



**CARIBBEAN  
EXAMINATIONS  
COUNCIL**

## **ENTREPRENEURSHIP**



## **Subject Report with Exemplars**

*June/July 2023*

**CARIBBEAN EXAMINATIONS COUNCIL**

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

**JUNE/JULY 2023**

**ENTREPRENEURSHIP  
UNIT 2**

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## UNIT 2 – Entrepreneurship Practice

### INTRODUCTION

The general objectives for Module 1 (Essentials of Business Ownership) focus on helping candidates understand the various types of ventures and whether they conform to local, regional and international legal and regulatory frameworks. The objectives also focus on helping candidates appreciate the importance of ethics and social responsibility in operating a venture. In the 2023 examination, candidates' overall performance on this module was fair. Approximately 58 per cent of candidates scored between 45 and 75 marks, compared with 60 per cent in 2022.

The general objectives for Module 2 (New Venture Planning and Creation) focus on helping candidates understand the importance of market research and feasibility analysis, appreciate the process of determining the viability of a venture, become aware of the components and importance of a business model and a business plan, and understand the importance of start-up capital and financial statements in venture creation. In the 2023 examination, candidates' overall performance on this module was unsatisfactory. Approximately 52 per cent of the candidates scored between 45 and 75 marks, compared with 65 per cent in 2022.

The general objectives for Module 3 (Managing and Growing the Venture) focus on helping candidates understand the stages in the venture life cycle, become aware of various venture models and understand how e-commerce can aid in the operation and growth of the venture. Candidates' overall, performance on this module was poor. Approximately 40 per cent of candidates scored between 45 and 75 marks, compared with 59 per cent in 2022.

Candidates' knowledge of the unit and the respective modules was examined through the following papers.

- Paper 01 — Multiple Choice
- Paper 02 — Mini Cases
- Paper 031 — School-Based Assessment
- Paper 032 — Alternative to School-Based Assessment

## PAPER 01 – MULTIPLE CHOICE

Paper 01 comprised 45 multiple-choice items, which consisted of 15 items per module. Each item was worth one mark. The paper was worth a total of 45 marks, which represented 20 per cent of the total assessment score for the examination.

Overall, candidates performed well. Approximately 75 per cent of candidates scored between 27 and 45 marks.

## PAPER 02 – STRUCTURED ESSAY

Paper 02 comprised six mini cases, which consisted of two mini cases per module. Each mini case was worth 15 marks. The paper was worth a total of 90 marks, which represented 20 per cent of the total assessment score for the examination. The allotted examination time was 2 hours and 45 minutes. Candidates needed to exhibit a greater depth of understanding than that required for Paper 01 and they needed to use higher order thinking skills to provide adequate responses.

Overall, candidates performed poorly. No candidate scored between 72 marks and 90 marks and 2.11 per cent of the candidates scored between 54 and 71 marks.

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### Question 1

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This question tested candidates' ability to

- define the terms *social enterprise* and *state-owned enterprise*
- differentiate between a general partnership and a franchise
- explain why it may not be a good idea to form a partnership with a best friend
- evaluate whether a franchise would be an appropriate venture type to help the main case subject expand his business.

The mean score was 5.67 and the standard deviation 2.49. Many candidates struggled to define a state-owned enterprise in Part (a) (ii) and most candidates struggled with the franchise evaluation in Part (c) (ii).

Candidate's Response to Part a (i)–(ii)

1. (a) (i) Define the term 'social enterprise'.

A social enterprise is a business entity that aims to help those who are at a disadvantage in society. It is ran by a group of voluntary individuals who conducts commercial activities. The profits earned goes back to the business to ensure its survival. [2 marks]

- (ii) Define the term 'state-owned enterprise'.

state-owned enterprise ~~are~~ <sup>is</sup> a business entity ran and controlled by the government. These businesses are created to provide merit goods to the public or to create competition to lower the prices in the private sector. [2 marks]

**Examiner's Comments**

In Part (a) (i), the candidate defined the term *social enterprise* using two good points.

- The aim of this type of enterprise is to help disadvantaged persons in the society.
- The profits of this type of enterprise are usually reinvested in the venture.

In Part (a) (ii), the candidate defined the term *state-owned enterprise* and highlighted two important points about this type of venture.

- This type of enterprise is owned and operated by government.
- This type of enterprise provides merit goods which makes them affordable to the public.

Candidate's Response to Part (b)

(b) Differentiate between a 'general partnership' and a 'franchise'.

A general partnership is a capital structure consisting of two to twenty <sup>partners</sup> who come together <sup>legally united</sup> ~~by~~ the partnership deed. It has unlimited liability meaning there is no separate legal entity. A franchise is a contractual agreement between two parties the franchiser and the franchisee where the franchiser <sup>leases</sup> their ideas, brand, image and trademarks to the franchisee and in return the franchisee pays royalties.

[4 marks]

**Examiner's Comments**

In the exemplar, the candidate presented general points about the two types of ventures; therefore, the response cannot be considered a model answer. The candidate should have differentiated between a general partnership and a franchise using categories.

For example, the categories used by the candidate to describe a *general partnership* were who owns it (ownership) and how it is formed (formation). The candidate should have used these two categories to differentiate between the two concepts.

Candidate's Response to Part (c) (i)-(ii)

(c) (i) Explain to Anil why it may NOT be a good idea to form a partnership with Kris.

A partnership involves the owners to come together to make decisions for the business. However, the case states that Kris spends nine months each year travelling and away from the business. This may cause some conflict between Anil and Kris because Anil will have to do most of the work in the partnership. Another reason that a partnership may not be a suitable venture is because of Kris' expensive lifestyle. The case says that Kris lives with his parents ~~there~~ <sup>while</sup> living on expensive life. This indicates that Kris is not responsible with his money, thus ~~unsuitable~~ <sup>unsuitable</sup> for a partnership. [3 marks]

- (ii) Evaluate whether a franchise would be an appropriate venture type to help Anil expand his business.

A franchise would be an appropriate venture type to expanding Anil's business as his chocolate would be available in a wider geographical market. This would save him a lot of time and money than doing it himself. He would also be paid royalties by the franchise which allows him to generate more income that can be injected into the franchise. Anil would not have to do as much work as a sole trader as there is now more than one person sharing the workload. He would also still be able to be in control of all operations and decisions like a sole trader.

[4 marks]

#### Examiner's Comments

The candidate earned the three available marks in Part (c) (i) for presenting a response that incorporated pertinent evidence from the case to support the points made. The points provided by the candidate were possible conflict, uneven workload, personality differences and lack of finances.

In Part (c) (ii), the candidate earned three of the four available marks for highlighting three excellent discussion points.

- Increased market access and presence
- Increased income from franchisee royalties
- Reduced workload.

The candidate needed to provide another relevant point in order to earn full marks.

## Recommendations

Teachers should discuss with students the advantages and disadvantages of all venture types to prepare them for the examination and to help them make the right choice if they start a business.

## Question 2

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This question tested candidates' ability to

- define the term *business ethics*
- identify two examples of poor business ethics practised by the company in the case
- differentiate between social entrepreneurship and corporate social responsibility
- explain why observing ethical conduct is critical for the company in the case
- discuss one consequence that the company in the case could face for non-payment of the value-added tax (VAT).

Candidates performed best on this question. The mean score was 5.81 and the standard deviation 2.81. Part (c) (ii) was the most challenging part for candidates.

### Candidate's Response to Part (a) (i)–(ii)

(i) Define the term 'business ethics'.

Business ethics refers to a set of rules and guidelines that governs how a business acts or corporate behaviour. It governs how a business should behave internally, amongst its employees, and externally amongst its customers and suppliers.

[2 marks]

(ii) Identify TWO examples of poor business ethics exhibited in the case.

(1) Business clients were charged ~~at~~ additional hidden fees ✓ that were kept hidden from external auditors

(2) The 15% VAT received from business clients were never paid to the government. ✓

[2 marks]

#### Examiner's Comments

In Part (a) (i), the candidate presented a good definition of the term *business ethics*.

In Part (a) (ii), the candidate correctly identified two examples of poor business ethics that were practised by the company in the case.

#### Candidate's Response to Part (b)

(b) Differentiate between 'social entrepreneurship' and 'corporate social responsibility'.

Social entrepreneurship refers to an entrepreneur running a business to assist in solving negative social issues. ✓ Its main aim is not to reap profits but assist those with a low standard of living or preserving the environment. The business reaps few profits and those but what is generated is used to help the people and planet. This is the triple bottom approach. Corporate social responsibility refers to a firm exceeding its minimum obligations through regulation such as clean up campaigns. These firms aim to produce profits but also assist in preserving the environment ✓ and assisting the needy ✓ in order to improve their brand image ✓ and gain customer loyalty. ✓

[4 marks]

### Examiner's Comments

This was a very good response since the candidate presented two key differences.

- Motive — businesses that practise social entrepreneurship focus on their social impact, whereas businesses that practise corporate social responsibility are usually more focused on improving their image and gaining customer loyalty.
- Primary goal — achieving a profit is the primary goal of businesses that practise corporate social responsibility. On the other hand, the primary goal of businesses that practise social entrepreneurship is putting the profit that they make into doing social good.

### Candidate's Response to Part (c) (i)–(ii)

- (c) (i) Explain why the observance of good business ethics is important in Armstrong Moving Company Limited's business operations.

Good business ethics is important in Armstrong Moving Company Limited because it displays a ~~profess~~ professional standard that is appealing to customers which improves reputation, trust and public image and it encourages investors to invest in the business as good business ethics gives confidence to them. Additionally, employees will feel happier, more motivated as they would trust and have faith in the business which increases the company's employment retention.

[3 marks]

- (ii) Discuss ONE consequence that Armstrong Moving Company Limited could face for non-payment of the value-added tax (VAT).

One consequence Armstrong Moving Company Limited could face for non-payment of the value added tax is

Fines - Armstrong Moving Company Limited can be charged with costly fines if the authorities found out about their defiance.

Also, this may cause the firm to have bad publicity in news stories which may deter customers from engaging in their

services. The firm would suffer from reduced profits from paying expensive legal fees which would limit its growth. Finally,

this may lead to closure if the firm is not able to cover expenses for an extended period of time. Employees would

be against the illegal activity and avoid seeking employment at Armstrong Moving Company Limited.

#### Examiner's Comments

In Part (c) (i), the candidate provided an excellent, multifaceted explanation of the importance of observing good ethics from the perspective of four key stakeholders — customers, employees, potential investors and employees.

The candidate also presented an excellent, multifaceted discussion in Part (c) (ii) by showing how fines imposed for non-payment of VAT could have multiple negative effects which include reputational damage, loss of customers and reduced profit.

## Recommendations

It is important for teachers to increase their knowledge of ethics and social responsibility so that they can effectively emphasize to students the increased importance of these principles in the business world. The following link can be used by teachers and students to learn more about these principles.

- Universal Class. The Role of Social Responsibility in Business Ethics, n.d. Retrieved from <https://www.universalclass.com/articles/business/the-role-of-social-responsibility-in-business-ethics.htm>

### Question 3

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This question tested candidates' ability to

- identify two elements of market research that were not mentioned in the case
- identify two key elements of feasibility analysis that were not mentioned in the case
- distinguish between market research and a feasibility study
- explain the meaning of the term *business model*
- discuss either the value proposition component or the beneficiaries component of the business model.

The mean score was 4.30 and the standard deviation 2.79. Many candidates performed poorly on Parts (c) (i) and (c) (ii). This was surprising since candidates have to conduct market research and present a Business Model for the Unit 2 School-based Assessment (SBA) and hence they should be familiar with the concepts examined.

#### Candidate's Response to Part (a) (i)–(ii)

- (a) (i) Identify TWO elements of market research that are NOT mentioned in the case.

Two elements of market research that are not mentioned in the case are customer analysis, and promotional strategy.

[2 marks]

- (ii) Identify TWO key elements of feasibility analysis that are NOT mentioned in the case.

Operational feasibility  
Marketing feasibility  
Cultural feasibility

[2 marks]

### Examiner's Comments

In Part (a) (i), the candidate correctly identified two elements of market research that were not mentioned in the case, and so earned full marks.

In Part (a) (ii), the candidate correctly identified two key elements of feasibility analysis that were not mentioned in the case, and so earned full marks.

### Candidate's Response to Part (b)

- (b) Distinguish between 'market research' and a 'feasibility study'.

Market research is defined as gathering and analysing information on a particular market or industry to help determine the nature of the product to be established. Market research is concerned with customer analysis, market size, competitors, promotional strategy and product characteristics. All in all, this information is designed to give the entrepreneur an idea of the market that they will penetrate. A feasibility study focuses on how viable a product is. It helps to determine the likelihood of success or failure of a potential product. The feasibility study examines all aspects such as time, financial, marketing, management and personnel. It allows the entrepreneur to know if the venture will be beneficial. [4 marks]

### Examiner's Comments

This was an excellent response because the candidate clearly distinguished between market research and a feasibility study by comparing what they focus on and the aspects that they cover.

Candidate's Response to Part (c) (i)-(ii)

- (c) (i) Explain the meaning of the term 'business model'.

A Business model refers to a step by step plan on how a business intends to create value for the purpose of capturing their intended market and appealing to them through the products or services that it has a competitive advantage. It encompasses elements such as marketing strategies, operational income generation plans, that affords businesses a competitive edge in order that affords businesses a competitive edge in order to generate revenue and make a profit.

[3 marks]

- (ii) Discuss EITHER the 'value proposition' component OR the 'beneficiaries' component of the business model.

The Beneficiaries focuses on who the business is <sup>customer base ad.</sup> targeting. It will show the type of relationship the business will have whether it be business to business, business to customer or business to government.

location - It will also show where the market is based for example if the market is local, regional or international (global).

Type of market: The business model would also determine whether it is a niche market or general market and also show if the market segmentation.

#### Examiner's Comments

In Part (c) (i), the candidate explained the term *business model* by focusing on three key points. The points included value creation, competitive advantage and income/revenue generation.

In Part (c) (ii), the candidate discussed the beneficiaries component of the business model. The candidate earned all four available marks for mentioning all possible options under this component.

#### Recommendations

Many candidates were unable to explain the term *business model*. Given the nature of a business model, teachers should spend extra time teaching students about the various components of a business model. This is especially important since this knowledge will prove useful to students for preparing their Unit 2 SBAs and if they become entrepreneurs.

## Question 4

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This question tested candidates' ability to

- identify four components of a business plan that were not mentioned in the case
- outline two elements of market research, using evidence from the case
- describe a balance sheet
- differentiate between an income statement and a cash flow statement.

The mean score was 5.11 and the standard deviation 3.35. Candidates demonstrated varying levels of competency when responding to Parts (c) (i) and (c) (ii).

### Candidate's Response to Part (a)

(a) Identify **FOUR** components of a business plan that are **NOT** mentioned in the case.

Financial ✓  
Operations ✓  
Marketing ✓  
Management ✓

[4 marks]

#### Examiner's Comments

The candidate provided a very good response by correctly identifying four components of a business plan that were not mentioned in the case.

Candidate's Response to Part (b)

(b) Outline TWO elements of market research, using evidence from the case.

Two elements of market research include the nature and level of competition which is seen when they both checked out the competitors and learned that most of them were large players who had equipment not available and also customer analysis was conducted when Jason identified that the demand for his services was high among middle-class residents. Hence there was scope for additional small firms.

[4 marks]

**Examiner's Comments**

This was an excellent response because the candidate listed two elements of market research and used evidence from the case to provide a succinct explanation of each element.

Candidate's Response to Part (c) (i)-(ii)

(i) Describe a balance sheet.

A balance sheet, also known as a statement of financial position, shows the business' position as it relates to its current assets, non-current assets, current liabilities, non-current liabilities and capital (equity). It shows the business' position on where it stands financially, as  $Assets = Liability + Capital$ .

[3 marks]

(ii) Differentiate between an 'income statement' and a 'cash flow statement'.

An income statement shows the revenues and expenses incurred by the firm while a cash flow statement shows the inflows and outflows of cash. The Income statement gives an account to the profitability of the firm by subtracting all expenses from revenues and sales. Conversely, a cash flow statement outlines where money came from (cash inflows) and where it was spent (cash outflow). Both are also different in their presentations, as the Income statement would have sales cost of goods sold revenues and expenses while cash flow would have the operating, investing and financial sections. [4 marks]

#### Examiner's Comments

In Part (c) (i), the candidate successfully presented three key aspects of a balance sheet in the description.

- It has several sub-sections.
- It shows the financial position.
- It shows the accounting equation — Assets = Liabilities + Equity.

The candidate's response to Part (c) (ii) was excellent because

- the differences between the income statement and the cash flow statement were presented by contrasting the ways they are used
- the response was very detailed and it was clear that the candidate had sound knowledge of both financial statements.

## Recommendations

Answering questions related to finance seemed to be an area of weakness for candidates. Teachers should strengthen their knowledge and understanding of the various financial statements to confidently teach these aspects to students. The following is a good resource for both teachers and students.

- U.S. Securities and Exchange Commission (2007). 'Beginners' Guide to Financial Statement'. Retrieved from [sec.gov/reportspubs/investor-publications/investorpubsbegfinstmtguide](https://sec.gov/reportspubs/investor-publications/investorpubsbegfinstmtguide)

## Question 5

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This question tested candidates' ability to

- state the four approaches to e-commerce outlined in the case
- outline two myths about e-commerce that the case subject seemed to believe
- explain how tracking sales can be of benefit to the case subject
- discuss how the case subject could benefit from the use of interactive communication in selling via the internet.

The mean score was 3.27 and the standard deviation 1.91. Overall, many candidates could not confidently explain the benefits of tracking sales in Part (c) (i) or discuss the benefit of interactive communication in Part (c) (ii).

### Candidate's Response to Part (a)

- (a) State the FOUR approaches to e-commerce outlined in the case.

Virtual store front ✓ ~~and~~, an online shopping  
mall ✓, building your own website ✓ yourself  
and hiring a professional website  
~~designer~~ designer to do it for you ✓

[4 marks]

### Examiner's Comments

This was an excellent response because the candidate stated the four approaches to e-commerce that were outlined in the case.

Candidate's Response to Part (b)

(b) Outline TWO myths about e-commerce that Mary seemed to believe.

Firstly, Mary seemed to believe the myth that customers will flock to your site once it is created. Many people believe that once they start up a website, there will automatically be traffic from customers. This is not true as the target audience first needs to be aware of the site before they can use it. Secondly, Mary seemed to believe the myth that a strategy is not needed, only a site. This is not true as the website needs to be promoted in a way that reaches customers in order for the business to have a strong <sup>online</sup> presence.

[4 marks]

**Examiner's Comments**

This was a very good response. Firstly, the candidate correctly identified two myths about e-commerce that the case subject seemed to believe — if you launch a website, customers will flock to your site and you do not need a strategy, only a website. Secondly, the candidate followed each myth with a concise statement to outline why they are myths.

Candidate's Response to Part (c) (i)-(ii)

- (c) (i) Explain how 'tracking sales' can be of benefit to Mary in her online selling.

'Tracking sales' will <sup>allow</sup> her to see time periods in which she gets the most sales, how often purchases are made, the quantities purchased at one time and more. This will benefit her as she can zero in on strategies she can use to boost sales (e.g., sales promotions, marketing, strategic alliances). She will also be able to track or gauge profitability and thus be more aware of her operations and <sup>be able to</sup> identify solutions to any hindrances.

[3 marks]

- (ii) Discuss how Mary can benefit from the use of 'interactive communication' in selling via the internet.

The use of interactive communication can come in the form of emails, social media and talking to live agents on Mary's website. When customers receive emails, they are informed of new updates or products on the website and can lead to a sales increase for Mary's business. Developing a social media platform allows for Mary to interact with customers who may have questions, hence strengthening her customer relationships and brand loyalty. Live agents on Mary's website can help customers while online shopping and ~~make~~ increase satisfaction. [4 marks]

Total 15 marks

#### Examiner's Comments

In Part (c) (i), the candidate earned full marks for the explanation by providing reasons which supported how tracking sales could benefit the case subject in her online selling. These reasons included to conduct effective sales analysis, to inform sales strategies, to gauge profitability and to provide customers with solutions.

The discussion in Part (c) (ii) was excellent. The candidate outlined some interactive communication media — emails, social media platforms and chats with live agents — and presented a concrete example of how the case subject could use each medium to sell on the internet.

## Recommendations

As the COVID-19 pandemic raged globally, businesses of all types and sizes embraced e-commerce. A pertinent example of this was regional farmers using non-traditional marketing and sales methods such as advertising and selling their agricultural produce on Facebook and WhatsApp, and creating websites.

Although the COVID-19 pandemic may be behind us, selling online has remained a very relevant marketing and sales strategy. Therefore, teachers need to place added emphasis on discussing the benefits of selling online with students. This can be made more relevant and meaningful by using real-world examples, especially Caribbean examples, to help students relate to the experience.

## Question 6

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This question tested candidates' ability to

- identify four elements that the main case subject should consider before launching into e-commerce
- outline two reasons why venture valuation would be important for the main case subject at this stage in her business' life cycle
- explain why the main case subject should consider the target market when assessing the online potential of her business
- discuss the aspects of distribution cost that the main case subject should consider when assessing the online potential of her business.

Candidates performed poorly on this question. The mean was 2.01 and the standard deviation 1.98. Parts (b) and (c) (ii) proved challenging for most candidates.

### Candidate's Response to Part (a)

- (a) Identify FOUR elements that Denise should consider before launching into e-commerce.

These include networking potential, ongoing investment into resources, integrating website into her overall strategy and developing long lasting relationships with customers.

[4 marks]

### Examiner's Comments

This was an excellent response because the candidate succinctly identified four elements that the main case subject should consider before launching into e-commerce.

**Candidate's Response to Part (b)**

- (b) Outline TWO reasons why venture valuation would be important for Denise at this stage in her business' life cycle.

✓ Raising growth capital. ✓ Denise move towards expansion as growth  
the need for monetary funds to establish her business at an  
international level. ✓

✓ Knowing the real value of the business. Denise wishes to venture  
online so a reason why knowing the real value of the business  
is important as she needs to ask herself whether the value of  
the business would increase or decline due to her launch into e-commerce. ✗

[4 marks]

**Examiner's Comments**

Generally, Part (b) was poorly done by candidates. The candidate earned two of the four available marks since only one reason why venture valuation would be important for the main case subject at this stage in her business' life cycle was outlined. The candidate needed to provide another relevant reason to earn full marks.

Candidate's Response to Part (c) (i)–(ii)

- (c) (i) Explain why Denise should consider the 'target market' when assessing the online potential of her business.

Denise needs to analyse the characteristics of her target market to ensure success. Denise's target is the elderly. They are not necessarily tech-savvy persons so they may be hesitant to purchase online. Thus, Denise may not see potential in selling online. However, she may also adapt her idea by promoting an easy to use website which will appeal to the older generation. Also, she can target caregivers of elderly and disabled persons as they will be capable of purchasing online. [3 marks]

- (ii) Discuss the aspects of 'distribution cost' that Denise should consider when assessing the online potential of her business.

This refers to the price cost of getting the goods to reach the consumer. Higher distribution costs lead to higher prices which turns away customers. Since Denise is expanding regionally, she has to consider a cost-effective means of transport, such as boats and shipping. However, the cheapest method is not always the best. The distribution service has to be quick to ensure customer satisfaction. Consumers should also have the ability to track their goods. Denise is also transporting heavy goods such as walkers. This can lead to higher transportation costs as well as a high risk for damage which increases expenses. Denise must also decide whether to organise distribution herself or outsource a firm and pay them. [4 marks]

Total 15 marks

### **Examiner's Comments**

The explanation in Part (c) (i) was excellent because the candidate

- used evidence from the case to identify one target market — the elderly
- pointed to the fact that given the age of persons in the stated target market, they could possibly lack the skills and knowledge to use technology
- presented another potential target market — caregivers of the elderly and disabled persons — to solve the problem of the persons in the original target market lacking the skills and the knowledge required to use technology.

In Part (c) (ii), the candidate earned three of the four available marks for highlighting three aspects of distribution cost that the main case subject should consider when assessing the online potential of her business. The candidate needed to provide another relevant point in order to earn full marks.

### **Recommendations**

Teachers should stress the importance of venture valuation and the various venture valuation methods to students. It is important that students, who may become future entrepreneurs, are properly taught by teachers about the key factors that should be considered when assessing the online potential of a venture.

## PAPER 031 – SCHOOL–BASED ASSESSMENT

For Paper 031, students are required to identify an original business idea, translate the idea into a well-conceptualized business concept, conduct market research on the conceptualized product or service and develop a business model around the product or service. The students are then required to outline the market research and the business model in a report. The key objective of the School-Based Assessment (SBA) project is for students to demonstrate their skills in ascertaining the basic market and economic feasibility of a proposed business. This paper represented 60 per cent of the total assessment score for the examination. The paper was worth a total of 60 marks, which were equally distributed between the Market Research and the Business Model.

The Market Research, which was worth 30 marks, focused on the following six areas.

- |                         |                           |
|-------------------------|---------------------------|
| (1) Research Objectives | (4) Questionnaire         |
| (2) Target/Sample       | (5) Findings and Analysis |
| (3) Methodology         | (6) Conclusion            |

The Business Model, which was also worth 30 marks, focused on the following ten areas.

- |                              |                                   |
|------------------------------|-----------------------------------|
| (1) History of the Venture   | (6) Product Differentiation       |
| (2) Mission/Vision Statement | (7) Income Generation             |
| (3) Value Proposition        | (8) Growth                        |
| (4) Beneficiaries            | (9) Summary of Financial Analysis |
| (5) Operations               | (10) Presentation of Project      |

Overall, students performed well. Approximately 67 per cent of students scored between 36 and 60 marks.

## Recommendations

Teachers should emphasize to students the importance and necessity of

- presenting an original business idea. Instead of presenting an original business idea, many students presented Market Research and completed the Business Model for an existing product/service from an existing business.
- using Standard English, using words appropriately and spelling words correctly.

Teachers should also spend time showing students how to successfully complete the following tasks for the following documents.

### (1) MARKET RESEARCH

- Writing SMART research objectives for the Market Research report. Some students wrote general business objectives instead of market research objectives.
- Differentiating clearly between the population and the sample in the Market Research report.
- Ensuring that the appropriate number of questions are in the questionnaire and ensuring that they have the correct form, wording and sequencing.
- Ensuring that the questionnaire includes questions based on the 4Ps of Marketing — product, price place and promotion.
- Understanding clearly what should be included under the Findings section and the Analysis of Results section in the Market Research report. A few students either repeated the Findings under the Analysis of Results or failed to provide the requisite information in the Analysis of Results section.
- Writing a meaningful conclusion that is related to the Findings and Analysis of Results in the Market Research report and that presents actions to be taken based on what the student wrote in the Analysis of Results section.

### (2) BUSINESS MODEL

- Writing proper Mission and Vision Statements.
- Writing comprehensive information, using the information found in the CAPE Entrepreneurship syllabus, for each of the following sub-sections.

Value Proposition

Operations

Beneficiaries

Income Generation

Product differentiation

Growth

- Preparing a comprehensive Summary of Financial Analysis. This section must include a formal financial request and a cash flow statement. Many students presented a cash flow projection instead of a cash flow statement. The cash flow statement must have three sections.
  - Cash from operating activities
  - Cash from investing activities
  - Cash from financing activities

## PAPER 032 – ALTERNATIVE TO THE SCHOOL-BASED ASSESSMENT

Paper 032 comprised one case study, which consisted of three questions covering all three Unit 2 modules. The paper represented 60 per cent of the total assessment score for Entrepreneurship. A total of 60 marks were allocated for the paper; each question was worth 20 marks. The allotted examination time was two hours. Candidates were required to use higher order thinking skills to provide adequate responses.

Overall, candidates performed poorly. None of the candidates scored between 42 marks and the full 60 marks. Secondly, more than half of the candidates (61.54 per cent) scored less than 30 marks.

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### Question 1

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This question tested candidates' ability to

- differentiate between a *partnership* and a *private limited company*
- define the term *corporate social responsibility*
- identify two examples of corporate social responsibility in the case
- discuss why the case subjects would not be able to use a patent as an intellectual property right (IPR) to protect their innovation
- discuss the importance of the case subjects observing the legal and regulatory practice of meeting tax obligations
- discuss the importance of the case subjects observing the legal and regulatory practice of adhering to labour laws.

The mean score was 9.54 and the standard deviation 3.78. Parts (b) (i) and (c) (i) proved challenging for nearly all candidates.

**Candidate's Response to Part (a)**

- (a) Differentiate between a 'partnership' and a 'private limited company'.

A partnership is a legal agreement between ~~two~~ 2 to 20 persons who come together to start a business venture while a private limited company is made up of 2 or more persons who don't sell shares to the public.

**Examiner's Comments**

The candidate earned three of the four available marks for presenting a response related to the minimum and maximum number of persons that can form the respective ventures. The candidate could have been earned an additional mark by providing information on the maximum number of persons that can form a private limited company. The candidate could have also differentiated between two types of ventures using other aspects, such as legal status, liability, etc.

**Candidate's Response to Part (b) (i)-(ii)**

- (i) Define the term 'corporate social responsibility'.

Corporate social responsibility is the responsibility business have to their stakeholder both internal and external. Some of these may be legal requirements. These include to their communities and environment in which the operate.

[2 marks]

(ii) Identify TWO examples of corporate social responsibility in the case.

- 1) Cynthia Noel and Cecil Hester replaced fuel with renewable energy for energy-based processes ✓
  - 2) Cynthia and Cecil reduced the company's carbon footprint by 10 percent. ✓
- [2 marks]

#### Examiner's Comments

In Part (b) (i), the candidate earned two marks for defining corporate social responsibility.

In Part (b) (ii), the candidate earned two marks for correctly identifying the two examples of corporate social responsibility in the case.

#### Candidate's Response to Part (c) (i)-(iii)

(i) Discuss why Cynthia and Cecil would NOT be able to use a patent as an intellectual property right (IPR) to protect their RoboCop innovation.

They would not be able to use a patent as protection because other persons have already created humanoid robots. A patent would have only been useful if they were the first to make those types of robots. Patents are mostly only used when a unique and new product has been made. Since Cynthia and Cecil are merely innovating on an already existing product type this.

SEEN

c) continued  
protection method.

SEEN

- (ii) Discuss the importance of Cynthia and Cecil observing the legal and regulatory practice of meeting tax obligations.

By meeting tax obligations this keeps their business out of trouble with the government and Inland revenue department, which protects their business from fines and seizures or even their assets being frozen, meeting tax obligations is also important because it gives their business a good image because people generally don't invest in or patronize businesses that are associated with fraudulent activities.

[4 marks]

- (iii) Discuss the importance of Cynthia and Cecil observing the legal and regulatory practice of adhering to labour laws.

By adhering to labour laws they both will ensure that their workers are being treated fairly, not exploited and compensated appropriately which not only boost productivity but keep the business in good legal standing with all the laws and regulations that are needed to be adhered to, to protect the rights of their workers.

### **Examiner's Comments**

A selection of candidates' responses was used for this section since none of the candidates fully answered all parts of the question.

In Part (c) (i), the candidate earned only two of the four available marks. One mark was earned for mentioning the fact that this is not the first creation of a humanoid robot. The second mark was earned for mentioning one of the three qualifying criteria for patent — novelty/newness.

In Part (c) (ii) the candidate provided an excellent response. Full marks were awarded since the candidate adequately discussed four points — avoiding trouble with government, avoiding fines and asset seizures, maintaining a good corporate image, and the possible negative fallout with potential investors.

The discussion in Part (c) (iii) was also excellent. The candidate earned all four available marks for adequately presenting four very good points — protecting workers' rights, avoiding unfair treatment of employees, ensuring appropriate compensation and boosting productivity.

### **Recommendations**

Corporate social responsibility has become an important part of doing business. Therefore, teachers should give increased importance to teaching students about this concept, using real-world examples.

It must also be noted that many local and regional entrepreneurs started off as survival entrepreneurs so they are often unaware

- that they need to protect their inventions
- of how to protect their inventions
- of the implications of not protecting their inventions.

Therefore, it is necessary for teachers to ensure that students, who may one day become entrepreneurs, are comfortable explaining, describing and discussing the various IPRs.

## Question 2

This question tested candidates' ability to

- identify two sources of equity financing mentioned in the case
- identify two sources of debt financing mentioned in the case
- define two elements of feasibility analysis — time feasibility and financial feasibility
- explain four business model components — operations, product differentiation, income generation and growth model.

Candidates performed well on this question. The mean score was 10.31 and the standard deviation was 1.89. Candidates generally responded well to Parts (a) (i)–(ii) and Parts (b) (i)–(ii). However, they demonstrated varying degrees of competency when responding to Parts (c) (i), (c) (ii), (c) (iii) and (c) (iv).

### Candidate's Response to Part (a) (i)

(i) Identify TWO sources of equity financing mentioned in the case.

✓ Crowd funding from go fund me  
Receiving money from family ✓

[2 marks]

(ii) Identify TWO sources of debt financing mentioned in the case.

Two sources of debt financing mentioned  
in the case are bank loan ✓ and trade credit ✓

[2 marks]

### Examiner's Comments

In Part (a) (i), the candidate earned full marks for correctly identifying two sources of equity financing that were mentioned in the case.

In Part (a) (ii), the candidate also earned full marks for correctly identifying two sources of debt financing that were mentioned in the case.

Candidate's Response to Part (b) (i)–(ii)

(b) Define EACH of the following elements of a feasibility analysis:

(i) Time feasibility

Time feasibility refers to the amount of time <sup>it would take</sup> ~~put into~~ setting up and operating the business. In terms of the amount of time taken to conduct market research, source resources, hire skilled workers, produce product and market it. This is used to determine if it is a wise decision

[2 marks]

(ii) Financial feasibility

Financial feasibility estimates the amount of money needed to start up and run a business. It shows the amount needed to purchase resources, hire production people, purchase machinery and equipment as well as distribution cost.

[2 marks]

**Examiner's Comments**

In Part (b) (i), the candidate earned full marks for correctly defining time feasibility.

In Part (b) (ii), the candidate also earned full marks for correctly defining financial feasibility.

Candidate's Response to Part (c) (i)-(iv)

(c) Explain EACH of the following business model components:

(i) Operations

Operations is the internal capabilities of a business which makes it unique including technologies, unique skills and resources.

(ii) Product differentiation

Product differentiation refers how your product is different from that of your competitors. It shows product features that makes your products better from the rest, if it has value added feature, if it is more efficient, better quality and even a better price. All these features are apart of product differentiation.

[3 marks]

(iii) Income generation

Income generation of a business models determines how a business plans to generate revenue and profits. How the volume of sales would be, some businesses makes money by having high sales volumes. While other businesses makes money with low sales volumes - ✓

(iv) Growth model

Growth model is how the business is going to find innovative ways to expand the business ✓  
through a subsistence model, ✓ for instance.

**Examiner's Comments**

A selection of candidates' responses was used for this section since no candidate successfully provided all four business model components — operations, product differentiation, income generation growth model.

In Part (c) (i), the candidate earned two of the three available marks for explaining operations.

In Part (c) (ii), the candidate earned two of the three available marks for explaining product differentiation.

In Part (c) (iii), the candidate earned two of the three available marks for explaining income generation.

In Part (c) (iv), the candidate earned two of the three available marks for explaining growth model.

## Recommendations

The business model provides an understanding of what a business does, how it works, its revenue source(s), its value proposition to its target market, etc. Therefore, teachers should show students good examples of developing and pitching a business model. One way of achieving this is by watching shows such as Shark Tank and then discussing the business models pitched by the novice entrepreneurs to the Sharks (habitual, serial and portfolio entrepreneurs). Below are links to episodes of the show.

- Shark Tank US | 10-Year-Old Entrepreneur Wows Sharks With Her Baby Spoon Product:  
<https://www.youtube.com/watch?v=BaUkusz7dg>
- Shark Tank US | Kevin Hart LOVES Snactiv's Product:  
<https://www.youtube.com/watch?v=UJRO3CveD4k>
- Shark Tank US | Pizza Cupcake Company Impresses Lori Greiner:  
<https://www.youtube.com/watch?v=TUeLX2xjo0g>

### Question 3

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This question tested candidates' ability to

- identify the current stage of the case subjects' business in the venture life cycle
- identify three stages in the venture life cycle not mentioned in the case
- outline two important reasons for valuing a venture that are mentioned in the case
- explain why the case subjects must consider each of the following factors when assessing the online potential of the business — appeal to customers, target market, distribution cost, costs and benefits.

Candidates performed poorly on this question. The mean was 8.62 marks and the standard deviation 2.18. None of the candidates responded correctly to Part (a)(i). However, they demonstrated varying levels of competency when responding to Parts (c) (i), (c) (ii), (c) (iii) and (c) (iv).

#### Candidate's Response to Part (a) (i)–(ii)

(i) Identify the current stage of Cynthia and Cecil's business in the venture life cycle.

..... *New development* ✗  
[1 mark]

(ii) Identify THREE stages in the venture life cycle NOT mentioned in the case.

(i) ..... *Start up* ✓

(ii) ..... *Venture Stabilization* ✓

(iii) ..... *innovation/Decline* ✓

[3 marks]

### Examiner's Comments

None of the candidates was able to correctly identify the current stage of the case subjects' business in the venture life cycle in Part (a) (i). The above response typifies the responses presented.

In Part (a) (ii), the candidate successfully identified three stages in the venture life cycle that were not mentioned in the case. Consequently, the full three marks were awarded.

### Candidate's Response to Part (b)

- (b) Outline TWO important reasons for valuing a venture that are mentioned in the case.

Determining the real value of the venture is an important reason for valuing a venture because as the venture operates over time, the value of the venture changes; as such valuation is important to keep track of increases or decrease in the venture's value. Also, valuing a venture is important for raising growth capital. This is capital needed to expand the venture and in order to acquire the needed amount of capital, valuing the business is essential as this value impacts the amount of capital which can be accessed. [4 marks]

### Examiner's Comments

This was a fair response since the candidate was only able to outline one of the two reasons for valuing a venture mentioned in the case. Consequently, only two of the four available marks were earned.

Candidate's Response to Part (c) (i)-(iv)

(i) Appeal to customers

They should consider ~~this~~ Appeal to customers because if customers are willing to go online ~~or see~~ or if customers don't think it makes sense, ~~of~~ it is important to know how ~~customer~~ customers will feel about purchasing the product online ✓

[3 marks]

(ii) Target market

They should consider who their ~~mark~~ marketing the product to and the appeal of their customer to purchase their product service online, and if their potential customers are physically able and have the technical know how to purchase said product via the internet ✓

[3 marks]

(iii) Distribution cost

Distribution cost refers to the amount of to be spent when shipping/delivering products to their customers. This should be considered by Cynthia and Cecil because they would be able assess the cost of each distribution channel and choose the most cost effective one. They would also be able to know if their business has the finances to offer distribution services to customers.

[3 marks]

(iv) Costs and benefits

By considering costs and benefits they both will be able to weigh the pros and cons of creating a website, because by creating a complex, functional and easy to use website can cost thousands it would yield a plethora of benefits such as reaching a large audience, lowering margins, reducing the size/space needed to operate which would in turn boost profitability.

[3 marks]

### Examiner's Comments

A selection of candidates' responses was used for this section since no candidate provided all four factors that should be considered when assessing the online potential of the case subjects' business — appeal to customers, target market, distribution cost, and costs and benefits.

In Part (c) (i), the candidate earned two of the three available marks for two good points.

The explanation in Part (c) (ii) also earned the candidate two of the three available marks for insightful focus on technology in terms of customers' willingness to transact in an online environment and whether they possessed the knowledge of technology to do so.

In Part (c) (iii), the candidate earned all three available marks for focusing on shipping/delivery, distribution channels and cost effectiveness.

In Part (c) (iv), the candidate earned all three available marks for discussing weighing the pros and cons, operational streamlining and profitability.

## Recommendations

Since more businesses are establishing their presence online, it is important that candidates, who may become future entrepreneurs, are properly taught by teachers about the key factors that should be considered when assessing the online potential of a venture.

## General Recommendations

Training should be given to candidates to prepare them to answer questions which require higher order thinking skills. The verbs *explain*, *outline*, *discuss*, *describe*, *summarize* and *compare* are often included in such questions. When answering questions that include these verbs, candidates should be encouraged to write one clear and separate point for each mark being awarded.

The following resource is recommended for improving candidates' response skills for questions requiring higher order thinking skills.

- The Glossary of Behavioural Verbs used in the Entrepreneurship Examination which is located at the back of the CAPE Entrepreneurship Syllabus.