

**FORM TP 98110**

MAY/JUNE 1998

**CARIBBEAN EXAMINATIONS COUNCIL  
SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**PRINCIPLES OF BUSINESS**

**Paper 02 - General Proficiency**

***2  $\frac{1}{2}$  hours***

**05 JUNE 1998 (a.m.)**

**Answer ALL THE QUESTIONS in Section I and ANY THREE in Section II.**

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

SECTION I

Answer all FOUR questions in this section.

1. Cleo has just graduated from High School. She has an interest in Business and Art. She lives in a tourist-oriented area of her country. Her school adviser has advised her to organize her own business to capture her interests.

- (a) (i) Name the business organizational unit which would be appropriate for her in the area in which she lives. ( 1 mark )
- (ii) List ONE feature of the organization identified in (a) (i) above. ( 1 mark )
- (b) Discuss TWO other business organizational units that she could have formed. ( 4 marks )
- (c) Suggest THREE advantages that her location would have on her business. ( 3 marks )

Total 9 marks

2. Your mother has just won the grand prize in the local lottery. She decided that she will put one-half in the Central Bank, because she thinks that is the safest Bank, (it will not fail like some other banks). She invests the second half in your education at the local University. She believes that everybody has a role to play in the development of their country. You now have a Grade I Certificate in Principles of Business.

- (a) State the type of bank in which you would recommend that your mother place her money. ( 1 mark )
- (b) List TWO features of:
  - (i) the bank suggested in (a) above and 4
  - (ii) the Central Bank. ( 4 marks )
- (c) Discuss TWO roles you could play in the development of your country. ( 4 marks )

Total 9 marks

3. Mr Ralston, a retired postal worker, took his trolley to the check-out counter at Tip-Top Supermarket. When the cashier started to enter his purchases in the cash-register, Mr Ralston realised that he had forgotten his wallet at home and stopped the cashier from tallying his groceries. The cashier called her supervisor and reported the incident. The supervisor insisted that Mr Ralston had committed himself to purchasing the groceries and was obliged to pay for the goods. Furthermore, he threatened to take legal action against Mr Ralston if payment was not immediately forthcoming for the items bought.

- (a) (i) Did Mr Ralston's action constitute a contract? ( 1 mark )
- (ii) Give ONE reason to support your view. ( 1 mark )
- (b) Describe TWO essential features of a simple contract which should be taken into account in this case. ( 4 marks)
- (c) (i) State whether the supervisor would be likely to succeed should he proceed with legal action. ( 1 mark )
- (ii) Discuss whether top management is likely to agree with the supervisor's position. ( 2 marks)

**Total 9 marks**

4. For many years, Dandilon and Sons was the major trading company and employer in your home country. At its peak, it employed 500 persons. After the founder retired, he sold the business to some persons who were not from your home country. The business started to falter. Sales dropped sharply. The new owners 'downsized' the workforce by half. They said they wanted to do more with less. The union requested government's intervention in an attempt to restructure the new business.

- (a) Identify THREE factors which may have contributed to the state of the business faltering. ( 3 marks)
- (b) Suggest THREE techniques that the business may use to improve its sales position. ( 3 marks)
- (c) Discuss THREE roles government should play in this business. ( 3 marks)

**Total 9 marks**

**SECTION II**

**Answer ANY THREE questions in this section.**

5. (a) (i) List TWO functions of management. ( 2 marks)  
(ii) Identify FOUR groups to which management has responsibility. ( 4 marks)
- (b) Discuss THREE methods used by management to fulfil its responsibilities. ( 6 marks)
- (c) Discuss THREE basic needs that are satisfied through work and suggest methods management could use to satisfy these needs. ( 6 marks)

**Total 18 marks**

6. The recent World Bank Report indicated that your home country's per capita income has now risen to the level of a developed country. As a consequence, your home country now has to graduate from soft loans, at low borrowing rates, to short-term hard loans at high market rates.
- (a) (i) Define the term 'per capita income'. ( 1 mark )  
(ii) Explain how per capita income is calculated. ( 1 mark )  
(iii) List TWO factors, other than per capita income, which can be used to measure economic development. ( 2 marks)  
(iv) Explain the difference between economic growth and economic development. ( 2 marks)
- (b) Discuss THREE factors which may have caused your home country's per capita income to rise. ( 6 marks)
- (c) Discuss THREE weaknesses of per capita income as a measure of economic development. ( 6 marks)

**Total 18 marks**

7. (a) (i) Define the term 'balance of payments'. ( 2 marks)  
(ii) Explain the statement 'The balance of payments always balances'. ( 2 marks)  
(iii) Identify TWO areas of the balance of payments account. ( 2 marks)
- (b) Discuss THREE ways in which the government of your country may correct an adverse balance of payments. ( 6 marks)
- (c) Discuss THREE effects on the economy of an adverse balance of payments. ( 6 marks)

**Total 18 marks**

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8. In the Caribbean, citizens are constantly being encouraged to make better use of natural resources. Manufacturers in some countries have been able to use the power from the sun to develop solar water heaters.

- (a) (i) List THREE other natural resources in the Caribbean. ( 3 marks)
- (ii) Identify ONE industry based on EACH resource listed in (a) (i) above. ( 3 marks)
- (b) Outline THREE ways in which the solar energy industry can contribute to the economic development of your country. ( 6 marks)
- (c) Discuss THREE strategies which might promote the use of natural resources in your country. ( 6 marks)

Total 18 marks

9.

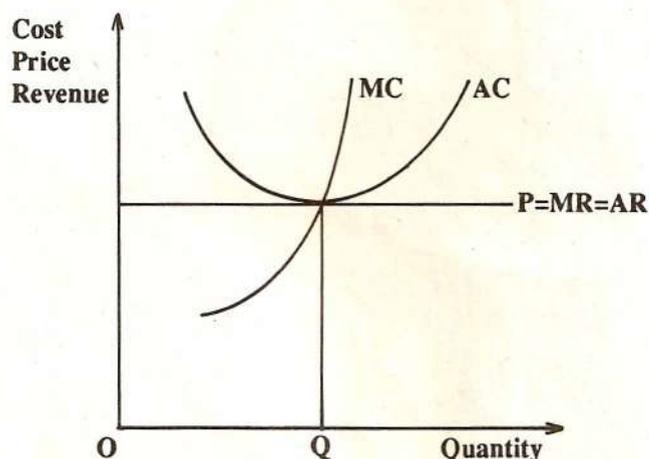


FIGURE 1

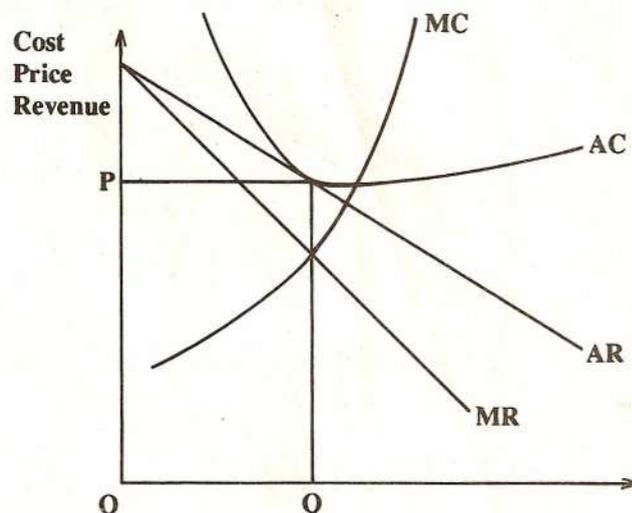


FIGURE 2

- (a) (i) Identify the market structures represented in Figures 1 and 2 above. ( 2 marks)
- (ii) State TWO similarities and TWO differences of the market structures shown in Figures 1 and 2 above. ( 4 marks)
- (b) Discuss THREE changes a perfectly competitive industry would need to make to become a monopoly. ( 6 marks)
- (c) Discuss THREE measures used by the government of your country to prevent monopoly. ( 6 marks)

Total 18 marks

END OF TEST