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FORM TP 2012109

MAY/JUNE 2012

CARIBBEAN EXAMINATIONS COUNCIL

SECONDARY EDUCATION CERTIFICATE EXAMINATION

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

25 MAY 2012 (a.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer the THREE questions in Section I, ONE in Section II and ONE in Section III as indicated.
2. All answers must be written in the booklet provided.
3. Begin EACH question on a separate page.
4. Keep ALL parts of EACH answer together.
5. EACH question is worth 20 marks.

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

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SECTION I

Answer the THREE questions in this section.

1. (a) (i) Identify THREE features of a small business. **(3 marks)**

(ii) State THREE reasons why small businesses are important to a community. **(3 marks)**

(b) Explain the effect of growth on EACH of the following:

(i) Scale of production

(ii) Potential for export **(4 marks)**

(c) A fashion designer would like to introduce Computer Aided Design (CAD) into her fashion designing business.

Outline TWO benefits that she will enjoy from using CAD in her business. **(4 marks)**

(d) Discuss TWO disadvantages of using technology in a small business. **(6 marks)**

Total 20 marks

2. (a) Outline TWO responsibilities of the management of a business to EACH of the following:

(i) Society

(ii) Employees

(iii) Customers **(6 marks)**

(b) (i) State FOUR ways in which managers can encourage teamwork within an organization. **(4 marks)**

(ii) Describe TWO characteristics that would make a Prime Minister or President a good leader. **(4 marks)**

(c) The manager of DXC Ltd wants to promote Steve, a junior employee, to a key position in the organization. There are several employees who are senior to Steve and are interested in the same position.

Discuss TWO strategies which the management of DXC Ltd can employ to reduce conflict that may arise from this promotion. **(6 marks)**

Total 20 marks

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3. Maggie recently bought books, shoes and clothes from an online company.

(a) Define the term 'e-commerce'. **(2 marks)**

(b) State TWO advantages and TWO disadvantages of 'e-commerce'. **(4 marks)**

(c) Outline TWO reasons why firms offer trade discounts. **(4 marks)**

(d) Maggie plans to buy a refrigerator from a local store.

(i) Discuss any TWO of the following 'terms of sale' options that are available to her:

a) Hire purchase

b) Lay away plan

c) Credit sale

d) Credit card **(6 marks)**

(ii) Given that Maggie buys the refrigerator and it stops working after one month. Advise her of TWO actions which she may take to get compensation from the store. **(4 marks)**

Total 20 marks

SECTION II

Answer EITHER Question 4 or Question 5. Do NOT answer both.

4. (a) (i) State THREE reasons for establishing a business. **(3 marks)**

(ii) Identify THREE sources of capital used in financing a business. **(3 marks)**

(b) (i) Define the term 'collateral' and give TWO examples of collateral that may be used in a business transaction. **(4 marks)**

(ii) Outline TWO reasons why collateral is important to a borrower. **(4 marks)**

(c) Discuss the importance of EACH of the following elements of a business plan:

(i) Executive summary

(ii) Financial projections **(6 marks)**

Total 20 marks

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5. (a) State TWO roles of commercial banks. **(2 marks)**

(b) Outline the differences between EACH of the following pairs of business terms:

(i) Money market and capital market

(ii) Crossed cheques and open cheques

(iii) Bull market and bear market **(6 marks)**

(c) Describe THREE benefits that an entrepreneur may enjoy from starting his own business as opposed to purchasing investments. **(6 marks)**

(d) Discuss TWO types of investment options that are available to entrepreneurs. **(6 marks)**

Total 20 marks

SECTION III

Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. (a) Describe how the maintenance of EACH of the following responsibilities of government may affect the development and growth of businesses:

(i) Law and order

(ii) A safe environment for investors

(iii) Job security and other benefits for workers **(6 marks)**

(b) Outline TWO actions which businesses could take to protect the environment. **(4 marks)**

(c) Suggest TWO ways in which governments could encourage the private sector to invest in the education of its employees. **(4 marks)**

(d) Discuss TWO benefits that could result from BOTH government and private businesses investing in education. **(6 marks)**

Total 20 marks

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7. (a) Define the term 'international trade'. **(2 marks)**

(b) State THREE benefits of international trade. **(6 marks)**

(c) Outline ONE way in which countries may use EACH of the following measures to improve international trade:

(i) Modern technology

(ii) Development of the manufacturing sector

(iii) Investment in research **(6 marks)**

(d) Discuss the effects of EACH of the following measures used by countries to restrict international trade:

(i) Tariffs or custom duties

(ii) Quotas **(6 marks)**

Total 20 marks

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.