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 2020110

MAY/JUNE 2020

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF BUSINESS

Paper 01 – General Proficiency

1 hour 15 minutes

21 MAY 2020 (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. One feature of a 'free market system' is that

(A) competition is decreased among producers
(B) the government is the major controller of decision-making
(C) producers are allowed to supply what the consumer wants
(D) both the government and producers are involved in decision-making

2. Which of the following are NOT trading instruments?

(A) Cheques
(B) Credit cards
(C) Bills of exchange
(D) Money remittances

3. The policies of a company are usually formulated by the

(A) auditors
(B) directors
(C) managers
(D) shareholders

4. Which of the following is NOT a function of money?

(A) Indivisibility
(B) Store of value
(C) Measure of value
(D) Medium of exchange

5. Which of the following are advantages of a sole trader?

I. Ease of setting up.
II. Profits are not shared.
III. Flexible working hours.

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

6. The management team of Scoot Motor has discovered that the productivity levels of workers have fallen. The team met and without consulting the workers took a decision to shorten the coffee break and lunch period.

What leadership style has the management team utilized in making its decision?

(A) Autocratic
(B) Democratic
(C) Charismatic
(D) Laissez-faire

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

I. Provides evidence
II. Provides instant feedback
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

8. Under which of the following categories would subsidized meals for employees fall?

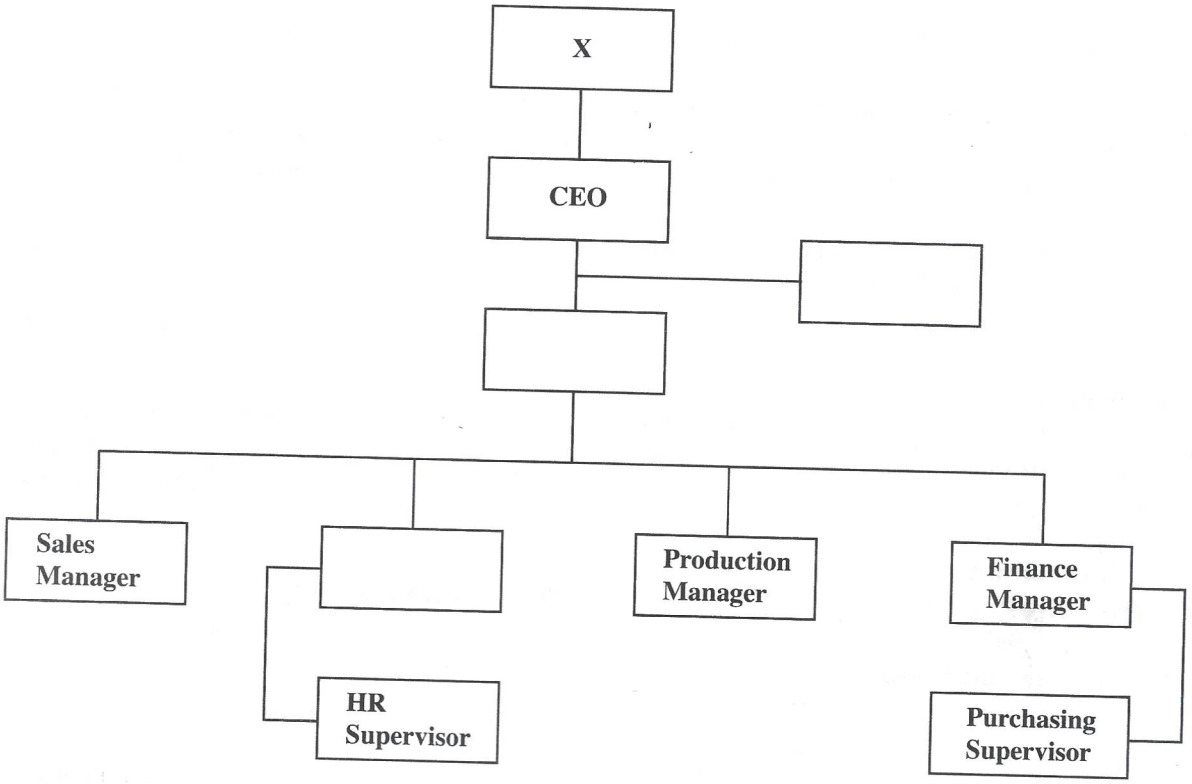
(A) Fringe benefits
(B) Duty allowance
(C) Wages and salaries
(D) Workmen's compensation

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9. Which of the following is a form of industrial action in which trade unions are MOST likely to ask workers to participate?

(A) Mediation
(B) Bargaining
(C) Arbitration
(D) Work to rule

Item **10** refers to the following diagram relating to the structure of an organization.



10. 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

11. Which of the following is NOT a function of management?

(A) Controlling the use of funds
(B) Delegating work to subordinates
(C) Coordinating the work of employees
(D) Determining investment options for employees

12. The condensed version of the business plan is contained in the

(A) executive summary
(B) keynote summary
(C) marketing plan
(D) feasibility plan

13. Which of the following is a regulatory requirement for an entrepreneur?

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

14. 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

15. Cash used to secure a loan at the bank is referred to as

(A) collateral
(B) fixed assets
(C) current assets
(D) fixed deposits

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

17. Which of the following factors prevents an agreement from being considered a valid contract?

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

18. The principle of insurance where individuals would be compensated for damages or losses incurred is referred to as

(A) indemnity
(B) proximate cause
(C) insurable interest
(D) the pooling of risks

19. A 'purchase order' is a

(A) request for additional goods
(B) notification of goods received
(C) statement of outstanding debts
(D) document offering to buy goods

20. A contract may be discharged by

(A) breach
(B) change of mind
(C) inconsideration
(D) misappropriation

21. The term 'human resources' refers to

(A) materials and goods made by human beings
(B) capital invested by shareholders in a company
(C) raw materials used in the manufacture of goods
(D) persons available for productive and professional services

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22. Which of the following are NOT linkage industries?

(A) Fishing and farming
(B) Agriculture and tourism
(C) Sugar and confectionary
(D) Lumber and boat building

23. Productivity can be measured by

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

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

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

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

24. Which of the following are examples of fixed capital?

(A) Cash balances
(B) Bank balances
(C) Plant and machinery
(D) Stocks of raw material

25. Which of the following industries could be classified as extractive?

I. Fishing
II. Mining
III. Forestry

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

26. Which of the following activities is MOST likely undertaken in a cottage industry?

(A) Building of boats
(B) Bottling of soft drinks
(C) Making of sugar cakes
(D) Repairing of computers

27. Which of the following outcomes is LEAST likely to occur from growth in an organization?

(A) Greater productivity
(B) More division of labour
(C) Increased communication
(D) Increased capital investment

28. In marketing, a 'market' is BEST described as

(A) the reason for the elimination of barter
(B) a situation in which buyers and sellers interact
(C) a place where various types of fruits and vegetables are sold
(D) the management process responsible for satisfying consumers' demands

29. Which of the following pricing strategies is used by a firm to introduce a new product to the market at a low introductory price?

(A) Market skimming
(B) Penetration pricing
(C) Competitive pricing
(D) Discrimination pricing

30. The producers of Power Drink promote their drink over the producers of Energy Plus Drink in their advertisements. This type of advertisement is referred to as

(A) collective
(B) persuasive
(C) informative
(D) competitive

31. The term 'loss leader' is BEST described as a product which

(A) has no real market value
(B) the retailer is unable to locate
(C) is sold cheaply to attract customers
(D) the retailer gives away to customers

32. Under which of the following conditions is a trade discount used?

(A) Bulk purchases
(B) Prompt payment
(C) Payment by cash
(D) First-time buyers

33. John has sought permission to prevent the local art gallery from reproducing and selling his paintings. This legal means of protecting his work is referred to as a

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

34. 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

35. Which of the following is NOT a function of the retailer?

(A) Preparing goods for resale
(B) Selling goods in small quantities
(C) Providing a local supply of goods
(D) Transporting goods to suitable storage facilities

36. Tom invests his savings by buying shares in a company. From this investment, Tom expects to receive

(A) dividends
(B) revenue
(C) interest
(D) profits

37. In business, logistics 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) managing resources from the point of acquisition, storage, and transportation to their final destination
(D) formulating a business idea, systematically gathering data, then following through to production

38. 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

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39. 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

40. A debenture holder is one who

(A) is paid a fixed rate of interest if the company makes profits
(B) must be paid any amounts owing to him in the following year
(C) has first claim on any profits and is paid a fixed rate of dividends
(D) is entitled to a fixed rate of interest whether or not the company makes profits

41. 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

42. Which of the following would be 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

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

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

44. The stock exchange provides a market place where

(A) goods are stored
(B) securities are traded
(C) shareholders trade shares
(D) commodities are exchanged

45. Mia would like to protect her passport, birth certificate and jewellery. Which of the following commercial bank services should she use?

(A) Online banking
(B) Safety deposit box
(C) Night safe facilities
(D) Automatic teller machine

46. Which of the following groups stand(s) to benefit MOST from a stable level of prices?

(A) Consumers
(B) Workers
(C) Society
(D) Firms

47. Which of the following forms of taxation is imposed on goods produced in a country?

(A) Excise duty
(B) Preference duty
(C) Excise drawback
(D) Customs drawback

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48. 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

49. The central bank is owned and controlled by the

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

50. Education contributes to economic growth by ensuring that the workforce is highly

(A) mobile
(B) efficient
(C) classified
(D) structured

51. 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

52. Which of the following measures could be used to protect the environment?

I. Recycling
II. Deforestation
III. Water conservation

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

53. 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

54. Which of the following taxes could be classified as 'indirect'?

(A) Income tax
(B) Value-added tax
(C) Corporation tax
(D) Capital gains tax

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

(A) export more goods
(B) reduce the birth rate
(C) nationalize industries
(D) encourage industrialization

56. Mrs Jones has several bills of fixed amounts to pay each month. Mrs Jones made an arrangement with her bank to make these monthly payments from her account. This service, provided by the bank, is referred to as

(A) an overdraft
(B) a fixed deposit
(C) a standing order
(D) a letter of credit

57. Computer aided design (CAD) can be advantageous to

(A) distribution
(B) production
(C) market research
(D) scientific calculations

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58. The BEST indicator of a country's standard of living is the

(A) level of employment
(B) size of its national income
(C) size of its balance of payments
(D) average income of the population

59. In periods of inflation, the ability to raise additional capital for expansion is MOST likely to be a problem for

(A) sole traders
(B) partnerships
(C) public companies
(D) multinational corporations

60. The buying and selling of goods and services among countries is called

(A) balance of trade
(B) international trade
(C) balance of payments
(D) international marketing

END OF TEST

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