CANDIDATE – PLEASE NOTE!

PRINT your name on the line below and return this booklet with your answer sheet. Failure to do so may result in disqualification.

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TEST CODE **01240010**

FORM TP 2021110

MAY/JUNE 2021

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF BUSINESS

Paper 01 – General Proficiency

1 hour 15 minutes

20 MAY 2021 (p.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 60 items. You will have 1 hour and 15 minutes to answer them.

2. In addition to this test booklet, you should have an answer sheet.

3. Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.

4. On your answer sheet, find the number which corresponds to your item and shade the space having the same letter as the answer you have chosen. Look at the sample item below.

   Sample Item

   The money that a business receives from the sale of goods or services is called its

   (A) assets
   (B) capital
   (C) income
   (D) resources

   Sample Answer

   The best answer to this item is "income", so (C) has been shaded.

5. If you want to change your answer, erase it completely before you fill in your new choice.

6. When you are told to begin, turn the page and work as quickly and as carefully as you can. If you cannot answer an item, go on to the next one. You may return to that item later.

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

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1. Which of the following departments is NOT a functional area of a business?

(A) Finance
(B) Production
(C) Public relations
(D) Human resources

2. Which of the following types of cheques allows an individual to receive cash on demand?

(A) Open
(B) Crossed
(C) Certified
(D) Banker's

3. A MAJOR function of the public sector is to

(A) make a profit
(B) serve the entire population
(C) serve the interests of the shareholder
(D) inspire competition among businesses

4. Which of the following are key features of a planned economy?

I. Centralized production.
II. Citizens' welfare is primary.
III. Little government interference.

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

5. Which of the following is NOT an example of an unethical business practice?

(A) Money laundering
(B) Nonpayment of taxes
(C) Retrenching inefficient workers
(D) Use of misleading advertisements

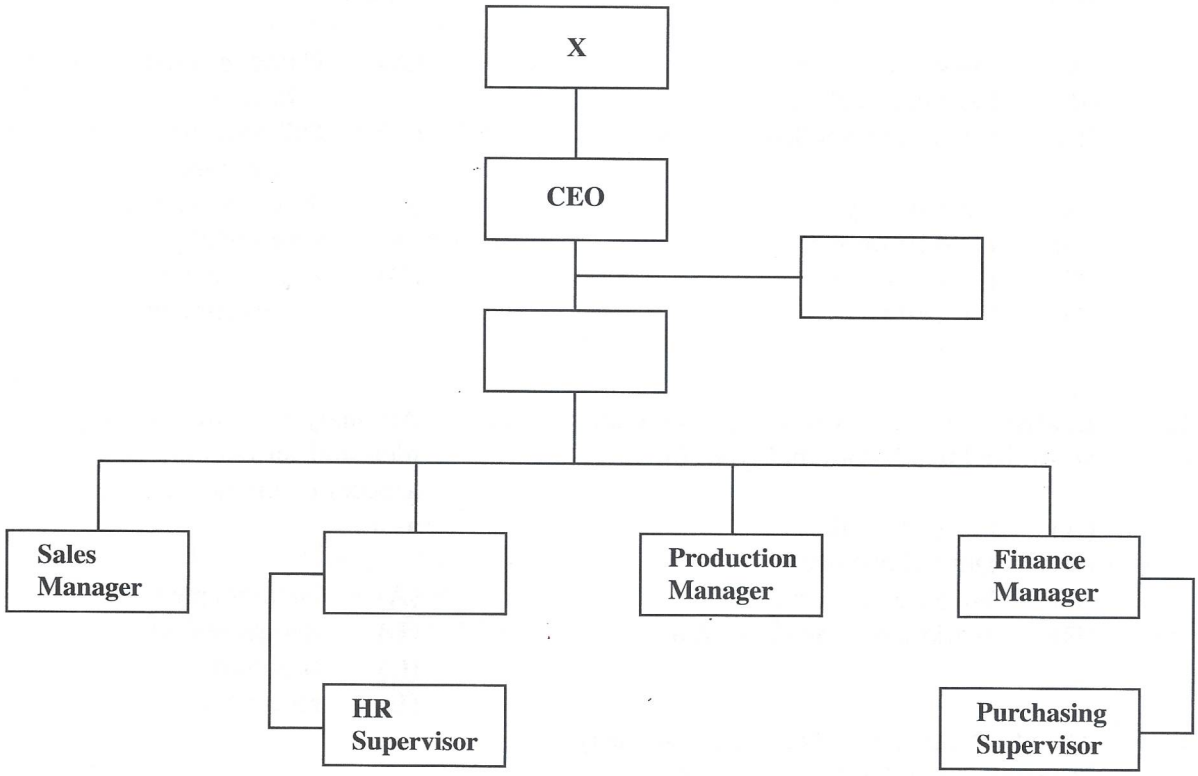
6. Selecting the objectives and the procedures for achieving goals is referred to as

(A) planning
(B) organizing
(C) controlling
(D) motivating

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Item 7 refers to the following diagram of the structure of an organization.



7. Which of the following positions would be BEST suited at **X**?

(A) Chief advisor
(B) Board of directors
(C) Managing director
(D) Human resource manager

Item 8 refers to the following statement.

"The leader deliberately stands back and lets the subordinates plan their own work and make their own decisions as far as possible."

8. The type of leadership described in the statement above is

(A) democratic
(B) participative
(C) laissez-faire
(D) authoritarian

9. Which of the following actions demonstrate the characteristics of a good leader?

I. Inspires workers
II. Delegates responsibilities
III. Makes intelligent decisions

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

10. Which of the following are benefits of written communication?

I. Instant feedback
II. Provides evidence
III. Useful for detailed messages

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

11. In which of the following categories would subsidized meals for employees fall?

(A) Fringe benefits
(B) Duty allowance
(C) Wages and salaries
(D) Workmen's compensation

12. The MAIN advantage of collateral security to the lender is that it

(A) determines the financial position of the borrower
(B) gives the lender an idea of the state of the business
(C) improves the borrower's chance of getting a loan
(D) can be seized if the borrower fails to pay

13. Which of the following are examples of **secondary** sources of data?

I. Company records
II. Former employees
III. Government census

(A) I and II only
(B) I and III only
(C) II and III only
(D) I, II and III

14. Which of the following is a regulatory issue for the entrepreneur?

(A) Using a credit card to transact business
(B) Offering hire purchase options to customers
(C) Advertising the business locally and regionally
(D) Paying national insurance to the government

15. An analysis of the viability of a business idea and an examination of the different aspects of operating a business is known as a

(A) business plan
(B) market survey
(C) feasibility study
(D) research proposal

16. An entrepreneur may reduce his risk of loss by

(A) planning ahead
(B) securing bank loans
(C) sponsoring community projects
(D) purchasing additional fixed assets

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Item 17 refers to the following case.

Melissa, a teenager, wanted to earn extra income, so she offered to wash cars for $10. Miss Hinds brought her car to be washed. Melissa washed the car and Miss Hinds paid her $15.

17. What type of contract is demonstrated in the case above?

(A) Social
(B) Simple
(C) Business
(D) Specialty

18. Kevin sustained burns while at work at a local restaurant. Under which of the following insurance policies is he LIKELY to be compensated?

(A) Public liability
(B) Fidelity guarantee
(C) Property guarantee
(D) Employers' liability

19. Which of the following is NOT a legitimate way of terminating a contract?

(A) Breach
(B) Performance
(C) Lapse of time
(D) Change of mind

20. Which of the following factors prevent(s) an agreement from being considered a valid contract?

(A) Consideration
(B) Legal purpose
(C) Misrepresentation
(D) Offer and acceptance

21. The term 'division of labour' can be defined as the

(A) organization of tasks in production
(B) assembling of goods for distribution
(C) separation of tasks to complete a job
(D) employment of different types of workers

22. Which of the following LEAST affects the location of an extractive industry?

(A) Proximity to large shopping areas
(B) Availability of an abundant labour supply
(C) Proximity to sources of raw materials
(D) The presence of good roads and drainage

23. Which of the following types of capital is used for the day-to-day operations of a business?

(A) Fixed
(B) Floating
(C) Working
(D) Nominal

24. Which of the following commodities is a product of the manufacturing industry?

(A) A car
(B) Gold
(C) Bauxite
(D) A house

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25. Which of the following conditions would constitute a linkage between two industries?

(A) Two industries manufacture similar goods.
(B) One industry shares the use of machinery with another industry.
(C) Two industries are responsible for the manufacture of different kinds of goods.
(D) The output of one industry of the economy becomes the input of another industry.

26. Productivity can be measured by

(A) $\frac{\text{Inputs}}{\text{Outputs}}$

(B) $\frac{\text{Inputs}}{\text{Revenue}}$

(C) $\frac{\text{Revenue}}{\text{Outputs}}$

(D) $\frac{\text{Outputs}}{\text{Inputs}}$

27. The amount of labour available for productive activity is known as

(A) employment
(B) the labour force
(C) efficiency of labour
(D) the labour movement

28. The inventor of a new oyster opener has the legal right to be the sole producer of this product. This is known as a

(A) patent
(B) copyright
(C) franchise
(D) trademark

29. Which of the following activities is an example of sales promotion?

(A) Warehousing
(B) Free sampling
(C) Servicing goods
(D) Gathering information

30. Product, price, promotion and place are components of a

(A) market study
(B) marketing mix
(C) market research
(D) sales promotion

31. A situation where a business gains editorial space without having to pay for it is called

(A) publicity
(B) marketing
(C) advertising
(D) discounting

32. In which of the following types of trade is the hire purchase method of buying MOST likely to be used?

(A) Retail
(B) Import
(C) Foreign
(D) Wholesale

33. Which of the following factors is LEAST likely to influence consumer behaviour?

(A) Product price
(B) Brand loyalty
(C) Quality of goods
(D) Place of residence

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34. The MOST suitable medium of advertising in an area with high vehicular traffic is

(A) posters
(B) magazines
(C) newspapers
(D) point of sale displays

35. JB Auto Company decided to export car engines from Barbados to Trinidad. Which of the following methods is BEST suited for transporting the engines?

(A) Air
(B) Sea
(C) Rail
(D) Road

36. John operates a shop in his community. He buys goods in bulk from a nearby supermarket and sells them in small quantities to his customers. John would be referred to as

(A) an agent
(B) a broker
(C) a retailer
(D) a wholesaler

37. Which of the following documents shows ownership of imported goods?

(A) Bill of lading
(B) Import licence
(C) Letter of credit
(D) Bill of exchange

38. Logistics in business is defined as

(A) managing data from conception, production and storage to retrieval
(B) using all systems to move an idea from conception to production and then sales
(C) formulating a business idea, systematically gathering data, then following through with production
(D) managing resources from the point of acquisition, storage and transportation to their final destination

39. Which of the following is the **final** step in a supply chain operation?

(A) Transformation of natural resources into finished products
(B) Movement to and storage of raw materials in the warehouse
(C) Processing of raw materials and components into finished goods
(D) Delivering the finished product from point of origin to point of destination

40. Which of the following is NOT a type of account offered by commercial banks to the public?

(A) Trade account
(B) Savings account
(C) Current account
(D) Fixed deposit account

41. Which of the following is a service provided by commercial banks?

(A) Printing money
(B) Selling stocks and bonds
(C) Controlling the supply of money
(D) Accepting deposits from customers

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42. Which of the following is a global logistics provider?

(A) GIS
(B) GPS
(C) DHL
(D) Portnet

43. Which of the following characteristics are associated with the stock market?

(A) Costs and prices
(B) Risks and benefits
(C) Rents and investments
(D) Premiums and rewards

44. Investment can be defined as

(A) the amount of capital owned by the government
(B) the amount of money available at a given time
(C) additions to the capital stock of a country
(D) the stock of goods of a country

45. Which of the following is NOT a source of income for an individual who engages in personal budgeting?

(A) Salaries earned
(B) Loan repayment
(C) Interest from savings
(D) Dividends from investments

46. Which of the following actions by a government is MOST likely to lead to an improvement in the standard of living?

(A) Printing more money
(B) Increasing the income tax rate
(C) Abolishing taxes on low incomes
(D) Giving tax incentives to businesses

47. One of the MAJOR functions of a central bank is to

(A) issue notes and coins
(B) issue stocks and shares
(C) accept deposit accounts
(D) make loans and advances

48. Governments offer subsidies to businesses to

(A) force them to pay corporation tax
(B) reduce costs and ultimately prices
(C) increase costs and ultimately prices
(D) increase the price of imported goods

49. The central bank is owned and controlled by the

(A) government
(B) shareholders
(C) public sector
(D) country's citizens

50. Which of the following is a function of a chamber of commerce?

(A) Creating employment
(B) Protecting the environment
(C) Assisting in securing markets for products
(D) Providing financial aid to hurricane victims

51. Which of the following forms of taxation can be classified as 'direct'?

(A) Income tax
(B) Excise duty
(C) Purchase tax
(D) Customs duty

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52. Which of the following measures are used by governments to redistribute income?

(A) Custom duties and levies
(B) Consumption tax and tariffs
(C) PAYE and national insurance
(D) Excise duties and value-added tax

53. Governments can positively influence business activity by reducing

(A) taxes
(B) grants
(C) subsidies
(D) expenditure

Item **54** refers to the following information.

Mrs Brown receives a job offer from a company in Barbados. In order to take up the job, she decides to leave her home country of Trinidad and move permanently to Barbados.

54. In Trinidad, Mrs Brown would be referred to as

(A) a refugee
(B) an emigrant
(C) an immigrant
(D) a travelling officer

55. One economic solution to unemployment in the Caribbean is to

(A) increase exports
(B) reduce the birth rate
(C) nationalize industries
(D) encourage industrialization

56. The gross national product (GNP) of a country is the total

(A) value of goods and services available in the country in a given period
(B) value of goods and services produced by the country in a given period
(C) income earned in the country in a given period less capital consumption
(D) income earned in the country less incomes payable outside the country

57. The MAIN purpose of CARICOM is to

(A) allow member states to collaborate
(B) foster interregional trade and common services
(C) encourage the transfer of technology within the region
(D) allow for the unrestricted movement of persons among the territories

58. A 'price control' may be defined as a

(A) tax on goods and services
(B) government ban on imports
(C) grant given to producers to reduce their prices
(D) government limit on the price of goods or services

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59. Which of the following represents the correct stages in the development of the CARICOM Single Market and Economy (CSME)?

(A) CARIFTA → Federation → CARICOM → CSME
(B) CARIFTA → CARICOM → Federation → CSME
(C) Federation → CARIFTA → CARICOM → CSME
(D) Federation → CARICOM → CARIFTA → CSME

60. Unemployment caused by a downturn in the economy is referred to as

(A) structural
(B) frictional
(C) seasonal
(D) cyclical

END OF TEST

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

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CANDIDATE'S RECEIPT

INSTRUCTIONS TO CANDIDATE:

1. **Fill in all the information requested clearly in capital letters.**

TEST CODE: | 0 | 1 | 2 | 4 | 0 | 0 | 1 | 0 |

SUBJECT: PRINCIPLES OF BUSINESS – Paper 01

PROFICIENCY: GENERAL

REGISTRATION NUMBER: | | | | | | | | | | |

FULL NAME: _____

(BLOCK LETTERS)

Signature: _____

Date: _____

2. **Ensure that this slip is detached by the Supervisor or Invigilator and given to you when you hand in this booklet.**

3. **Keep it in a safe place until you have received your results.**

INSTRUCTION TO SUPERVISOR/INVIGILATOR:

Sign the declaration below, detach this slip and hand it to the candidate as his/her receipt for this booklet collected by you.

I hereby acknowledge receipt of the candidate's booklet for the examination stated above.

Signature: _____
Supervisor/Invigilator

Date: _____

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