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.

TEST CODE **01240010**

FORM TP 2023115

MAY/JUNE 2023

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

PRINCIPLES OF BUSINESS

Paper 01 – General Proficiency

1 hour 15 minutes

25 MAY 2023 (a.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. In which of the following types of economic systems does the government make all decisions?

(A) Mixed
(B) Capitalist
(C) Command
(D) Subsistence

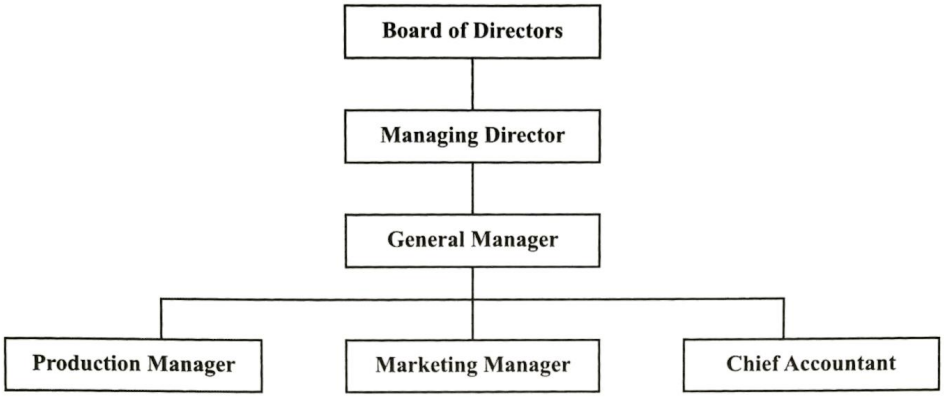
4. The legal responsibility of a sole proprietor to pay any money owed by the business is referred to as

(A) risk
(B) insurance
(C) limited liability
(D) unlimited liability

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

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

Item 6 refers to the following information which shows a section of a vertical organizational chart for a manufacturing company.



6. The relationship between the highest level of management and the various departments is known as

(A) line
(B) rank
(C) staff
(D) flow

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7. 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 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 are characteristic 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 online communication?

I. Provides evidence
II. Allows for 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

11. 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

12. The MAIN advantage of collateral 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. The condensed version of the business plan, which provides an overview of the business, is contained in the

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

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

17. 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

18. Kevin sustained burns while at work in 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 factors prevent(s) an agreement from being considered a valid contract?

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

20. Mr Jones offered to construct a house for Mr Johnson for the sum of $200 000. Mr Johnson accepted. When the building was near completion, it was destroyed by fire. Mr Jones decided to regard the contract as being discharged.

Which of the following principles BEST illustrates the termination of the contract?

(A) Lapse of time
(B) Mutual agreement
(C) Discharge by breach
(D) Subsequent impossibility

21. Which of the following activities can be BEST carried out as a cottage industry?

(A) Canning of peas
(B) Smelting of iron ore
(C) Refining of petroleum
(D) Manufacturing of leather sandals

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

25. Which of the following natural resources is NOT available in the Caribbean in commercial quantities?

(A) Oil
(B) Coal
(C) Timber
(D) Bauxite

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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. Which of the following outcomes is LEAST likely to occur as a result of growth in an organization?

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

28. Which of the following gives identity to a specific producer's goods?

(A) Label
(B) Patent
(C) Brand
(D) Copyright

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

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

30. 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) the retailer gives away to customers
(D) is sold cheaply to attract customers

31. 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

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. 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

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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. 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

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. A global positioning system (GPS) provides

(A) firms with the capability to manage their inventories and reduce expenses
(B) satellite tracking services that can be used in commercial and personal applications
(C) saving options to firms by increasing the efficiency of their management information systems
(D) simulation services to help designers avoid waste by creating models to assist manufacturers in making business decisions

38. Which of the following documents details the name of the ship and full particulars of the shipment of goods?

(A) Bill of sale
(B) Bill of lading
(C) Proforma invoice
(D) Certificate of origin

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

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

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

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

42. 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

43. Which of the following accounts is NOT offered by commercial banks to the public?

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

44. Investment can be defined as

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

45. 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

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. 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

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 groups stand(s) to benefit MOST from a stable level of prices?

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

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

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. 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. 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

56. Education could contribute to economic growth by ensuring that the workforce is highly

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

57. The MAIN purpose of CARICOM is to

(A) allow member states to collaborate
(B) foster intraregional 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. 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

59. Which of the following sequences 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. Computer-aided design (CAD) can be advantageous to

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

END OF TEST

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