FORM TP 2014106

TEST CODE **01240020**

MAY/JUNE 2014

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

28 MAY 2014 (a.m.)

4106

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.

Copyright © 2012 Caribbean Examinations Council
All rights reserved.

SECTION I

Answer the THREE questions in this section.

1. (a) State TWO responsibilities of management to EACH of the following:

(i) Society **(2 marks)**

(ii) Government **(2 marks)**

(iii) Owners of business **(2 marks)**

(b) (i) Identify TWO sources of conflict within an organization. **(2 marks)**

(ii) Describe TWO strategies for resolving conflicts within an organization. **(4 marks)**

(c) (i) Outline ONE difference between a 'line relationship' and a 'staff relationship' in an organizational chart. **(2 marks)**

(ii) 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. **(3 marks)**

(d) Discuss ONE reason why teamwork is important to the success of small businesses. **(3 marks)**

Total 20 marks

2. (a) Define EACH of the following terms:

(i) Business ethics **(2 marks)**

(ii) Entrepreneurship **(2 marks)**

(b) (i) Describe TWO unethical business practices. **(4 marks)**

(ii) Outline TWO consequences of unethical business practices. **(4 marks)**

(c) State TWO government regulations for the establishment of a business. **(2 marks)**

(d) Discuss TWO challenges which entrepreneurs usually face when starting their own businesses. **(6 marks)**

Total 20 marks

GO ON TO THE NEXT PAGE

3. (a) Define EACH of the following terms:

(i) Bank rate **(2 marks)**

(ii) Liquid assets **(2 marks)**

(iii) Open market operations **(2 marks)**

(b) State TWO differences between a commercial bank and a central bank. **(4 marks)**

(c) Outline TWO factors that a banker will consider when approving a request for a loan. **(4 marks)**

(d) Discuss TWO ways in which governments can regulate the financial sector in a country. **(6 marks)**

Total 20 marks

SECTION II

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

4. (a) Differentiate between EACH of the following pairs of terms:

(i) Production and productivity **(4 marks)**

(ii) Subsistence production and domestic production **(4 marks)**

(b) (i) Define the term 'capital-intensive production', giving TWO examples. **(4 marks)**

(ii) State ONE advantage and ONE disadvantage of capital-intensive production. **(2 marks)**

(c) Discuss TWO measures which production managers could implement to bring about greater productivity. **(6 marks)**

Total 20 marks

5. (a) (i) List TWO middlemen in the chain of distribution. **(2 marks)**

(ii) Describe TWO services performed by middlemen. **(4 marks)**

(b) (i) Describe TWO factors that should be considered when choosing a distribution channel. **(4 marks)**

(ii) Outline TWO benefits of direct distribution. **(4 marks)**

(c) Fresh Bloom Farms has decided to export cut flowers. Discuss TWO problems which may affect the distribution of this product. **(6 marks)**

Total 20 marks

SECTION III

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

6. (a) Define EACH of the following terms:

(i) Standard of living **(2 marks)**

(ii) Economic growth **(2 marks)**

(iii) Economic development **(2 marks)**

(b) Identify TWO factors which contribute to economic growth. **(2 marks)**

(c) Outline THREE ways in which a government could improve the standard of living of its citizens. **(6 marks)**

(d) Discuss TWO measures which governments could implement to correct an adverse balance of payments. **(6 marks)**

Total 20 marks

7. (a) Define EACH of the following terms:

(i) Public sector **(2 marks)**

(ii) Unemployment **(2 marks)**

(iii) Foreign investment **(2 marks)**

(b) Identify TWO types of unemployment. **(2 marks)**

(c) Outline THREE ways in which governments can assist private sector businesses. **(6 marks)**

(d) Discuss TWO benefits of foreign direct investment (FDI) to the host country. **(6 marks)**

Total 20 marks

END OF TEST

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