

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

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

MAY/JUNE 2014

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION**

GENERAL COMMENTS

The Principles of Business (POB) examination was offered for the 36th time in June 2014. This year, 32,189 candidates sat the examination.

The composition of the examination was as follows:

Paper 01 – Multiple-choice

Paper 02 – Essay

Paper 031 – School-Based Assessment (SBA)

Paper 032 – Alternative to SBA (Private Candidates)

Paper 01 consisted of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory. The mean mark was 34.81 out of 60 (58.02 per cent). The standard deviation was 9.29. The means were 6.87 and 37.24 for 2013 and 2012 respectively.

Approximately 70 per cent of the candidates scored at least 50 per cent of the maximum available marks for this paper.

Paper 02 comprised three sections. Candidates were required to answer the three compulsory questions in Sections I and one question from Section II and one from Section III. The mean mark for this paper was 43.73 out of 100. The standard deviation was 18.85. The means were 46.09 and 47.30 for 2013 and 2012 respectively. The highest mark on this paper was 59 out of 60. This was achieved by 8 candidates.

The highest mark on this paper was 96 out of 100. This was achieved by one candidate.

Approximately 38 per cent of the candidates achieved at least 50 per cent of the maximum available marks for this paper.

Paper 031, the School-Based Assessment (SBA), is usually done by school candidates. Candidates were required to prepare a business plan on one aspect of Profile 2: either production, marketing or finance. Performance on this paper was quite good. The mean mark was 32.68 out of 40 (81.71 per cent). The standard deviation was 5.58. Five per cent of the candidates achieved the maximum available mark on this paper.

For Paper 032, the Alternative to the SBA, candidates were required to complete a business plan using a given template and a case. Performance on this paper was fair. The mean mark was 23.60 out of 40 (59.00 per cent). The standard deviation was 6.84. The means in 2013 and 2012 were 21.73 and 16.87 respectively. No one achieved the maximum mark on this paper. However, the highest mark was 39 out of 40. This was achieved by five candidates.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory Questions

Question 1

This question was designed to test candidates' knowledge of the responsibilities of management to society, government and owners of business; sources of conflict within an organization; strategies for resolving conflicts within an organization; differences between a 'line relationship' and a 'staff relationship' in an organizational chart; how to construct an organizational chart to show the line relationship among employees in an organization; and reasons why teamwork is important to the success of small businesses.

The question was attempted by 99.8 per cent of the candidates. Performance was fair. The mean was 11.52 out of 20 (57.60 per cent). The standard deviation was 4.11.

Part (a) required candidates to state two responsibilities of management to society, government and owners of business. The majority of candidates correctly stated two functions of management to society but many of them failed to give suitable responses for management's responsibility to government and owners of businesses.

Part (b) (i) required candidates to identify two sources of conflict within an organization. This was very well done. The majority of candidates earned the maximum available mark. Responses included "low wages and unsafe working environment."

Part (b) (ii) required candidates to describe two strategies for resolving conflicts within an organization. Most candidates who gave responses identified strategies such as "confrontation and conciliation" but did not sufficiently describe them in order to earn the maximum available mark for this part of the question. A popular misconception was the identification of industrial actions such as strikes and sick-outs as conflict resolution strategies.

Part (c) (i) required candidates to outline one difference between a 'line relationship' and a 'staff relationship' in an organizational chart. This section presented the second highest level of difficulty for candidates. The majority of candidates gave excellent responses for the 'line relationship', but were unable to do so for the 'staff relationship' and so were unable to earn the maximum marks allocated. They incorrectly gave responses such as staff as being a relationship between manager and employees or having an intimate and inappropriate relationship with a member of staff.

Part (c) (ii) required candidates to construct an organizational chart to show the line relationship among the following three employees in a business: manager, supervisor of mail delivery and supervisor of mail sorting. This section of the question was very well done. The majority of candidates gave excellent responses and so were able to earn the maximum available three marks. However, some candidates earned two out of the three available marks allocated as they only showed the correct line connection from the manager to the supervisor of mail delivery, but incorrectly joined the supervisor of mail sorting downwards from the other supervisor.

Part (d) of the question required candidates to discuss one reason why teamwork is important to the success of small businesses. Most candidates were able to give partially correct responses to earn two out of the three available marks allocated for this question. The main weakness identified in responses was the failure of candidates to fully develop their points.

Recommendations

- Special emphasis should be placed on organizational charts, their interpretation and differences.
- Students should also be encouraged to pay attention to verb cues such as "state, identify, describe, outline, construct and discuss".
- Students should be encouraged to make clear distinctions between the responsibilities of a business to stakeholders versus the role of stakeholders to the business.
- Students should be encouraged to use the marks allocated to questions as a guide to the expected response.

Question 2

The question was designed to test candidates' knowledge of business ethics and entrepreneurship, including their ability to identify consequences of such practices, government regulations for the establishment of a business; and challenges faced by entrepreneurs when starting their businesses.

The question was attempted by 98.8 per cent of the candidates. Overall candidates performed fairly well on this question with most of the responses being at least satisfactory. The mean was 8.99 out of 20 (44.95 per cent). The standard deviation was 4.95.

Part (a) required candidates to define (i) business ethics and (ii) entrepreneurship. While responses indicated that most candidates were familiar with this term, more than 50 per cent of them failed to earn the maximum

marks because their answers were too vague. Examples of such responses included: “moral behavior”, “ethical practices” and “right from wrong”.

The majority of candidates gave fair definitions although many of them defined entrepreneur rather than entrepreneurship, thus they failed to fully define the term. A popular misconception was the definition of entrepreneurship as being the “sole owner of a business.”

In Parts (b), (c) and (d) a satisfactory number of candidates were able to achieve full marks for describing two unethical business practices and outlining two consequences of unethical business practices. In Part (c) more than half of the candidates scored 80 per cent of the marks for stating two government regulations for the establishment of the business, while more than half scored full marks for discussing two challenges which entrepreneurs usually face when starting their own businesses.

Recommendations

Teachers should emphasize clearly the difference between types of business organization and entrepreneurship.

They should also clearly define business ethics before discussing ethical issues and their consequences. The use of real world examples of unethical business practices will prove useful in ensuring that candidates appreciate fully the concept of Business Ethics and its importance. Additionally, students should be taught that entrepreneurship encompasses more than entrepreneurs themselves. The concept also covers calculated risk taking, vision, initiative, etc.

Question 3

This Question focused on Types of Banks and their interaction with the Government.

The question was attempted by 98.2 per cent of the candidates. Performance on this question was less than satisfactory. The mean was 6.72 out of 20 (33.6 per cent). The standard deviation was 3.97.

In Part (a), candidates were required to define bank rate, liquid assets and open market operations. This part of the question was very challenging to candidates as they were unable to satisfactorily define the terms. Many candidates equated bank charges with the bank rate, while the majority gave unsatisfactory responses for liquid assets. Many were able to identify money as an example of liquid asset but could not give a precise definition of the term.

In Part (b), candidates were required to state two differences between a commercial bank and a central bank. More than half the candidates who attempted this section were awarded full marks. Candidates performed very well on Part (c) which required them to outline two factors that a banker would consider when approving a request for a loan. The majority of them gained the maximum four marks. The weaker candidates interpreted the question from the point of view of the borrower and not the lender.

In Part (d), candidates were required to discuss two ways in which governments can regulate the financial sector of a country. The majority of candidates interpreted the question with respect to government regulation of the economy in general and not the financial sector and so this resulted in responses that were not relevant.

Recommendation

Teachers should make every attempt to encourage students to read the financial section in the newspaper and listen to discussions relating to the economy, so as to reinforce concepts taught in class. This will help them to broaden their knowledge on key financial terms relating to the economy.

In addition, they could be taken on financial tours to the central bank and other financial institutions and invite representatives from the sector to speak on concepts related to the syllabus and the economy.

Section II – Optional Questions

Question 4

Question 4 tested candidates' knowledge of production. The question was attempted by 66 per cent of the candidates. Performance was less than satisfactory. The mean mark was 8.31 out of 20 (41.56 per cent). The standard deviation was 5.88.

In Part (a), candidates were required to (i) differentiate between production and productivity and (ii) subsistence production and domestic production. Section (a) (i) was very well done as the majority of candidates scored the maximum available marks. The main weakness with the responses was candidates' failure to fully differentiate between the two terms. The weaker candidates tended to repeat the terms given in their definitions. For example, production was defined as "producing items" and productivity as "being productive".

In responding to Part (a) (ii), most candidates showed that they had an understanding of the two terms. However, once again responses were weakened by candidates' failure to fully develop the points. The weaker candidates confused the two terms and a significant minority also referred to primary and secondary production. An appropriate definition for productivity that would be awarded full marks is as follows: "the quantity of output per worker per hour/day/week."

In Part (b), candidates were required to (i) define the term capital-intensive production and to give two examples of capital-intensive production and (ii) state one advantage and one disadvantage of capital-intensive production.

Both (b) (i) and (b) (ii) were well done as the majority of candidates scored the maximum available marks. Most candidates cited relevant examples and were able to state an advantage and a disadvantage of capital-intensive production. The main weakness was the failure to indicate that capital intensive production required greater capital expenditure in relation to human effort. Weaker candidates also related their responses to marketing strategies. Some considered capital-intensive production as the 'money invested at the start of operating the business'. Many referred to the definition as the 'use of capital (money)', while others define it as the 'use of only machinery in production'.

In Part (c), candidates were required to discuss two measures that a production manager could implement to increase productivity. Responses to this part of the question were fairly good. The majority of candidates were able to score full marks. Responses from weaker candidates related to marketing strategies such as sales promotion and advertising.

Part (c) of the question was also reasonably done with more than half of the candidates being able to clearly discuss measures that the production manager could implement to bring about an increase in productivity. Very few candidates gave reasonable responses for this section and achieved four out of the six marks allocated. A marginal number of candidates were able to offer acceptable responses for measures that could be taken to increase the sales of the company. Rather, suggestions were therefore made in regard to increasing advertisements, increasing promotion, and increasing exports among other things.

Recommendations

Teachers and facilitators should —

- Organize more field trips to expose students to capital-intensive items used in various industries.
- Get students to create a dictionary of business terms and use the terms often.
- Keep abreast of current knowledge and business practices so that they can effectively impart the information to students.

- Set up the class as a studio for call in programmes, interviews, panel discussions. This will provide students with opportunities to practice the use of terms.
- Encourage regular revision of areas already dealt with.
- Clearly point out to students that capital as a factor of production is different from capital-intensive production.
- Advise students that they should not use a word in its definition.
- Give students guidance and practice in writing essays/discussion type questions.

Question 5

The question tested candidates' knowledge of marketing. Thirty-one per cent of the candidates attempted this question. Performance was satisfactory. The mean mark was 10.32 out of 20 (51.6 per cent). The standard deviation was 5.38.

Part (a) required candidates to (i) list two middlemen in the chain of distribution and (ii) describe two services performed by middlemen. This part of the question was fairly well done.

Part (b) required candidates to (i) describe two factors that should be considered when choosing a distribution channel; and (ii) outline two benefits of direct distribution. The majority of candidates offered acceptable responses and achieved most of the allotted marks. Nearly all candidates scored full marks for Part b (ii). Most if not all cited time and cost factors as benefits to be obtained from direct distribution. A significant number of candidates confused direct distribution with direct production, while others out of proportion using terms such as insurance, taxes, stem, branches, without answering what was required.

In Part (c) candidates were required to discuss two problems which may affect a firm involved in the external distribution (export) of cut flowers. The majority of candidates gave satisfactory responses and were able to secure most of the allotted marks. Many of them demonstrated adequate understanding of what was required of them, as they used terms such as import and export, company factory workers, customer, workers and executives. There was a tendency of some candidates to outline problems associated with distribution in general, without applying these problems to the distribution of the specific product identified in the question. Some went as far as to say, when choosing a channel you have to be the leader of the ship. A marginal number of candidates related this section with a ship going through a channel in the ocean.

Recommendation

Teachers should —

- Reinforce the technical meaning of the word channel as it relates to distribution of a product or service.
- Give practical examples of how the distribution channel is operated. They may consider it useful to relate the concept through the delivery of goods by informal delivery men (hand cart man) in Jamaica or the street vendor in Jamaica or St. Lucia.
- Emphasize that the words chain and channel can be used interchangeably when relating to distribution;
- Highlight how transportation fits into the distribution process.

Section III – Optional Questions

Question 6

This tested candidates' knowledge of social accounting and global trade. The question was attempted by 48 per cent of the candidates. Performance was less than satisfactory. The mean was 7.71 out of 20 (38.6 per cent). The standard deviation was 3.86.

Part (a) required candidates to define (i) standard of living (ii) economic growth and (iii) economic development.

This part of the question offered a great deal of challenge to the candidates. Many of the definitions were unsatisfactorily vague and in many cases candidates repeated the term to be defined.

In Part (a) (i) most of the candidates were able to secure at least one of the two marks allotted, as their responses suggested that they recognized that the standard of living was somehow associated with individuals' quality of life. However, for the most, part responses were incomplete.

Performance on Parts (a) (ii) and (a) (iii) were poor with the majority of candidates failing to secure any mark. Many candidates merely juggled the words around and offered responses such as "economic growth is the growth in the economy".

In Part (b), candidates were required to identify two factors which contribute to economic growth. Having failed to define economic growth, in Part (a), most candidates had difficulty in responding to Part (b). In addition, a significant number were unable to distinguish between factors contributing to economic growth and the perceived outcomes of economic growth. However, some were able to identify two factors which contributed to economic growth.

In Part (c), candidates were required to outline three ways in which a government could improve the standard of living of its citizens. While most of them were able to outline three ways, a number of them were unable to develop the points made and therefore could not achieve the maximum mark.

Part (d) required candidates to discuss two measures which governments could implement to correct an adverse balance of payments. The majority of candidates demonstrated very little knowledge of the concept of an adverse balance of payment. There was also some confusion of balance of payment with the concepts of gross domestic product and national income. Most of the measures cited by candidates were internal measures that could be used to influence citizens' standard of living, but could not address adverse balance of payments, such as misinterpretation of balance of payment as providing equal payments for worker or simply paying back money to the government and individuals.

Recommendation

Teachers should —

- Integrate these topics with earlier topics covered in the syllabus.
- Engage in team teaching to allow persons to deliver the aspect of the syllabus with which they are most comfortable.
- Make use of real life situations (role play) and case studies to help students to fully grasp or internalize these concepts.
- Encourage students to create a glossary of terms as they encounter them and do more testing of the key terms getting the students to put them in their own words.

- Invite corporate partners to visit schools and lead discussions related to the concepts tested in this question.

Question 7

This question tested objectives candidates' knowledge of public sector, unemployment and foreign investment. The question was attempted by fifty-one per cent of the candidates. The mean mark was 8.63 out of 20 (43.2 per cent). The standard deviation was 4.46.

Part (a) required candidates to define (i) public sector ((ii) unemployment and (iii) foreign investment. This part of the question was attempted by the majority of the candidates and satisfactory answers were given overall. However, candidates who only indicated that the public sector was government owned and failed to indicate that it provides essential goods and services for the country failed to gain full marks.

Part (a) (ii) was attempted by nearly all candidates in this question. However, few gained full marks as the majority did not include the fact that those who are considered unemployed must not just be out of work or a job, but must also be actively seeking work or a job. While the most were able to at least partially define unemployment, most of them were unable to list types of unemployment. A common incorrect approach was to suggest reasons why persons might be unemployed such as "lack of qualifications" and "lack of jobs".

Part (a) (iii) was well done by most candidates. The definitions of foreign investment were correct for 90 per cent of the candidates. They were able to clearly define the term indicating government or private sector of one country giving loans, investing money in businesses in another country, or setting up businesses in another country.

Part (b) required candidates to identify two types of unemployment. This was the most poorly done part of the question. Most candidates failed to accurately identify two types of unemployment. It was clear that they lacked knowledge in this area.

Part (c) required candidates to outline three ways in which government can assist private sector businesses. Candidates performed fairly well on this part of the question. However the majority of candidates only listed ways in which government could assist private sector businesses and so only gained half of the allotted marks. Those who were able to accurately state and outline the ways in which governments could assist private sector gained full marks.

Part (d) required candidates to describe benefits of foreign direct investment. Most of the candidates made satisfactory to good attempts discussing the benefits of foreign direct investment (FDI) to the host country. In a few cases, this part of the question was either not attempted, not enough discussion offered, or confused FDI with FBI.

Recommendations

Teachers should —

- Increase their efforts to explain to their students that definitions must be concise and accurate. Also students need practice in defining terms and or concepts. Teachers could give definition tests and assign written definitions for class work and / or home work.
- Encourage more group discussions and reading widely so that where students are required to develop their answers, apply and evaluate, they will not "ramble" on but answer the questions effectively.
- Not only use many examples in teaching concepts in these areas to students but also reinforce them by use of field trips and websites. The practical experiences gained will reinforce as well as make

the areas become more real, because these concepts may be abstract and outside of students' everyday experiences.

Paper 031 – School Based Assessment

The overall quality of the content of the scripts continues to improve remarkably, but the quality could be further improved if candidates use more creative ideas and use standard English. Some general concerns were noted, which if addressed can assist candidates in excelling.

The SBA Project should be a projected business plan and not an investigation of an existing business; hence the use of future tense in the third person should be encouraged, for example, the entrepreneur will... The partners will... etc. Some centres continue to submit SBAs where candidates have conducted a research paper on an existing business and this should be discouraged. Candidates should use Standard English and adhere to proper communication standards by ensuring that correct spelling, punctuation and grammatical standards are followed. Candidates need to submit a complete cover page with all the required headings clearly and legibly listed: "the student's name, registration number, name of subject, school, centre number and the date submitted".

Teachers must carefully follow the current marking scheme presented in the Caribbean Examinations Council CSEC® Principles of Business Syllabus in order to avoid a disparity between their marks and those of the moderating team. In addition, teachers must guard against candidates submitting similar SBAs as this compromises the integrity of the examination.

It was noted that the majority of the plans presented were under the Production Plan. However, there were many instances where candidates' performance could have been improved if they were encouraged to present the business plan using the Marketing profile, especially when the business plan is for a service-oriented venture e.g. a salon, boutique, etc. Caribbean Examinations Council CSEC® Principles of Business Syllabus, pg 35. Teachers therefore should guide candidates so that the plan used is appropriate for the nature of the business.

Candidates must be reminded to adhere to the word limit as stipulated within the Caribbean Examinations Council CSEC® Principles of Business Syllabus. Candidates must be commended for the appropriate use of graphs, diagrams and graphics which served to enhance the overall presentation of their school-based assessments.

Profile 1 - Production

Description of the business

Generally this sub-topic was well done. Candidates were generally able to present all three areas i.e. type of business, nature of business and objective/mission statement. However there were a few candidates who after stating the type of business, incorrectly described it later on in the report.

Justification of location

This area was well done by candidates. They were able to give a location and then give reasons for having chosen the location.

Selection of appropriate labour

This area was fairly well done although some candidates failed to outline the reason for the selection of the types of labour. In some cases candidates omitted some of the more logical or essential personnel.

Sources of fixed and working capital

This area was poorly done. Candidates are still not clear as to the distinction between fixed and working capital. The candidates are still not able to differentiate between sources of finance and examples of fixed and working capital. At times the quoted figures were unrealistic.

Role of the entrepreneur

Most of the candidates are still not clear about the difference the roles and functions of the entrepreneur. Candidates continue to quote the text verbatim and therefore failed to link this area to their specific businesses.

Type of production

This area was fairly well presented, however many candidates mixed up the types of production, especially as it relates to secondary and tertiary production. In cases where the business was involved in two types of production, candidates highlighted the one of lesser importance rather than the production type that best represents the nature of the business.

Levels of production

Candidates were not clear about the meaning of domestic production. They defined domestic production as one which involves the use of only domestic inputs rather than production for the local market.

Quality control measures

Candidates failed to link the measures that they had chosen to the quality assurance of their product or service. In some cases the measures chosen were not even linked to the business.

Use of technology

While candidates were able to cite examples of technology, they were, in numerous cases, unable to describe how the particular technology would enhance the business. Candidates should be reminded that the internet and the use of it in any format should be presented as one example of use of technology.

Linkages

This area proved a challenge for most candidates. In most cases candidates were unable to define the concept. Those candidates that mastered the definition, were then unable to outline the benefits of the type of linkage cited to their business. It may be useful for candidates to use a diagram to show the linkage.

Potential for Growth (internal)

While most candidates stated the potential for growth, many of them were unable to describe the factors that would facilitate that potential growth.

Potential for growth (external)

This area was generally well done; candidates were able to give realistic examples of external growth. However candidates must be encouraged to indicate the factors that would facilitate the projected growth.

Government Regulations

Candidates were able to list relevant government regulations but some were unable to give the impact of the regulation on the business. Those that were able to cite the impact, only cited the negative impacts.

Ethical Issues

Candidates confused ethical issues with government regulations. When the issues were correctly identified, the candidates failed to give the impact these issues would have on the business.

Communication of information

In general, candidates exhibited poor language skills. Vocabulary continues to be limited and candidates were therefore unable to express themselves properly in acceptable language standard. Some candidates are still not able to produce a bibliography in an acceptable format.

Profile 2 - Marketing

The number of SBAs submitted under this profile was limited but as stated before there are many SBA's that should be presented under this profile that are incorrectly being submitted under the production profile. Many service oriented businesses were not under this profile.

Organisation of Marketing Department

Many candidates presented diagrams that lacked titles and the descriptions were not related. Many of them illustrated a general chart but did not necessarily identify a marketing department. Additionally, they did not state the structure of the organization nor describe it. In some cases candidates failed to describe the diagram in a systematic way. Most of the roles and functions of personnel were well done. However, there was too much emphasis placed on this area.

Market Research

This area must be given special attention as candidates appeared to have difficulty explaining the research conducted and the decisions that would be made based on the research.

Target Population is one of the subtopics that was not well presented. Candidates did not identify both quantitative and qualitative factors of the target population.

Sales Forecast — this area was not fully assessed nor described. This area should always be a projection presented with a diagram.

From a general perspective, some candidates did all the areas under this section instead of concentrating on three as specified.

Product/Service

Many candidates did not discuss this sub-topic adequately. Candidates needed to focus on the brand of the business and not so much the brand of the products that are being offered to customers. Creating a logo for the business would greatly enhance the presentation. Moreover, candidates should be able to relate the brand of their business to the success of the business.

Packaging too was not related to the business being established. Candidates must be encouraged to study packaging from a service oriented business perspective.

Pricing Strategy

Candidates failed to state and justify the pricing strategy they would utilize in the business. Candidates must be encouraged to use the jargon of the subject to assist with the presentation of this area.

Place and Distribution

Candidates were able to identify an appropriate distribution channel but many of them failed to identify the limitations and develop suitable/appropriate alternatives for the business. In most cases, the alternatives did not rectify the limitations mentioned.

Promotional Mix

When choosing or discussing the various promotional strategies, candidates failed to choose two strategies that would complement each other, so as to compensate for the short comings of the other. It is imperative that candidates choose suitable promotional strategies for the business, which was rarely seen in the business plans submitted.

Use of technology

While candidates were able to cite examples of technology, they were unable in some cases to describe how the particular technology would enhance the business. Candidates should be reminded that the Internet and the use of it in any format (social media, advertising etc.) is seen as one example of use of technology.

Customer Complaints

Candidates failed to use examples to illustrate the manner in which customers' complaints would be addressed by the particular business. This section was generally poorly completed by the candidates.

Government Regulations

Candidates were able to list relevant government regulations but some were not able give the impact of the regulation on the business. Those candidates who cited the impact, only cited the negative impact.

Ethical Issues

Candidates confused ethical issues with government regulations. When the issues were correctly identified, the candidates failed to explain their impact on the business.

Communication of information

In general, candidates exhibited poor language skills. Vocabulary continues to be limited and candidates were therefore unable to express themselves properly in acceptable standard language. Some candidates were unable to produce a bibliography in an acceptable format.

Profile 3 - Finance

Finance continues to be the least attempted of the three profiles. There was an improvement in the overall quality of the work submitted. However, candidates need to make a greater effort to ensure a higher score.

The description of the business, the organizational chart, the issue of collateral and the use of technology were all well done.

Purpose for which finance is needed

This section was generally well done as candidates were able to identify the purpose for which the finance was needed.

The cost of producing goods

The candidates were able to identify the two types of expenses and were able to distinguish between the two types of expenses by way of examples. They were however unable give the reasons for the different types of expenses.

Capital goods

Candidates were required to identify the main goods required for the business. This was well done.

Capital instruments

Under this criterion, candidates were required to describe the capital instruments selected under the headings of 'debt' and 'equity' and state the implications of this capital mix. While candidates were able to identify the instruments through which the capital was going to be raised, the vast majority of them were unable to categorise these instruments using the classification of 'debt' and 'equity' in the capital mix. Consequently, they had difficulty in stating the implications of the capital mix selected.

Implication of capital mix selected

The candidates were not able to adequately state the implication of the capital mix selected. This results from the fact that the candidates were unable to discuss the capital instruments in terms of debt and equity in the previous section.

Projected performance

This criterion requires that candidates produce a proforma income statement clearly showing gross and net profit and a proforma balance sheet clearly showing the liabilities and capital sections. The candidates were able to produce a pro forma profit and loss account but found great difficulty in preparing a pro forma balance sheet.

Sources of finance

The candidates were able to identify the sources of finance but were unable to justify them as they related to the business.

Government Regulations

While the candidates were able to identify a government regulation, most failed to identify a financial regulation and then were unable to show how the regulation impacted the business. Some were able to list relevant government regulations but were unable to give the impact of the regulation on the business. Those that were able to state the impact only cited the negative impact.

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

Ethical Issues

Candidates again confused ethical issues with government regulations. When the issues were correctly identified, the candidates failed to give the impact these issues would have on the business.

Communication of information

In general, candidates exhibited poor language skills. Vocabulary continues to be limited and candidates were therefore unable to express themselves properly in acceptable language standard. Some candidates failed to produce their bibliography in an acceptable format.

Recommendations

The following should be addressed by teachers to enhance the overall performance under this criterion:

The cover page must include all the required components as stated in syllabus: the student's name, registration number, name of subject, school, centre number and the date submitted.

The table of contents must be complete — including the topics and page numbers, which must also correspond correctly.

Candidates must include a bibliography, pay closer attention to its correct presentation and it must be presented on a separate page.

Paper 032 – Alternative to School-Based Assessment

For this paper, candidates were given a case study, divided into three sections based on the profiles. They were required to answer all questions.

This paper is done by private candidates in lieu of the School Based Assessment. This paper was done by 3 249 candidates. Performance was satisfactory. The mean was 23.60 out of 40 (59 per cent). The standard deviation was 6.84. The marks ranged from 0-39.

Profile 1 — Operational Plan

The questions tested candidates' knowledge of the reasons why individuals establish businesses; benefits of forming partnerships; identifying the functional areas of a business; the responsibilities of management and leadership styles.

Candidates performed well on this profile. The mean was 6.69 or of 10 (66.9 percent). The standard deviation was 2.09. The marks ranged from 0-10. Eight per cent of the candidates achieved the maximum available mark.

1. Nature and Type of Business

Part (a) tested candidates' knowledge of the factors that motivate individuals to set up businesses. This part of the question was well done by the majority of the candidates, with the stronger candidates giving explanations to support their statements as to why the professors were motivated to start a business.

Part (b) was also very well done as candidates were able to clearly identify the areas of expertise that the partners in the business possess. The weaker candidates gave incorrect answers from the case such as "partners have applied to the Ministry of Education".

In Part (c) candidates were required to state two benefits that the partners are likely to receive from starting the partnership. This too was very well done. The majority of candidates were able to list the benefits with many citing benefits presented in the case, whereas others gave general benefits of partnerships. Weak answers included responses such as "they would be good in business", and "shared benefits", without identifying what these benefits are.

2. Internal Structure of the Organisation

This question dealt with the internal structure of the organisation requiring candidates to (a) identify two functional areas that the business is likely to have and (b) state one key responsibility of the sales manager.

Part (a) posed the greatest level of challenge as the majority of candidates could not identify two functional areas of business. The weaker candidates confused the functions of management: organizing

and planning with the functional areas such as production and marketing. Other weak responses included the listing of areas such as bathroom, office and tidy environment.

In Part (b), candidates performed fairly well, as the majority were able to state one key responsibility of the Sales Manager. The weaker responses confused the sales manager's responsibilities with those of a production manager or a financial manager.

Some candidates did not provide any responses to both sections of the question, which indicated that they did not know the functional areas of a business or the role of business functionaries or personnel.

3. Management Function

This question related to the management of business specifically that of leadership.

Part (a) was poorly answered. Very few candidates were able to identify the leadership style displayed by the partners in the case study as being democratic/consultative/participative. They were unable to differentiate among the various leadership styles of management i.e. autocratic, charismatic, laissez-faire and democratic in order to determine one that matched the case they were examining.

Part (b) required candidates to support their answers given in Part (a) with evidence from the case. Some candidates disregarded the evidence in the case and gave other reasons applicable to the behaviour of a democratic leader. The majority of the candidates who answered Part (a) incorrectly gave supporting evidence in (b) that related to a democratic style of leadership.

Recommendations

Candidates need to expand their vocabulary so that words such as 'expertise' would not be difficult for them to understand. They should study different types of businesses so that they can recognize the benefits to be derived from forming a partnership as opposed to *all* other types of business units. This would help them also to be able to distinguish between the functional areas of a business and the functions of management. Also they need to look at many examples of leadership styles and study their features so that they are familiar with the characteristics of all the leadership styles so as to be able to distinguish among them.

More attention *must* be placed on not just the content, but how the content is applied to the understanding of different aspects of business, roles of business functionaries, leadership styles and identifying/defining their characteristics, factors that give rise to different business arrangements and the general benefits of such arrangements.

Profile 2 – Marketing Plan

This profile tested candidates' knowledge and application of concepts related to marketing and production. Given results of a feasibility study questions were based on the following: target market, factors affecting consumer behaviour, promotion strategies, pricing strategies, packaging, branding and copyright, factors concerned with decisions related to production, distribution and the success of the business.

Performance on this profile was fairly good. The mean was 12.88 out of 20 (64.4 per cent). The standard deviation was 3.72. The marks ranged from 0-20. One per cent of the candidates achieved the maximum available mark on this profile.

4. Target Market

Part (a) tested candidates' ability to identify the main target market of the product. The majority of candidates answered the question satisfactorily, indicating that the teachers, parents and primary school age students were the targets. However, some responses were not in keeping with the target market in the industry. The weaker candidates referred to the lessons, the equipment or even the sales manager as the target.

Part (b) tested candidates' knowledge on the likely benefits of conducting a feasibility study. This question was answered satisfactorily by the majority of candidates.

Part (c) tested candidates' knowledge of a factor that the partners should consider when deciding how much of the product to produce. It was well done by the majority of candidates. Cost of production, the size of the market and the production time were among some of the responses given.

5. Pricing Strategies

This question tested candidates' ability to identify two factors the partners should consider when pricing the product. This question was done satisfactorily by the majority of candidates. The purchasing power of the target market, the mark-up they would add to the price and competition from other businesses were some of the responses given by the stronger candidates.

6. Promotion Strategies

Part (a) of the question tested candidates' knowledge of two ways in which the sales manager can promote the business. This question was very well done by the majority of candidates. They gave responses such as: advertisements via email, radio and television advertisements, flyers and the use of social networks. The majority of candidates gained the maximum on this part of the question.

Part (b) tested candidates' ability to describe two factors related to packaging that will be important when promoting the product. The question required them to be able to relate issues to packaging and then further explain these issues. There were a number of responses indicating 'label' and 'brand'. In some cases candidates made two valid points but did not properly discuss them. This part of the question seemed to have presented the most challenge to candidates. However, it was satisfactorily answered by the majority of them.

7. Copyright

This question tested candidates' ability to explain the importance of copyrighting products. The majority of the candidates showed an understanding of the question and gave satisfactory responses such as preventing the partners work from being used without them getting financial gain or being replicated without their knowledge. However, some candidates did not fully expand on their points and failed to gain the maximum two marks.

8. Quality

This question tested candidates' ability to outline one factor that is likely to contribute to the success of the business. This question was done satisfactorily by the majority of candidates. They presented responses such as *many persons were demanding the product; the partners were experts and thus parents would be confident in using the product, also that parents were interested in the new technology*. In some cases, candidates made good points but failed to fully develop the points and hence could not be awarded the maximum mark.

9. Technology

Part (a) tested candidates' knowledge of two ways in which Internet Technology can be used to distribute the product. This question was very well done, as candidates gave very accurate responses.

Their responses included points such as: *Internet technology can be used to send emails to advertise the products by linking to the website of the products and the website can be used for accessing and downloading the products*.

Part (b) was also based on the Internet. Candidates were required to outline two problems that are likely to occur when using the Internet as a distribution channel. This question was fairly well done by the majority of candidates who demonstrated mastery of the content by giving appropriate responses such as: *the Internet may not always work and therefore the products would not be sent on time; computer viruses can be sent and received and mail may be sent to the wrong address and the Internet may be slow and the products may not be easily downloaded.* The weaker candidates in some cases, outlined two points which were related to one problem.

Recommendation

Candidates need to practice examination techniques to develop skills in answering questions so that they will respond accurately to questions.

Profile 3 – Financial Plan

This profile tested candidates' knowledge of the financial aspect of the business including identifying source of finance and calculating sales. Candidates were also required to discuss factors that government is likely to consider when approving the business. They were also required to write an executive summary.

Performance on this profile was less than satisfactory. The mean was 4.11 out of 10 (41.1 per cent). One per cent of the candidates achieved the maximum available mark on this profile.

10. Sources and uses of Finance

Part (a) tested candidates' knowledge of the sources of capital for start-up of the business. This was well done as the answer was evident from the case. However, the weaker candidates attributed this to government funding or the money earned from the launch of the business.

Parts (b) and (c) tested candidates' ability to calculate total sales under different situations. The majority of candidates were able to compute the total sales and discount but neglected to deduct the amount of the discount from the total sales. Therefore they were only able to score one mark out of a possible two marks.

In Part (c), most candidates calculated the gross sales but some confused it by including the discount from Part (b) and thus were unable to score any marks for this question.

11. Government Regulations

This question tested candidates' skills in identifying regulatory practices instituted by governments for the establishment of different types of businesses. This question was not well done as candidates failed to identify the regulations that related to the case. The majority of candidates mentioned educational benefits to students as the likely reason why government approved the product but failed to properly discuss this point. This meant that they could earn only one or two marks out of the three that were available.

12. Executive Summary

Candidates were required to write an overview of the business incorporating the three main areas of the business plan. This part of the question tested candidates' knowledge of the elements of a business plan that is included in an executive summary such as the operational, marketing, and financial plans. This required that they summarise the main elements of these three main areas of the case. The majority of candidates failed to provide information from all three areas and also to write this in the form of a summary. The candidates who scored the maximum mark were able to comment on all three areas of the case from the operational; marketing and finance plans and presented it in the form of a summary. The weaker candidates wrote jottings or notes which at times did not relate to the case. In a number of cases they simply listed the words, operational, marketing and financial while others gave descriptions that were general and definition-based and did not relate to the case.

Recommendations

Candidates need to be able to read questions carefully and answer what they are asked. In many instances in this part of the case if candidates paid attention to the case they would be able to recognize how the business was funded. Additionally, the computational questions are basic accounts requiring basic mathematical skills.

It was also evident that candidates did not know what an executive summary is or the purpose that it plays in a business plan. Therefore in preparation for this paper candidates need to know the purpose of the executive summary and therefore would be able to select the correct information from the case to construct it and to write in the style and pitch of a summary.

Candidates need to obtain copies of past examination papers and practice answering these types of questions and especially in writing summaries.