

**CARIBBEAN EXAMINATIONS COUNCIL**

**REPORT ON CANDIDATES' WORK IN THE  
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®  
MAY/JUNE 2013**

**MANAGEMENT OF BUSINESS**

## GENERAL COMMENTS

The Caribbean Advanced Proficiency Examination (CAPE) in Management of Business seeks to provide candidates with the basic skills required to address managerial problems and challenges faced by businesses. These skills enable candidates to function not only in existing business organizations, but also as independent entrepreneurs.

The subject is divided into two units, each examined by three papers.

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 03 – 031: School-Based Assessment (done by school candidates)

– 032: Alternative to School-Based Assessment (done by private candidates)

Unit 1 focuses on Management Principles and Processes. It comprises three modules:

- Business and its Environment
- The Management of People
- Business Finance and Accounting

This year, 4, 623 candidates wrote Unit 1. The mean mark was 162.45 out of 300 (54.14 per cent). The standard deviation was 38.69. Ninety-six per cent of the candidates achieved acceptable grades (Grades I–V).

Unit 2 focuses on Applications in Management. It comprises three modules:

- Production and Operations Management
- Fundamentals of Marketing
- Small Business Management

Unit 2 was written by 2, 954 candidates. The mean mark was 186.60 out of 310 (62.20 per cent). The standard deviation was 36.69. Ninety-six per cent of the candidates achieved acceptable grades (Grades I–V).

May 2013 was the first sitting of the examination using the revised Management of Business syllabus. Overall, performance in 2013 could be deemed satisfactory and was consistent with that of 2012 and 2011. Although major amendments were done to Unit 1, Module 3 — Business Finance and Accounting — there was still a decrease in performance in this module when compared with the previous year. In order to develop and maintain satisfactory performance in this module, it is highly recommended that greater preparation of students be undertaken by schools. Teachers should pay careful attention to the changes in the syllabus and ensure that students are tested in some way on all the areas.

The inability of candidates to address higher order cognitive skills, for example, those that call for analysis, synthesis and evaluation, still needs to be addressed. One possible way to overcome this challenge is to have students practise writing more essay-type questions. Once they are engaged in

this activity, it will challenge them to organize and express subject matter and problems solutions in their own words.

## **DETAILED COMMENTS**

### **UNIT 1**

#### **Paper 01 – Multiple Choice**

Paper 01 consisted of 45 multiple-choice items, 15 on each module. The items spanned knowledge, comprehension and application. The mean mark for this paper was 59.59 out of 90 (66.21 per cent). The standard deviation was 12.61.

#### **Paper 02 – Essay Questions**

Paper 02 comprised six questions, two on each module. Candidates were required to answer one question from each module. The mean mark for this paper was 63.81 out of 150 (42.54 per cent). The standard deviation was 24.13.

### **Module 1: Business and the Environment**

#### Question 1

The question tested candidates' knowledge of business organizations. Approximately 67 per cent of the candidates attempted this question. Part (a) required candidates to outline three provisions that can be included in a partnership deed. Part (b) required them to discuss two advantages and two disadvantages a sole trader may experience if she converts her business from a sole proprietorship to a partnership.

Approximately 46 per cent of the candidates achieved at least 12 of the available 25 marks allocated to the question. The mean mark was 11.22 (44.8 per cent). The standard deviation was 4.93. The specific area of good performance was Part (a) where the majority of candidates was able to identify the advantages and disadvantages, especially the advantages. However, they failed to develop the points sufficiently in order to achieve the maximum available mark. The specific area of weak performance was Part (b) where some candidates wrote how beneficial a partnership deed is to a sole trader instead of the specific contents of the deed as required by the question.

#### **Recommendation**

- There is need for candidates to practise answering questions aimed at higher order cognitive skills such as application and evaluation.

### Question 2

This question tested candidates' knowledge of business objectives and business ethics. Approximately 33 per cent of the candidates attempted this question. Approximately 52 per cent achieved at least 12 of the available marks allocated to the question. The mean mark was 16.95 (47.80 per cent). The standard deviation was 4.70.

The question was divided into two parts. With reference to the scenario given, Part (a) required candidates to define the term *mission statement* stating three reasons why it is important. Part (b) (i) required them to define the term *social responsibility*. Part (b) (ii) required them to outline three ways in which a given company could demonstrate social responsibility. Part (b) (iii) asked candidates to explain why it is important for the company to include social responsibility in its mission statement.

Specific areas of good performance were Part (a) and Parts (b) (i) and (b) (ii) where the majority of candidates demonstrated a clear understanding of *mission statement* and *social responsibility*.

Specific areas of weak performance included Part (b) (iii) where instead of outlining why it is important for the company to include social responsibility in the mission statement, some candidates repeated the answer given for Part b (ii).

Candidates need to pay careful attention to the interpretation of questions.

## **Module 2: Management of People**

### Question 3

The question tested candidates' knowledge of Maslow's hierarchy of needs theory and the application of the theory to management/worker relationships. Approximately 49 per cent of the candidates attempted this question.

The majority of candidates correctly identified the five levels of needs in the hierarchy and clearly described how the needs function in human beings. With respect to Part (b), the majority of candidates did not correctly apply the concepts to indicate how managers could motivate workers who were at various levels of need.

Approximately 71 per cent of the candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 14.46 (57.84 per cent). The standard deviation was 5.44. The overall performance of candidates on this question was satisfactory.

### **Recommendations**

- Candidates should be guided into understanding the levels and/or stages of the needs hierarchy in the correct order.
- Candidates should seek to deepen their understanding of the concepts which will assist them in the application aspect of questions.
- Application of the concepts must be taught and tested at the school level so that students can master the explanations and analyses fundamental to the CAPE examination.

#### Question 4

This question tested candidates' knowledge of groups and teams. Part (a) required candidates to differentiate between a team and a group, while Part (b) required candidates to outline the five stages of group development. For Part (c), the application segment of the question, candidates were required to discuss three characteristics of team effectiveness related to the given scenario. Approximately 51 per cent of the candidates attempted this question.

Approximately 38 per cent of candidates obtained 12 and above of the total 25 marks allocated to the question.

The overall performance of candidates on this question was below average. The mean mark was 10.61 (42.44 per cent). The standard deviation was 5.99. Specific areas of good performance were Part (a) and some areas of Part (c) where the majority of candidates demonstrated an understanding of the term *group* (Part a) and were able to identify the stages in the development of a group.

Specific areas of weak performance included Part (a) where candidates had difficulty differentiating between a team and a group and the discussion segment of Part (c) which was poorly done by many candidates who simply listed many more characteristics than the question required and did not elaborate on them.

#### **Recommendations**

- Students need to be taught the importance of sequence in the stages of team development or any other concept where the process is critical to correct understanding and analyses.
- Where there are concepts that have meanings that are close to each other as in team and group, these distinctions need to be fully explored at both the lower and upper levels of the taxonomy.
- Students must be made to understand that when a question requires a specific number of characteristics, giving several more than required will not result in additional marks. The focus must be on the explanation or discussion as indicated by the question.

### **Module 3: Accounting and Finance**

#### Question 5

This question tested candidates' knowledge and understanding of the purpose, nature and usefulness of budgeting and in particular, options that may help to improve cash flow management. Part (a) required candidates to define the term *variance*, calculate the variances for each department, and state what each variance calculated in Part (a) (ii) indicates about the performance of the company. Part (b) (i) required candidates to define the term *budget*. Part (b) (ii) required them to state three reasons why it is important to construct a budget. Part (c) required candidates to discuss three options that can be considered in order to improve the company's cash flow management. This question was attempted by approximately 51 per cent of the candidates.

Overall, performance on this question was poor. Approximately 10 per cent of candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 7.11 (28.44 per cent). The standard deviation was 3.53.

In Part (a), candidates demonstrated a lack of understanding of the term associated with variance. For example in Part (a) (iii), when asked to state what each variance indicates about the performance of the company, a significant number of candidates were unable to indicate the results that were *favourable* and *unfavourable* instead some candidates referred to the results as *profit* or *loss*. In Part (b), a majority of candidates were able to clearly define the term *budget*. In Part (c), where candidates were asked to discuss three options likely to improve the company's cash flow management, a majority of them were unable to comprehensively develop the points to earn the maximum available mark.

### **Recommendation**

- It is highly recommended that greater preparation of students for the accounting aspect of the module be undertaken by schools.

### **Question 6**

This question tested candidates' ability to analyse key financial statements through the use of ratio analysis. Part (a) required candidates to compute to one decimal place the following ratios: (i) net profit margin (ii) acid test ratio (iii) current ratio (iv) stock turnover (v) long-term debt to equity. Part (b) required candidates to explain what each ratio demonstrates about the performance of the firm. The question was attempted by approximately 49 per cent of the candidates.

Overall, performance on this question was poor. Approximately 34 per cent obtained 12 and above of the total 25 marks allocated. The mean mark was 9.04 (36.16 per cent). The standard deviation was 4.90.

In Part (a), most candidates accurately calculated ratios of net profit margin, acid test and current ratio. The areas of weakness included sections of Part (a) where candidates had difficulty calculating the ratios of stock turnover and long-term debt to equity. Most candidates appeared to be confused and wrote incorrect formulas, hence, the results were incorrect.

In Part (b), most candidates found it challenging to comment on how the results of the ratios impacted on the performance of the business.

### **Recommendations**

It is recommended that teachers emphasize

- the components of the financial statement and incorporate these when teaching the concept of ratios.
- the importance of calculating as well as interpreting the ratios
- not only profitability and liquidity ratios but also others such as efficiency and gearing.

## Paper 031 – School-Based Assessment (SBA)

Overall, the projects presented for the SBA in Unit 1 were satisfactory. Although there were some amendments to the structure of the SBA, the majority of topics chosen was appropriate for the CAPE level. Topics were also relevant to the unit and were written in a clear and logical manner. The majority of students scored between 46 and 60 marks, which was consistent with the previous year. Overall, there were some excellent submissions with students generally adhering to the requirements. On the other hand, there were some weak submissions where students, as in previous years, failed to demonstrate adequate knowledge of objectives being assessed, did not have clearly stated topics and appeared to be confused as to what was required under the different headings. It is recommended that students be encouraged to start writing their projects as early as possible so that teachers are able to provide the necessary guidance in a timely manner.

## UNIT 2

### Module 1: Production and Operations Management

#### Question 1

This question tested candidates' knowledge of the concept of lean production and quality control management, with focus mainly on the latter. Part (a) required candidates to distinguish between quality control and quality assurance. Part (b) required them to discuss three ways in which poor quality can affect the performance of the BKJ Cement Manufacturing Company. Part (c) required candidates to outline three techniques that the firm can use to improve quality in its organization. This question was attempted by approximately 65 per cent of the candidates.

Overall, performance on this question was satisfactory. Approximately 58 per cent of candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 12.71 (50.84 per cent). The standard deviation was 4.96.

The majority of candidates who attempted Part (a) was unable to distinguish between *quality control*, and *quality assurance*. They merely engaged in defining each of the two giving no clear distinction. However, the majority of candidates who attempted Part (b) was able to satisfactorily discuss three ways in which poor quality can affect the performance of the firm.

#### **Recommendation**

- It is recommended that teachers reinforce examination techniques with students in addition to providing the necessary guidance in the identification of key terms.

#### Question 2

This question tested candidates' knowledge of project management. Part (a) tested candidates' knowledge of the importance of project management and particularly the critical path method. Candidates were required to draw a network diagram representing the tasks outlined; determine the length of each path; determine the critical path; state the expected length of the project; and calculate the amount of slack time for each path. Part (b) tested candidates' knowledge of the major decisions

involved in the nature of the production process, in particular the flow production system. Part b (i) required candidates to define the term *flow production* and Part (b) (ii) required them to outline two advantages and two disadvantages of a flow production system. The question was attempted by approximately 35 per cent of the candidates.

Overall, performance on this question was fairly good. Approximately 85 per cent obtained 12 and above of the total 25 marks allocated to the question. The mean mark was 16.09 (64.36 per cent). The standard deviation was 4.75.

The majority of candidates who attempted Part (a) was able to correctly draw the network diagram as well as identify the critical path. However, some candidates had challenges calculating the length of project and slack time. With regard to Part (b), most candidates had difficulty defining *flow production*. Many of them tried to define it by making a comparison to another production method.

### **Recommendations**

- It is recommended that candidates familiarize themselves with the concepts so that they can provide suitable definitions.
- There is the need to engage in guided practice in calculating and/or determining critical path, expected length of the project and slack time for each path.

## **Module 2: Fundamentals of Marketing**

### Question 3

This question tested candidates' knowledge of pricing strategies and principles of distribution. Part (a) required candidates to explain three named marketing strategies while Part (b) required them to discuss one advantage and one disadvantage of each of the strategies named in Part (a). Approximately 54 per cent of the candidates attempted this question. The mean mark was 12.48 (49.92 per cent). The standard deviation was 5.44.

The three marketing strategies to be explained by candidates in Part (a) were branding, price skimming and direct distribution channels. While candidates generally were able to explain branding and direct distribution channels correctly, the vast majority of them did not explain price skimming accurately. Instead, they gave a part of the concept but not sufficient information to demonstrate their understanding of the unique characteristics of the concept. Most candidates had not mastered the art of discussion such that their handling of the segment of the question was generally either marginal or weak. Candidates did not identify the concept required, for example, 'advantage' then move on to explore that point in a coherent and developmental manner.

Candidates' performance on this question was above average. Approximately 57 per cent of them achieved at least 12 of the 25 marks allocated to the question.

## Recommendations

- More time should be spent engaging students in discussion tasks to develop mastery in this area. This is important since the highest proportion of the marks for a question is assigned to the discussion tasks.
- Students' knowledge and understanding of the concepts should be broadened and deepened such that they are able to distinguish concepts clearly, especially those that have some degree of similarity.

### Question 4

This question tested candidates' knowledge of marketing research. It presented a scenario and required candidates to answer questions based on the scenario. Part (a) focused on primary and secondary data; the differences and reasons primary was the preferred data for the research needed by the company and the justification for the use of primary data. Part (a) also asked for categories of consumer profile data to be collected. In Part (b), the question focused on probability and non-probability sampling: the differences between them and the reasons the company in the scenario should choose the probability technique. Approximately 46 per cent of the candidates attempted this question. The mean mark was 9.80 (39.20 per cent). The standard deviation was 4.22.

Fifty per cent of the candidates accurately distinguished between primary and secondary data. Hence, they were able to perform satisfactorily on this part of the question.

The vast majority of candidates did not understand the concept of consumer profile hence their responses were either not given or given incorrectly. Part (b), which required candidates to differentiate between probability and non-probability sampling, was also poorly done since candidates discussed primary and secondary data instead of what was required. Generally, average to weak performance on the justification for the use of probability sampling was evident.

Overall, performance on this question was poor. Approximately 31 per cent of candidates achieved at least 12 of the 25 marks allocated to the question.

## Recommendations

- Students should be given adequate opportunities to learn the concepts that fall under the items in the syllabus so that their understanding supersedes the general and superficial.
- Teachers should provide more opportunities for students to apply and analyse concepts based on scenarios and cases. This will give them practice in using information given in a scenario to answer the questions so assigned.

### Module 3: Small Business Management

#### Question 5

This question, which tested candidates' knowledge of entrepreneurship, was attempted by approximately 87 per cent of the candidates. Approximately 80 per cent of candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 15.54 (62.16 per cent). The standard deviation was 4.53.

Part (a) tested candidates' knowledge of the term *entrepreneur*. Part (b) required candidates to outline four characteristics of a successful entrepreneur. Part (c) required candidates to discuss two opportunities and three challenges that an entrepreneur may face in setting up a business.

Overall, performance on this question was good. Specific areas of good performance were Parts (b) and (c). In Part (b), over 80 per cent of the responses were good, if not excellent. Candidates demonstrated adequate knowledge of the characteristics and provided good explanations for each characteristic identified. In Part (c), the majority of candidates identified the correct challenges and provided sufficient and balanced discussions with appropriate examples. Judging from the scores earned, it is evident that candidates enjoyed answering this question.

However, in sections of Parts (a) and (c), a limited number of candidates performed poorly. In Part (a), these candidates had difficulty writing a proper and adequate definition of *entrepreneur* that would earn them two marks. Yet they did understand the concept well enough to earn one of the two marks allocated for this part of the question. In Part (c), these candidates viewed opportunities with respect to prospective customers as well as the society at large, instead of opportunities the entrepreneur is likely to face.

#### **Recommendations**

- Candidates are encouraged to read about the entrepreneur, and then write a set of definitions highlighting key points in the definition.
- Candidates should have guided discussions on the opportunities faced by an entrepreneur.

#### Question 6

The question tested candidates' knowledge of business plans. Part (a) (i) tested candidates' knowledge of the term *one level channel of distribution* and Part a (ii) required candidates to identify two types of retail businesses or outlets that would effectively distribute the company's new product. Part (b) tested candidates' knowledge of the main factors that may have influenced the marketing consultant's choice of distribution channel. Part (c) required candidates to define the term *business plan*, describe four components that should be included in a business plan, and explain one way in which a business plan can be useful to the owners of the business. This question was attempted by approximately 13 per cent of the candidates.

Overall, performance on this question was good. Approximately 93 per cent of candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 17.95 (71.80). The standard deviation was 4.09.

Areas of good performance were Parts (a) (ii) and (c) (ii) where candidates gave clear and detailed responses with the use of appropriate examples. Only a minority of candidates performed poorly on these parts of the question, failing generally to develop their answers.

### **Paper 031 – School-Based Assessment (SBA)**

Overall, the projects presented for Unit 2 were satisfactory. Similar to Unit 1, the topics chosen were very relevant to the unit and marks fell into the 46–60 range. The number of submissions for this unit was very limited in comparison to Unit 1. A number of the topics focused on the area of small business Management and the majority of students demonstrated a clear understanding of the content requirements.