FORM TP 2019031

TEST CODE 01240020

JANUARY 2019

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

2 hours

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of FIVE questions. Answer ALL questions.
2. Write your answers in the spaces provided in this answer booklet.
3. Do NOT write in the margins.
4. You are advised to take some time to read through the paper and plan your answers.
5. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
6. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

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

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Answer ALL questions.

1. (a) Define the term 'capital' as a factor of production and state TWO examples.

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(4 marks)

(b) List FOUR sources of capital that could be used when setting up a business.

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(4 marks)

(c) June wants to set up a small supermarket, but is unsure whether she should operate as a sole trader or establish a partnership.

(i) Define the term 'partnership'.

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(2 marks)

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(ii) Outline TWO benefits of June establishing a partnership over a sole trader type business.

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(4 marks)

(iii) Suggest THREE ethical issues that June should consider in setting up and operating her business.

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(3 marks)

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(iv) Explain to June the importance of conducting a feasibility study.

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(3 marks)

Total 20 marks

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NOTHING HAS BEEN OMITTED.

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2. (a) Business organizations perform many transactions daily, which require the use of documents.

(i) List THREE types of business documents.

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(3 marks)

(ii) State THREE reasons why firms utilize documents in business transactions.

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(3 marks)

(b) Distinguish between 'insurance' and 'assurance'.

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(c) Name TWO types of insurance policies.

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(2 marks)

(d) Outline ONE principle upon which insurance is based.

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(2 marks)

(e) Explain TWO ways in which insurance is beneficial to a firm.

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(6 marks)

Total 20 marks

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3. (a) State TWO advantages to the customer of utilizing EACH of the following terms of sales:

(i) Cash

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(2 marks)

(ii) Hire purchase

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(2 marks)

(iii) Layaway

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(2 marks)

(b) Describe ONE factor that could influence the behaviour of consumers.

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(2 marks)

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(c) Figure 1 shows a traditional chain of distribution for a certain product.

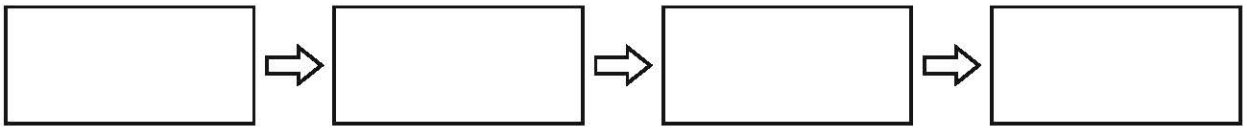


Figure 1. Traditional chain of distribution

Identify EACH link in the chain by placing the correct name in EACH box above.

(4 marks)

(d) List FOUR problems that are likely to be encountered in the distribution of goods.

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(4 marks)

(e) Suggest ONE appropriate mode of transportation for EACH of the following products.

(i) Fresh meat from processing plant to supermarket

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(1 mark)

(ii) Cement from factory to construction site

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(1 mark)

(iii) Oil from oilfield to refinery

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(1 mark)

(iv) Bauxite from mine to processing plant

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(1 mark)

Total 20 marks

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4. (a) Outline TWO ways in which a budget could assist persons in the management of their personal income.

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(4 marks)

(b) Describe THREE services offered by commercial banks.

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(6 marks)

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(c) List FOUR functions of a central bank.

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(4 marks)

(d) Explain how the central bank uses EACH of the following measures to regulate the activities of commercial banks.

(i) Open market operations

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(3 marks)

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(ii) Liquid asset requirements

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(3 marks)

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5. (a) Define EACH of the following types of taxes:

(i) Progressive tax

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(2 marks)

(ii) Proportional tax

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(2 marks)

(b) State THREE reasons why governments charge taxes.

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(3 marks)

(c) Identify THREE ways in which governments regulate the activities of businesses.

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(3 marks)

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(d) Outline TWO measures used by governments to protect consumers.

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(4 marks)

(e) The government of your country has set up centres to train citizens in computer engineering and small appliance repair.

Explain TWO benefits that could be gained from this initiative.

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(6 marks)

Total 20 marks

END OF TEST

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

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