why the central bank may decide to close down a commercial bank. This was generally poorly done as the candidates lacked knowledge of the role of the central bank and the regulations that it sets out to govern the functioning of commercial banks. A common erroneous response was that a prime reason for closing down the commercial bank was bankruptcy or unprofitability.

For Part (a) (ii), candidates were asked to suggest three actions that commercial banks can take in order to prevent closure by a central bank. The majority of candidates did not demonstrate satisfactory knowledge of the role of the central bank and its regulations. They were generally unable to identify suitable actions that the commercial banks could take to prevent closure.

In Part (b), candidates were required to identify four sources, other than commercial banks, from which firms can acquire financing. This section was generally well done. The weaker candidates listed the various commercial banks by name or gave responses that included both 'credit unions' and 'trade

unions', indicating that they did not comprehend the nature of a commercial bank neither were they able to distinguish commercial banks from other financial institutions.

Part (c) required candidates to discuss two ways in which the stock market performs its role effectively. This part of the question was poorly done. The majority of the candidates demonstrated lack of knowledge of the role of the stock exchange. Some candidates indicated that the stock market buys and sells stock as opposed to being the facilitator and monitor of such activity. Candidates' responses suggest that they equated a stock market to a 'market', where goods are traded.

The following are suggested responses for Question 5.

(a)(i) Two reasons why a central bank may decide to close a commercial bank:

- The commercial bank may have failed to maintain its reserve requirements at the central bank. All commercial banks are mandated by the central bank to keep a percentage of total demand and time deposits in cash in its vaults or as deposits in the central bank to meet withdrawals.
- The commercial bank may not have been following guidelines from the central bank with regards to money laundering activities. The central bank sets guidelines with respect to clients and deposits at commercial banks, and only customers who are reputable and are not involved in illegal activities are allowed to do banking transactions.

(ii) Three actions that a commercial bank could take to prevent closure:

- In order to prevent closure by a central bank, a commercial bank may call in loans given to customers. They may choose to foreclose on some mortgages or short-term money lent to customers.
- The commercial bank may regularize its activities by carrying out due diligence, ensuring that it scrutinizes the transactions of customers and that only those of good character do business with the bank.
- The commercial bank may also have to make some assets liquid in order to meet financial obligations to the central bank such as special deposits.
- The commercial bank would also need to make the necessary adjustments in the conduct of its activities so as to pay debts owed to the central bank on a timely basis.

(b) Four sources, other than commercial banks, from which firms can acquire financing:

- Firms may receive loans from private sources such as family and friends.
- Firms may also plough back profits into the business instead of saving them.
- Firms can acquire financing from financial institutions such as credit unions, building societies and insurance companies.

- Firms may receive credit, such as trade credit and hire purchase, from suppliers. This allows them to use raw materials, furniture and fixtures while deferring payment for some time in the future.
- (c) Two ways in which the stock market performs its role effectively:
- The stock market may act as a *primary market* when it allows public firms in good standing to use the stock market as a source of new capital. To finance expansion, firms may use the facility of the stock market to issue new shares because they have the option to sell them later to other investors.
 - In allowing the sale of shares or trading to take place between investors, the stock market carries out another role as *secondary market*. Secondary trading is not a source of new capital for a firm but is a provision for investors and potential investors to buy and sell existing shares.

Recommendations

Teachers need to help students to make clear distinctions between the role of the central bank and that of the commercial banks, as well as the stock market and a general market place. Role play, guided research and site visits are some techniques that can be used to assist students in distinguishing between the concepts.

Question 6

This question tested candidates' understanding of *taxation*. It required candidates to differentiate between types of taxes and forms of taxation. It was attempted by 42 per cent of candidates. Performance on this question was less than satisfactory. The mean mark was 8.39 out of 20. The standard deviation was 4.57.

Part (a) was generally well done. Many candidates were able to distinguish between direct and indirect taxes and give appropriate examples as directed. The common trend in answering this part of the question was that candidates indicated that the burden of direct taxes fell on the same individual, for example, income tax and property tax, while with indirect taxes the burden fell on different individuals such as the payment of value-added taxes through the purchase of goods and services. The payment of customs and excise duties were also common examples. A few candidates however confused direct taxes and indirect taxes.

Part (b) was answered successfully by the majority of the candidates who cited the main purpose of taxes as one that generates revenue for governments to help with expenditure. Other common responses included taxation as a means of redistributing income in a country and the use of revenue gained from taxes to improve the quality of citizens' lives.

Part (c) (i) and (ii) proved challenging for many candidates. The majority of them did not attempt this part of the question and for those who did, it was clear that they were not able to distinguish between regressive taxation and progressive taxation, or explain why progressive taxation may be favoured by governments. Candidates failed to recognize that regressive taxation. They were unable to discriminate against the lower and middle class income earners pay higher taxes than those of higher income earners. They also failed to recognize that progressive taxes place the lightest burden on those who make the least money so that only when one's income increases so does the percentage of tax to be paid.

A minority of candidates summarized the differences between these two forms of taxation stating that with regressive taxes the less one earns the more they will have to pay while with progressive taxes, the more one earns the more taxes he is required to pay.

In addition, candidates failed to point out that progressive taxes are favoured because equity can be achieved under this system as those who can afford to pay more, will pay more.

Part (c) (iii) was correctly answered by the majority of candidates who were able to cite two reasons why government would impose taxes on alcohol and tobacco, and provide a meaningful discussion. Responses included that governments impose taxes on these products in an effort to curb addiction to these products by making them unaffordable. Government being concerned about the consumption of these harmful products hence the taxes act as a deterrent to discourage people from purchasing these products; and the fact that some citizens would still purchase the products regardless of cost are but a few well thought out answers. In the rare instance, candidates merely stated their points but did not develop them into a full discussion.

The following are suggested responses to Question 6.

Explanation of the terms *direct* and *indirect* taxes with one example of each:

Direct taxes are taxes levied entirely on the persons who pay them and cannot be passed on to others. These taxes are paid directly to the government.

An example of direct taxes is income tax.

Indirect taxes are taxes on consumption or spending and are normally paid by suppliers who pass them on to consumers in the final price for goods and services. The intermediaries later forward these taxes to the government. An example of indirect taxes is sales tax.

Two purposes of taxation are to:

- Raise revenue for the government
- Redistribute income in a country

(c) Distinguish between ‘regressive taxation’ and ‘progressive taxation’:

(i) A *regressive* tax is one which represents a greater proportion of income of poor and middle-income households than of higher-income households. It disproportionately burdens those who are less able to afford it. A *progressive* tax, on the other hand, is designed to place the lightest burden on those who make the least money. The percentage of tax increases as income increases.

(ii) The main reason in favour of a progressive tax system is to achieve fairness or equity in taxation, as those who are more able will pay more.

(iii) Government might impose taxes on alcohol and tobacco because:

- Consumers of these products may be addicted and price increases caused by taxes may likely dissuade them from purchasing.

- Advertising of these products is usually very aggressive and persuasive, leading government to feel that consumers will continue to respond favourably and purchase the products, so higher taxes may prevent them from doing so.

Recommendations

- Teachers need to help students to get a clear understanding of the different types of taxation by using practical real-life examples to which students can relate.
- To better understand how taxation works, investigations or interviews can be conducted in students' households where they can gain firsthand knowledge of direct versus indirect taxation and be able to distinguish between them using relevant and appropriate examples.
- Greater exposure to taxation and its effects on citizens as well as businesses through lectures or discussions hosted by the relevant tax authorities should be considered. This would broaden students' understanding of how taxation really works for or against a country, individual or business.
- Students should be encouraged to participate in research activities such as reading the business section of a newspaper to keep abreast of what is happening in the economy. They should also be encouraged to surf business websites on the Internet to seek further clarification on the topic.

Question 7

This question tested candidates' knowledge of international trade, balance of payments, economic institutions and problems facing Caribbean economies. The question was attempted by approximately 25 per cent of the candidates. The mean mark was 5.04 out of 20. The standard deviation was 3.23.

Part (a) required candidates to state two reasons why countries trade with each other. It was well done by the majority of candidates.

Part (b) required candidates to define the terms (i) *specialization*, (ii) *balance of trade* and (iii) globalization. In Part (b) (i) specialization was well defined along with an example by those candidates who showed understanding of the concept. The weaker candidates were unable to provide examples of skilled jobs.

For Part (b) (ii) – *balance of trade* was defined correctly by only a minority of candidates. The majority of candidates defined the balance of payments instead *balance of trade*.

In Part (b) (iii), weaker candidates confused *globalization* with 'global warming'. The majority of candidates merely gave the meaning of the root word of the word globalization. Generally, responses showed that this concept is not well known.

In Part (c), candidates were required to state two features of the (i) Organization of Eastern Caribbean States (OECS), (ii) Caribbean Community (CARICOM) and (iii) World Trade Organization (WTO). In Part (c) (i) and (ii) only a minority of candidates correctly stated features of the institutions, while the majority of them gave responses that overlapped.

The responses to Part (c) (iii) were poor. The weaker candidates identified this institution as a body that undertakes the economic activity of importing and exporting. Very few candidates were able to state at least one role of this institution.

Part (d) required candidates to discuss two challenges faced by Caribbean economies in creating a single market and economy. This proved very challenging to the majority of candidates since they mistakenly wrote about a physical location rather than a form of economic integration as well as treated the question as referring to an individual Caribbean economy rather than all Caribbean economies as a whole. A few candidates stated at least one appropriate challenge but failed to go further to discuss it.

The following are suggested responses to Question 7.

- (a) Two reasons why countries trade with each other:
- One country's climatic conditions may be favourable to the growing of certain crops and the other may be unfavourable.
 - One country may be favourably endowed with natural resources that another country may not possess.
- (b) Definition of terms: *specialization, balance of trade, globalization*
- (i) *Specialization* also referred to as *division of labour* refers to a system in which persons or entities concentrate on those jobs for which they are best suited.
- (ii) *Balance of trade* is the difference in income which countries earn from exports and the payments which they make to other countries for imports.
- (iii) *Globalization* may be regarded as the integration of markets around the world. It represents a trend away from national entities towards one large market.
- (c) (i) Two features of the OECS (Organization of Eastern Caribbean States):
- A group of nine states (seven original members plus two associate members in the Eastern Caribbean.
 - It is set up to achieve reasonable and workable trading arrangements between themselves and CARICOM states as well as the international community.
- (ii) Two features of the (Caribbean Community) CARICOM:
- CARICOM was established by the Treaty of Chaguaramas in 1973. Its headquarters is located in Guyana.
 - CARICOM fosters economic cooperation among members.
- (iii) Features of WTO (World Trade Organization):
- Multilateral trading organization which aims to promote trade liberalization (replaced GATT – General Agreement of Tariffs and Trade)
 - Forum for governments to negotiate trade agreements and resolve trade disputes

(d) Two challenges Caribbean economies face in creating a single market and economy:

- National sovereignty – Strong feelings of nationhood and parochialism make it difficult for Caribbean countries to commit fully to integration efforts. Furthermore, regional leaders seem to suspect that the creation of a single economic unit will diminish their power and authority.
- Differences in exchange rates - The varying and extreme rates of exchange throughout the region create extreme difficulty for a single market and economy to function as a single unit. Countries with higher and more stable exchange rates fear that any harmonization or rationalization of exchange rates would represent a devaluation of their currencies, with the attendant perils.
- Control of resources - Larger countries with more extensive resources want to retain control of their resources. There is also much suspicion that they stand to lose more than smaller states in any common enterprise.

Recommendations

Teachers are encouraged to link this area of study with topics taught earlier such as *types of economic systems* and their related problems. Also, they should collect articles on the various forms of economic integration in the Caribbean as a basis for class discussions. Students should also be encouraged to do research on various regional and international institutions on the Internet. Teachers should use credible Internet sites for their information, those with .gov and .org domains.

Paper 032 – Alternative to School-Based Assessment

For Paper 032, candidates were given a case and a template for a business plan and were required to complete the business plan by answering 11 questions based on the three profiles. This year's case was related to a service centre business which offers telemarketing and data entry services. The partnership business is owned by a group of friends who wanted to execute a growth strategy to build the business over a ten-year period by introducing new but related services.

Generally, candidates performed creditably on all three profiles. The mean mark was 19.89 out of 40 marks. The standard deviation was 6.98.

Operational Plan – Profile 1

1. NATURE AND TYPE OF BUSINESS

In Part (a), candidates were required to list two types of services offered by Beyond 2012. Part (b) required candidates to state two changes to the organization that are likely to result over the next three years as a result of the growth strategy that will be implemented.

The majority of candidates answered Part (a) correctly. However, only a minority responded correctly to Part 1 (b), some merely wrote back statements made in the case such as 'new but related services' and 'stakeholders included in the decision making process'.

2. INTERNAL STRUCTURE OF THE ORGANIZATION

Candidates were required to outline how the human resource department and the marketing department will be affected by the planned growth.

The majority of candidates were unable to outline how the named functional areas of the business would be affected by the planned growth. In their response, candidates confused the marketing department with the production department.

3. MANAGEMENT FUNCTION

In Part (a), candidates were required to identify the type of leadership displayed by the owners of Beyond 2012 and support their answers with evidence from the case. In Part (b), they were required to identify two sources of internal conflict that may result from the proposed changes to the business. The majority of candidates were unable to identify the leadership styles displayed by the owners. In some instances, they confused this with types of businesses. For Part (b), the more able candidates were able to identify the sources of internal conflict that may result from proposed changes in the business. The weaker candidates were unable to perceive likely areas of conflicts and merely repeated growth strategy directions of the firm.

The following are suggested responses for Profile 1.

NATURE AND TYPE OF BUSINESS

Question 1

(a) Type of services:

- Telemarketing
- Data entry

(b) Changes to the organization that will result from the growth strategy:

- There will be a likely to be an increase in the number of employees.
- There will be an expansion of the physical location of the business.

Internal Structure of the Organization

Question 2

(a) How the human resources department will be affected by growth

- The human resources department will need to recruit, hire, train, compensate, and provide orientation to successfully incorporate new employees.

(b) How the marketing department will be affected by growth:

- The marketing department will need to develop, implement and market new services.

Management Function

Question 3

- (a) Leadership style displayed by the owners: democratic or participatory. The owners are using team effort and engaging all stakeholders in the decision-making process.
- (b) Sources of internal conflict:
 - Poor communication between old and new employees
 - Disagreement among owners as to who will direct which departments
 - Insufficient operating capital
 - Insufficient planning for increase in staff size leading to breakdown in the lines of communication
 - Unclear chains of command and supervision

Marketing Plan – Profile 2

4. Target Market

In Part (a), candidates were required to identify three business sectors that are likely targets in the three-year plan. In Part (b), they were required to identify three marketing strategies that can be used to promote the services offered by Beyond 2012. The majority of candidates was unable to identify the business sectors that are likely targets in the three-year plan. They however were able to identify positions within the sectors, for example, bookkeeping and accountants. In Part (b), the majority of candidates was able to identify marketing strategies that the firm could use to promote the services.

5. Pricing Strategies

Candidates were required to state two ways by which the business can realize a reasonable increase in revenue in the next three years. This question was fairly well done as the majority of candidates were able to give responses such as targeting new customers, reducing overheads and providing new services.

6. Promotional Strategies

Part (a) required candidates to use the objectives of the business to suggest a slogan for the promotion of the services it offered. The majority of candidates was able to give an appropriate slogan. In Part (b) (i), candidates were required to identify strengths of the business. This was well done by the majority of candidates. Part (b) (ii) required candidates to state how the strengths mentioned in Part (b) (i) will give the business an advantage over its competitors. For the most part, candidates were able to show how the strengths were able to give the business an advantage over its competitors.

7. Technology

This question required candidates to describe two ways in which technology can be used to promote the services of the business. This was well done by the majority of candidates.

8. Quality

Candidates were required to describe one way in which the company can maintain quality service to its clientele. This question was very well answered by the majority of candidates who gave responses such as firms aiming to meet the demands, needs and wants of customers quickly.

The following are suggested responses for Profile 2.

Question 4

(a) Business sectors that may be targeted by plan:

- Retail businesses
- Service industries
- Manufacturing sector
- Government agencies

(b) Marketing strategies to promote business:

- Media campaign
- Direct mail to clients
- First months free trial service
- Telemarketing
- Discounts for early payments

Question 5

Pricing Strategies

Ways by which the owners can obtain increase in revenue:

- Increased number of customers translates into more revenue if old customers are retained
- Reduce overhead expenses by cutting cost and taking advantage of synergies
- Increase sales through offers and collection efforts;
- Increase prices and quality of service
- Provide payment plan for customers who prefer to pay in installments;

Question 6

Promotion Strategies

- (a) Suggest a slogan: ‘Building world class service’; ‘Taking business into the new world’; ‘Striving for your success’.
- (b) Strengths that would give advantage to business
- Owners are all experienced and have networked in the industry thereby giving the business an edge over other ‘newcomers’.
 - The business has a history of rapid growth that can be seen as recognition and appreciation from paying customers, this would allow the business owners to market themselves using a positive though short track record.
 - The owners are visionaries who realize that there must be a strategic plan in place. Planning and executing in phases allow the business time to make adjustments as necessary and set real, attainable, measurable goals.

Question 7Technology

Ways in which technology can be used to promote business:

- Through the development of websites and links that create easier access to information
- Through the use of e-mail addresses to make quick contact with millions of people
- Since it breaks down borders and barriers it allows businesses to market to the world all at once in as many languages as necessary
- Use of television and radio media gets readily translated or transferred to streaming video and online news giving the business access to more media than they pay for

Question 8Quality

Ways in which the company can maintain quality service to its clientele:

- The owners must ensure that the firm meets and exceeds the demands of customers with respect to telemarketing and data entry services.
- The firm should seek to upgrade its equipment, outfit and train staff to deliver quality services.
- The firm should respond quickly to the needs of clients for changes that may arise.

Financial Plan – Profile 39. Sources and Uses Of Finance and Capital Instrument

In Part (a), candidates were required to identify sources from which Beyond 2012 can seek financing to fund its expansion, and, in Part (b), they were required to state ways in which the firm can use the funds to support its three year plan. Both parts of the question were well done by the majority of candidates.

10. Government regulations

Candidates were required to discuss one government regulation which should be considered when conducting business. This question was also fairly well answered. The majority of candidates was able to identify payment of taxes and the collection of statutory deductions such as NIS. The weaker candidates mentioned service clubs and associations.

Executive Summary

11. Candidates were required to write an overview of the business including the three aspects of the plan. This was very challenging for the majority of them. They were unable to give convincing statements of the three areas of the business plan to form the summary. However, the majority of them scored two of the three available marks.

The following are suggested responses for Profile 3.

Question 9

Sources and Uses of Finance and Capital Instrument

(a) Sources of financing to fund expansion:

- Loans from commercial banks or credit unions
- Personal savings
- Returns on investments
- Sale of stocks

(b) Uses of funds to support the business:

- To purchase equipment
- To launch marketing and public relations plans, recruit quality staff
- To purchase office equipment
- To expand office space
- To offer benefits to customers and employees
- To invest in other opportunities.

Question 10

Government regulations

Regulations that must be considered by business:

- Beyond 2012 must take into consideration the portion of employee wages (PAYE, Social Security, National Insurance) that will have to be paid to the government as regulated by the laws of the country. These regulations are to protect the employees while at the same time providing the government with access to revenue.
- The owners must be aware of the taxes that apply to their businesses and should register with the Sales or Value Added Tax departments to collect on behalf of the government. This tax is levied on the people of a country using the procedures and guidance of the government for proper implementation and remittance.

Question 11

Executive Summary

Beyond 2012 is a partnership in existence for two years which offers telemarketing and data-entry services.

The owners want to expand the services to include information technology services such as bookkeeping, management information systems, marketing and public relations.

The owners together have over 20 years of experience in the call-centre business and have decided to pool their resources and competencies to open a service centre.

The owners' vision is for growth and industry dominance to be achieved over a ten-year period. The focus of the first three years is the expansion of services.

The owners aim to promote the business by targeting business sectors using a variety of marketing strategies.

The business experienced steady growth and plans to increase by 40 per cent in the next three years.

Recommendations

Candidates are encouraged to examine business plans and should familiarize themselves with the various areas of the plan and use templates to practise writing different aspects of these plans. There are a number of Internet sites that can be used to identify business plans and templates which can guide candidates effectively. Also textbooks on CSEC Principles of Business that cover this area will be useful. The Principles of Business text published by Carlong Publishers is one such. It has a sample business plan and a sample 032 - paper as well guidelines on how to do this paper.