

**CARIBBEAN EXAMINATIONS COUNCIL**

**REPORT ON CANDIDATES' WORK IN THE  
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION**

**MAY/JUNE 2003**

**MANAGEMENT OF BUSINESS**

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**GENERAL COMMENTS**

2003 is the third year of the examination for Unit 1 of the Management of Business syllabus. However it is the first year that the subject is offered to private candidates, necessitating the testing of Paper 3B; the alternative to the SBA. Unit 2 is offered this year for the second time.

Each Unit comprises three modules. The assessment takes the form of two written papers and a school based assessment (SBA) papers in the case of school candidates, and three written papers in the case of private candidates. Paper 1 is designed to test the breadth of candidates knowledge, whereas Paper 2 is designed to test the depth of candidates knowledge. Paper 3 is designed to test the application of knowledge.

Overall, the performance of candidates in the 2003 examinations can be considered satisfactory. Performance on Unit I was comparable to that in 2002. Unfortunately, there was again a decline in the overall performance in Unit 2. Performance on the internal assessment was quite good. This has shown some stability over the years. However, performance on Paper 1 of both Unit 1 and Unit 2 has declined significantly. Performance on Unit 1, Module 3 is cause for concern. *(see Appendix 1 and 2 for sample responses for Unit 1, Paper 2, Questions 5 and 6).*

More time needs to be devoted to the teaching of Module 3 in Unit I - Business Finance and Accounting. Secondly, teachers need to help students arrive at rigorous definitions of key concepts in each module. Without an adequate conceptual base, candidates cannot hope to access the higher order skills such as application, analysis etcetera. For in the final analysis these skills are essentially extensions and amalgamations of simpler concepts.

**UNIT 1**

**MANAGEMENT PRINCIPLES AND PROCESSES**

Unit 1 comprises three modules, Business and its Environment, Management of People, and Business Finance and Accounting.

Paper 1

Paper 1 comprises 15 compulsory questions, 5 on each module.

Paper 2

Paper 2 comprises six optional questions, two on each module. Candidates choose 1 question from each module.

Paper 3A

Paper 3A is the SBA. Candidates are required to undertake an investigation from which they produce a written report. The investigation must encompass the three modules.

**DETAILED COMMENTS****UNIT 1****PAPER 1****MODULE 1: Business and Its Environment**

The five short-answer questions in Module 1 of this paper sought to test specific objectives 2, 4, 4, 10 and 3 respectively. Overall the performance on this module was fair. However, Questions 1, 3 and 4 were not handled as well as was expected.

Question 1

**Maximum mark: 2**

**Mean: 0.48**

**Std. Dev: 0.65**

This question tested specific objective 2 in this module. It required candidates to outline two major differences between a public limited company and a public sector company. Candidates attempted to use profit maximization as a basis for distinguishing between the two but did not appear to understand the concepts fully. These concept needs to be made clearer to students. Furthermore, candidates need to explore the similarities and differences with respect to the concepts.

Question 2

**Maximum mark: 3**

**Mean: 1.89**

**Std. Dev: 0.99**

This question tested Specific Objectives 4. Most candidates were able to give two ways in which tariffs might impact on imported goods. Surprisingly, however, candidates performed poorly on Part (a) of the question which required them to define tariff.

Question 3

**Maximum mark: 4**

**Mean: 1.52**

**Std. Dev: 0.76**

This question asked candidates to outline two criteria which might be used to compare the size of two companies. The performance on this question was fair; however, an undesirable

number of candidates did not appear to comprehend the concept “criterion” and consequently failed to answer Part (a) appropriately. Many candidates were unable to give one disadvantage for each criterion. This suggests an asymmetric treatment of the topic. Since management is primarily a rational decision making process, great emphasis has to be placed on selecting appropriate criteria as well as understanding both the advantages and disadvantages of each criteria.

#### Question 4

**Maximum mark: 4**

**Mean: 1.66**

**Std. Dev: 1.30**

The need to understand the rational decision-making process is reinforced by the performance on the next question. The question presented quantitative data on two projects. In part (a), candidates were required to draw a decision tree for the projects, while in Part (b) they were required to determine the ‘better’ project. Candidates were able to select the ‘better’ project but were unable to draw decision trees for the projects. This indicates that candidates need practice in this area.

#### Question 5

**Maximum mark: 2**

**Mean: 1.03**

**Std. Dev: 0.81**

The theme in this question was social responsibility of companies; the performance on this question was very satisfactory. Candidates showed a good grasp of the concept but in some instances had difficulty with expression.

### **MODULE 2: Management of People**

In general, the performance of candidates on this module varied from satisfactory to good.

#### Question 6

**Maximum mark: 2**

**Mean: 0.49**

**Std. Dev: 0.63**

This question tested candidates’ knowledge of formal organization structure by asking them to distinguish between “line” and “staff” relationships. Candidates addressed the former satisfactorily but encountered difficulty in explaining the “staff” relationship.

Question 7**Maximum mark: 4****Mean: 2.75****Std. Dev: 1.48**

The theme of this question was motivation; centered around Maslow's Hierarchy. While candidates were able to identify levels of Maslow's hierarchy, they were less able to give examples of needs at the various levels.

Question 8 & 10**Maximum mark: 4****Mean: 1.82****Std. Dev: 1.67****Maximum mark: 3****Mean: 2.10****Std. Dev: 0.91**

These two questions addressed Specific Objectives 5 and 10 respectively. They dealt respectively with the impact of various factors on leadership style and the benefits of team membership. These are two recurrent and well known themes in this module and were well handled by candidates.

Question 9**Maximum mark: 2****Mean: 1.05****Std. Dev: 0.78**

In this question candidates were required to distinguish between "work to rule" and "go slow". As might be expected, candidates performed better on the topic "go slow" than on "work to rule". This suggests that candidates may be relying too much on general knowledge. This is symptomatic of a general trend of superficiality among candidates in some areas of the syllabus. It is important that depth is obtained in the preparation of candidates. It cannot be overstressed that Management of Business requires a greater depth of knowledge than Principles of Business. To achieve this depth teachers must ensure that candidates examine several aspects of each topic. First, clear definitions are essential. But above and beyond this, for each topic, teachers must explore such aspects as advantages and disadvantages, the importance of the topic to different stakeholders as well as differences and similarities between one topic and another.

**MODULE 3: Business Finance and Accounting**

Candidates continue to show a less than satisfactory performance on this module. Of the five questions in this module, only two, Questions 11 and 13, recorded fair to satisfactory performance.

Question 11**Maximum mark: 2****Mean: 1.38****Std. Dev: 0.76**

For this question, candidates were required to distinguish between venture capital and working capital. Surprisingly, candidates showed a greater understanding of venture capital than of working capital; the definitions offered for the latter were poor.

Question 12**Maximum mark: 2****Mean: 0.53****Std. Dev: 0.68**

This question required a definition of debentures and a statement of one benefit associated with the same. The question was very poorly done. Candidates could not differentiate between the features of debentures and other forms of financing. They were equally confused about the nature of the “debenture holder”; many thought the debenture holder was the recipient of the debenture funds.

Question 13**Maximum mark: 3****Mean: 1.09****Std. Dev: 0.90**

Part (a) of this question required a definition of a balance sheet while Part (b) required a description of two functions of balance sheet. In Part (a) a large number of candidates omitted the critical fact that a balance sheet shows the condition of the business ‘at a specific point’. Many of them were unable to give all the basic components of a balance sheet, namely assets, liabilities and capital. Candidates did not appear to have a clear understanding of the functions of the Balance Sheet.

Question 14**Maximum mark: 6****Mean: 0.87****Std. Dev: 1.25**

Question 14 required candidates to explain payback period and Net present value. Definitions for these two terms appear to have been “manufactured”, a practice which must be discouraged. Invariably, terms acquire specific meanings in the context of different disciplines. Schools need to be clear that the precise meanings of these terms are part and parcel of what will be tested in the discipline represented by each module. For example, “profit” is often defined by the layman as “how much money one makes”. While this definition may be acceptable and “understood” in casual conversation it is not satisfactory for accounting. A rigorous definition such as “profit is the excess of revenue over expenses” is required.

Question 15**Maximum mark: 4****Mean: 1.12****Std. Dev: 1.34**

Candidates performed fairly well on the conceptual part of this question which required a definition of “residual value”. The performance was less satisfactory on Part (a) which called for the computation of the profit or loss on the disposal of a fixed asset where depreciation was invoked. Many candidates confused the depreciation to date with the “book value”. Consequently they found the difference between the depreciation to date and the disposal price as a means of determining the profit or loss rather than using the book value.

**PAPER 2****MODULE 1: Business and Its Environment**

Candidates had the option of answering either Question 1 or Question 2 in this section.

Question 1**Maximum mark: 25****Mean: 13.82****Std. Dev: 3.32**

This question was designed to test Specific Objective 5. It was divided into two parts. The question was attempted by two-thirds of the candidates. Candidates performed fairly well on Part (a) which required an evaluation of five ways in which multi-nationals impact on the Caribbean. In Part (b), candidates were required to identify two ways in which multinationals may have to adapt to the Caribbean business environment. In general candidates could not produce the quality of responses required and therefore, performance on this part was not commensurate with that of Part (a).

Schools need to adopt a more balanced approach in the delivery of this module, bearing in mind its scope. The subject of this module is the interaction between the business and its environment; therefore its scope entails both the impact of the organization on the environment as well as the environment’s effect on the business (see General Objectives 3 and 4).

Question 2**Maximum mark: 25****Mean: 12.65****Std. Dev: 5.09**

In Parts (a) and (b) of this question, candidates were required to justify both state control of private businesses as well as state and justify three objectives that publicly owned businesses should pursue. Part (c) required for an explanation of the concept of franchising as well as

two of its benefits to the franchisee. Of the one-third candidates who attempted this question, most performed fair to moderate overall. However, candidates did poorly with respect to justifying state control. This appears to be related partly to their confusion of state control with a command economy.

Candidates need to be exposed to a diversity of models of government intervention. This can be achieved by having candidates prepare comparative studies of various aspects of business and government intervention across different Caribbean countries.

### **MODULE 2: Management of People**

#### Question 3

**Maximum mark: 25**

**Mean: 15.68**

**Std. Dev: 4.07**

Approximately 40 per cent of the candidates chose this question which was designed to test Specific Objective 3. The question dealt with organizational structure and encompassed such themes as “delegation”, “decentralization”, “authority”, “responsibility” and “accountability”. In general, performance on this question was fair. Parts (a) and (b) were well understood by most candidates as evidenced by their ability to define the key concepts. However, “accountability” was not well understood by candidates and they experienced great difficulty in relating the other concepts to delegation.

#### Question 4

**Maximum mark: 25**

**Mean: 11.63**

**Std. Dev: 4.14**

The second optional question in this paper, had as its theme ‘leadership skills, roles and behaviours’. The question required definitions and examples of these concepts. Overall, performance here was weak; candidates were unable to define such leadership behaviours as “consideration”, “planning” and “inspiration”. Consequently, they were unable to address the substantive part of the question which required them to relate these concepts to effective leadership.

### **MODULE 3: Business Finance and Accounting**

Candidates were offered a choice of one of two questions in this part of the paper.

#### Question 5

**Maximum mark: 25**

**Mean: 6.79**

**Std. Dev: 5.69**

Question 5 was a two part question on the theme; “working capital”. It was designed to test specific objectives 2 and 3.



A fair to moderate performance was recorded on Part (a) of Question 5 which required identification, description and explanation of three alternative sources of working capital. Part (b) was not well done. This part of the question required a discussion on three criteria which might be used to choose among the alternatives given in Part (a). Candidates' response indicate a lack of understanding of the term "criteria". It must be emphasized that decision making is a salient feature of management, and therefore, the need to adduce decision-making criteria in some topics is absolutely essential.

#### Question 6

**Maximum mark: 25**

**Mean: 9.83**

**Std. Dev: 6.44**

This question tested Specific Objective 8. It required the computation of three profitability ratios from given data as well as an explanation of three limitations of ratios. In Part (a), candidates were able to compute the Net Profit Margin before taxes and ROCE. However, they failed to compute a third ratio by using the tax rate to find profit after taxes. They also experienced great difficulty in interpreting the ratios they computed. With respect to Part (b), candidates were able to list limitations of accounting ratios but were unable to suggest suitable strategies for overcoming these limitations. Ratio analysis is clearly an area to which schools must pay serious attention. It is an aspect of critical analysis which is well recognised, but one which lacks practice.

### **PAPER 3: SBA**

Overall, performance on the Internal Assessment was satisfactory. The companies chosen by candidates for study were predominantly from the manufacturing sector. For the most part, candidates exhibited the ability to synthesize the research findings with the concepts from the three modules. However, performance across the three modules was not consistent. Performance on Module 3, Business Finance and Accounting was weak, this is consistent with performance on Module 3 on the examination papers in this unit.

Some slight improvement has been registered in the area of referencing. Efforts, however, must not be slackened. A few cases of gross plagiarization were evident. Teachers must insist that Candidates practice both in text and bibliographic citation. Internet articles must be cited. Candidates need to be introduced to the fundamentals of an international citation scheme, such as APA (American Psychological Association). The APA has a special section of citing online sources. Their website is [www.apa.org](http://www.apa.org). The reference work, *Prentice Hall Handbook for Writers* by M. Kramer, G. Leggett and C. Mead published by Prentice Hall, New Jersey is also recommended.

## **UNIT 2**

### **APPLICATIONS IN MANAGEMENT**

Unit 2 comprises three modules: Production and Operations Management, Fundamentals of Marketing and Small Business Management.

Paper 1

Paper 1 comprises 15 compulsory questions, 5 on each module.

Paper 2

Paper 2 comprises six optional questions, two on each module. Candidates chose 1 question from each module.

Paper 3A

Paper 3A is the SBA, candidates are required to undertake an investigation from which they produce a written report. The investigation must encompass the three modules.

Paper 3B – Alternate to SBA

This paper is comprised of a Case Study incorporating all three modules. Candidates are required to answer 3 Questions (1 on each Module) based on the case.

**PAPER 1****MODULE 1: Production and Operations Management**Question 1

**Maximum mark: 3**

**Mean: 1.08**

**Std. Dev: 1.03**

In Part (a) of this question, candidates were able to define absorption costing but showed little understanding of marginal costing. In Part (b) candidates were unable to show the effect of capacity under-utilization on absorption costs. This linkage needs to be explored by teachers as part of their preparation of candidates. This can best be achieved by providing students with opportunities to practice the skill.

Question 2

**Maximum mark: 1**

**Mean: 0.51**

**Std. Dev: 0.50**

The concept of process layout was the sole theme of this question. Candidates described product layout instead, thus displaying lack of understanding of the concept.

Question 3**Maximum mark: 3****Mean: 1.22****Std. Dev: 0.63**

This question required definitions of 'labour productivity' and 'quality control'. Candidates showed mastery of the concept of quality control but little comprehension of labour productivity, which they confused with efficiency.

Question 4**Maximum mark: 6****Mean: 3.72****Std. Dev: 1.56**

Job versus batch costing was the theme of this question. Candidates were able to distinguish between the two concepts but experienced difficulty in producing two advantages and two disadvantages of changing from batch to flow production.

Question 5**Maximum mark: 3****Mean: 1.00****Std. Dev: 1.21**

This question dealt with the subject of contribution margin and costing. From data supplied, candidates were required to compute the profit and loss made using the technique of contribution costing. Most candidates failed to do this. It appears as though candidates either ignored the instruction, or as is more likely, were unfamiliar with the concept of contribution margin.

**MODULE 2: Fundamentals of Marketing**Question 6**Maximum mark: 3****Mean: 0.60****Std. Dev: 0.96**

This question required a definition of price discrimination as well as two examples of this approach by an organization. The responses here indicate lack of familiarity with the concept.

Question 7**Maximum mark: 2****Mean: 0.35****Std. Dev: 0.63**

This question was poorly done by candidates; candidates appear to have 'manufactured' definitions for the concepts of "initiator" and "influencer" in the context of consumer behaviour.

Question 8

**Maximum mark: 2**  
**Mean: 1.38**  
**Std. Dev: 0.75**

This question required candidates to identify two short term strategies for increasing sales. The responses here were satisfactory.

Question 9

**Maximum mark: 2**  
**Mean: 1.44**  
**Std. Dev: 0.65**

In this question, candidates were required to give two reasons for a pharmacy wanting to sell pharmaceuticals under its own brand name. Candidates did not appear to understand the concept of private branding as evidenced by their responses.

Question 10

**Maximum mark: 6**  
**Mean: 2.79**  
**Std. Dev: 1.72**

This question was a two part question. Part (a) required candidates to explain how the impact of a change in population structure may effect the product mix of a company. Part (b) required a definition of “mission statement” and its impact on the marketing process. The latter part was well done. However, candidates showed very little understanding of the concept of population structure and stumbled on the notion of “change structure”. Here again it is evident that candidates’ knowledge have not moved beyond the POB stage.

### **MODULE 3: Small Business Management**

Overall the five short-answer questions in this Module were handled satisfactorily by most candidates.

Question 11

**Maximum mark: 3**  
**Mean: 0.51**  
**Std. Dev: 0.95**

This question dealt with ‘intellectual property’. Candidates’ responses were fair to moderate. Some difficulties were experienced in providing a rigorous definition of the concept. This suggests a lack of conceptual knowledge in this area.

Question 12**Maximum mark: 3****Mean: 1.41****Std. Dev: 0.99**

This question required candidates to state three areas entailed in a feasibility study. The responses here were very good.

Question 13**Maximum mark: 7****Mean: 2.96****Std. Dev: 1.61**

Part (a) of this question required candidates to outline advantages and disadvantages of a limited company versus a partnership for a new small business. Part (b) dealt with factors influencing choice of advertising media. Candidates handled Part (b) well, but demonstrated some confusion among the features of the three major forms of business organization, namely, Limited company, Partnerships and Sole Proprietorships.

Question 14 &15**Maximum mark: 1****Mean: 0.80****Std. Dev: 0.40****Maximum mark: 1****Mean: 0.64****Std. Dev: 0.48**

Question 14 required candidates to identify challenges facing an entrepreneur starting a new business and Question 15 required identification of one piece of legislation that might affect a small retail food outlet. Both questions were satisfactorily handled by the candidates.

**PAPER 02****MODULE 1: Production and Operations Management**Question 1**Maximum mark: 25****Mean: 15.97****Std. Dev: 4.42**

This question, which was the first of two optional questions for Module 1, required candidates to discuss various aspects of TQM including the kaizen approach and quality circles. The concept of kaizen was not well understood by candidates. However, candidates were able to explain the benefits and drawbacks of TQM as well as how quality circles can

improve productivity. In doing the latter, candidates developed a few erroneous hypotheses which need to be debunked. The first is that an increase in output leads to an increase in sales and the second is that an increase in sales leads to an increase in profit. Neither necessarily follows. Teachers need to investigate these and similar misconceptions and seek clarity with respect to these as part of candidates preparation for the Management of Business examinations.

### Question 2

**Maximum mark: 25**

**Mean: 14.85**

**Std. Dev: 4.74**

This question centered on the concept of specialization. Candidates demonstrated satisfactory understanding of the concept and were able to adequately explain four advantages and disadvantages of specialization.

However, outlining a technique for overcoming some of the disadvantages of specialization was more challenging for candidates. Part of the problem appear to have been misapprehension of the term “technique”. Candidates were expected to name such techniques as “job rotation” and “job enlargement”. Candidates failed to do this although they appear to have basic understanding of the underlying issues.

## **MODULE 2: Fundamentals of Marketing**

### Question 3

**Maximum mark: 25**

**Mean: 13.78**

**Std. Dev: 4.66**

This question which dealt with SWOT analysis, was the first optional question in this module. Part (a) of the question asked for the recall of the meaning of SWOT. This was well done by most candidates. In Part (b) of this question, candidates were required to identify and discuss two trends in each of four external environmental areas. Candidates experienced grave difficulties with the meaning of “trend”. For example, prices charged by customers is not a trend; whether they are increasing, decreasing or remaining steady over time is a trend; a trend has to be time based. Teachers must ensure that they provide students with a range of practical examples. Case studies are indispensable to the understanding of this module.

### Question 4

**Maximum mark: 25**

**Mean: 13.78**

**Std. Dev: 4.66**

In Part (a) of this question candidates were confronted with the concepts of marketing. Part (b) dealt with primary data collection methods. Candidates were able to identify and describe three primary data collection methods although there was some confusion about the

distinction between surveys and questionnaires. Part (a) was not handled nearly as well as Part (b). Candidates did not appear to understand what was meant by the term “marketing information”. Most candidates thought marketing information referred to the marketing mix; very few regarded competitors’ or suppliers’ prices as key pieces of marketing information. The concept of marketing information is critical to the understanding of marketing, and therefore, strenuous efforts must be made to ensure that students not only understand this concept but also its importance and application.

### **MODULE 3: Small Business Management**

#### Question 5 & 6

**Maximum mark: 25**

**Mean: 12.46**

**Std. Dev: 5.20**

**Maximum mark: 25**

**Mean: 12.68**

**Std. Dev: 4.01**

The two optional questions in this module, Question 5 and 6, centered around the characteristics of successful entrepreneurs and the contents of a business plan respectively. In Question 5, most candidates managed three of the five characteristics requested.

Just under 50 per cent of the candidates opted to do Question 6. Part (a), which asked for the definition and rationale of a business plan, was well done. The performance on Part (b) was disappointing. In general, candidates did not seem to have detailed any of the items under the three headings of the business plan indicated, namely, product, market and finance. Teachers need to develop and discuss actual business plans with candidates in order to effectively remedy this inadequacy.

### **PAPER 3: SBA**

In general, the responses here for this unit can be described as good. The three modules were adequately covered. The topics investigated were highly relevant. The organizations chosen represented a good blend of manufacturing, services and non-profit entities. Candidates used a variety of data collection techniques and graphics but very few of the graphics were accompanied by adequate explanations. Finally, the comments made under Unit I with respect to referencing also apply here.

## SAMPLE RESPONSES

UNIT 1  
Question 5

- (a) A firm short of working capital would naturally seek to obtain financing from short-term sources. Possible short-term sources for the firm might include:
- (i) Bank overdraft
  - (ii) Loan
  - (iii) Trade Credit
  - (iv) Debt factoring
  - (v) Leasing
  - (vi) Hire Purchase
  - (vii) Issue of shares –will
  - (viii) Reduce expenses

A bank overdraft is an arrangement with a commercial bank: it allows the firm to spend over and above the balance on its bank account. This will increase the current liabilities of firm thus making it less required.

A loan is an arrangement in which the firm receives a sum of money now and makes repayment over several years. Repayment includes interest and principal. This will increase the cash of the firm but increase long-term liabilities.

Trade credit is an arrangement where the firm would be allowed to purchase materials or utilize services without immediate payment, for example, purchase of clay or use of electricity. This is generally short-term in nature and will result in the increase in current liabilities.

Increases equity reduced working capital.

Factoring is selling the right to collect your receivables to a third party for a small discount. The firm gains funds immediately but loses some of the value of the debt.

Leasing and Hire Purchase are arrangements where the business makes installments to defray debts incurred in renting or purchasing assets. These reduce the size of cash outflows.

Issue of Shares – Company sells right to ownership for cash.



- (b) Factors influencing the choice of sources of funding used by a firm include:
- Characteristics of financing source, for example, trade credit is usually very short-term (30 days) whereas a bank overdraft has no specific time period.
  - Type and amount of collateral needed, for example, banks may require that the working capital loan be tied to some specific asset.
  - Duration of loan
  - Amount of funding needed
  - Payback consideration such as interest rates, etcetera. The interest rate will determine the size of the repayment and institution the firm will select.
  - Ease of securing loan
  - Credit worthiness of the company

**UNIT 1**  
**Paper 02**

**Question 6**

Net Profit Margin (After Tax)

Profit before Tax

$$\text{Net Profit margin} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

$$\underline{2000} \qquad \underline{1999}$$

Assuming tax rate of 25%

$$\frac{20}{700} = 2.85\% \qquad \frac{10}{8200} = .12\%$$

$$= \frac{20(0.75)}{700}$$

$$= 2.14\%$$

1999 it was 0.09%

This shows that for every dollar of sales the company is earning 2.14 cents after taking into account the cost of goods sold and other expenses. It can be used to compare the overall performance of the company with others in the industry. The company showed improvement in 2000 over 1999.

**Return on capital employed**

$$\frac{\text{Net Profit after tax}}{\text{Net Assets}} \times 100$$

20001999

$$\frac{20}{250} \times 100 = 8\%$$

$$\frac{10}{3000} \times 100 = 3.3\%$$

$$= \frac{20(0.75)}{250} \times 100$$

$$= 6\%$$

In 1999 the ROCE was 2.5%. This ratio can be compared with that of other years to get a picture of the profitability of the company. The company's profit position improved in 2000.

In 1999 net profit margin was 0.12%.

This shows the amount of profit available for operations – pay overheads. The ratio for 2000, as compared with 1999, shows that the margin has improved.

**Asset Turnover**20001999

$$\frac{700}{250} = 2.8 \text{ times}$$

$$\frac{8200}{300} = 27.3 \text{ times}$$

Ratio analysis does not provide a complete means of assessing a company's financial position. When making comparisons overtime ratios may be misleading as factors such as inflation, changes in accounting procedures, changes in the business activities of a firm, change in general business conditions and the economic environment are not considered.

It is also important that firms compare 'like with like' when using ratios. Even firms in the same industry may be different in terms of size, product mix or objectives. Different accounting techniques may also be used, for example, stock valuation and depreciation methods.

Limitations may be overcome by

- understanding the operations of the company concerned
- use of standard uniform accounting principles and procedures
- careful examination of variable used and establish a standard to classify these variables when using accounting ratios.

**UNIT 1**  
**Summary Statistics by Paper**

|           | <b>PAPER 1</b> | <b>PAPER 2</b> | <b>PAPER 3</b> |
|-----------|----------------|----------------|----------------|
| Max Mark  | 45             | 75             | 60             |
| Mean      | 19.78          | 33.88          | 40.1           |
| Std. Dev. | 6.88           | 10.91          | 10.3           |
| Range of  | 2-40           | 0-66           | 2-60           |

**UNIT 1**  
**Summary Statistics by Module**

|           | <b>MODULE 1</b> | <b>MODULE 2</b> | <b>MODULE 3</b> |
|-----------|-----------------|-----------------|-----------------|
| Max Mark  | 60              | 60              | 60              |
| Mean      | 32.65           | 34.97           | 24.32           |
| Std. Dev. | 7.50            | 7.76            | 9.85            |
| Range of  | 11-54           | 9-56            | 0-56            |

**UNIT 2**  
**Summary Statistics by Paper**

|           | <b>PAPER 1</b> | <b>PAPER 2</b> | <b>PAPER 3</b> |
|-----------|----------------|----------------|----------------|
| Max Mark  | 45             | 75             | 30             |
| Mean      | 20.43          | 40.46          | 21.38          |
| Std. Dev. | 6.06           | 9.99           | 5.21           |
| Range of  | 4-38           | 8-72           | 5-30           |

**UNIT 2**  
**Summary Statistics by Module**

|           | <b>MODULE 1</b> | <b>MODULE 2</b> | <b>MODULE 3</b> |
|-----------|-----------------|-----------------|-----------------|
| Max Mark  | 50              | 50              | 50              |
| Mean      | 30.35           | 26.66           | 25.60           |
| Std. Dev. | 6.96            | 6.50            | 6.55            |
| Range of  | 9-48            | 8-43            | 10-44           |