

TEST CODE **000892**

FORM TP 22152

MAY/JUNE 2002

**CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 - General Proficiency

2½ hours

04 JUNE 2002 (a.m.)

Answer ALL THE QUESTIONS in Section I and THREE in Section II as indicated.



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

SECTION I

Answer ALL THREE questions in this section.

1. (a) List TWO types of economic systems. (2 marks)
- (b) Explain the differences between the types of economic systems listed in (a) above. (4 marks)
- (c) Suggest TWO ways by which the government of your country can control business activity. (4 marks)

Total 10 marks

2. The Omrie group of companies markets a wide range of furniture and household appliances. The marketing manager is considering launching a new product but is concerned about the effect on consumer behaviour.
- (a) Define the term 'consumer behaviour'. (2 marks)
- (b) Identify FOUR factors that are likely to affect consumer behaviour in the purchase of products offered by the Omrie group. (4 marks)
- (c) Explain how TWO of the factors identified in (b) above affects consumer buying behaviour. (4 marks)

Total 10 marks

Paran Island and Jaran Island each buys goods from each other. Paran Island has an adverse trade balance with Jaran Island.

- (a) (i) Define the term 'international trade'. (1 mark)
- (ii) Outline THREE reasons why Paran Island might buy goods from Jaran Island. (3 marks)
- (b) (i) Differentiate between 'balance of trade' and 'balance of payments'. (4 marks)
- (ii) List and explain TWO areas of the balance of payments account. (4 marks)
- (c) List and discuss FOUR reasons why Paran Island should be concerned about its balance of trade with Jaran Island. (8 marks)

Total 20 marks

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SECTION II

Answer THREE questions in this section as indicated.

ORGANIZATIONAL PRINCIPLES

Answer EITHER Question 4 or Question 5. Do NOT answer both.

4. The Sogood Supermarket employs a team of specialists to manage its affairs.
- (a) List FOUR functions of management. (4 marks)
 - (b) Choose THREE of the functions that you mentioned above and explain why EACH is important in running the supermarket. (6 marks)
 - (c) List TWO benefits that the supermarket can derive from a team approach to management. (2 marks)
 - (d) State TWO responsibilities that the management team has to EACH of the following:
 - (i) Shareholders
 - (ii) Employees
 - (iii) Customers
 - (iv) The environment (8 marks)

Total 20 marks

5. A Teachers' Union agreed to a salary increase for its members with the government of your country. Six months later, the government had not put the agreement into effect. The Teachers' Union was considering taking industrial action.
- (a)
 - (i) Identify the process that may have been used in arriving at the agreement. (2 marks)
 - (ii) Explain how the process you identified above operates. (2 marks)
 - (b) Apart from striking, describe THREE other activities which can be classified as industrial action. (6 marks)
 - (c) Suggest TWO reasons why the government might not have put the agreement into effect. (4 marks)
 - (d) Outline THREE steps the Teachers' Union could take to resolve the matter other than industrial action. (6 marks)

Total 20 marks

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Answer EITHER Question 6 OR Question 7. Do NOT answer both.

6. Fancy Feast is a fast food chain interested in setting up a branch in your country.
- (a) Describe what the management of Fancy Feast should have done to assess whether a viable market existed in your country for their products. (4 marks)
 - (b) Suggest FOUR ways the company may promote their offerings after they have opened a branch in your country. (4 marks)
 - (c) Explain THREE ways your country would benefit by having a branch of Fancy Feast operating there. (6 marks)
 - (d) Discuss THREE ways which the entrance of Fancy Feast may affect existing competition in your country. (6 marks)

Total 20 marks

7. Many governments throughout the Caribbean region have been encouraging persons to become entrepreneurs.
- (a) What do you understand by the term 'entrepreneur'? (2 marks)
 - (b) Suggest THREE reasons why entrepreneurship is being encouraged in your country. (3 marks)
 - (c) List THREE characteristics of a successful entrepreneur. (3 marks)
 - (d) Discuss TWO problems an entrepreneur may encounter. (6 marks)
 - (e) Outline how an entrepreneur may overcome any one of the problems discussed in (c) above. (2 marks)
 - (f) List FOUR ways in which government may assist entrepreneurs. (4 marks)

Total 20 marks

FINANCE AND INTRODUCTION TO ECONOMICS

Answer EITHER Question 8 OR Question 9. Do NOT answer both.

8. Joe Jon is planning to start a shoe repair business. He has saved some money which he intends to put into the business. Joe Jon's only asset is a 1960 Ford car.

- (a) (i) State TWO characteristics of money. (2 marks)
- (a) (ii) State TWO functions of money. (2 marks)
- (b) List and discuss TWO functions of a central bank. (4 marks)
- (c) (i) Joe Jon wants to take out insurance when he starts the business. However, his friend tells him that he does not have an insurable risk in the business. Explain the term 'insurable risk'. (2 marks)
- (c) (ii) Assuming Joe Jon is able to purchase insurance, identify TWO types of insurance that you would advise him to purchase. (2 marks)
- (c) (iii) For each type of insurance identified above, discuss how it will help Joe in operating his business. (4 marks)
- (d) (i) Joe Jon wants to apply for a loan at his bank. His bank tells him he needs collateral. Explain the term 'collateral' and state its significance to the loan application. (2 marks)
- (d) (ii) Distinguish between short-term and long-term capital. (2 marks)

Total 20 marks

9. J & J sells cement in June Island. The manager of J & J is considering how much to increase prices in the upcoming month.

- (a) Identify TWO factors that J & J should take into consideration in determining a new selling price for cement. (2 marks)
- (b) For EACH factor identified in (a), show how it affects price. (2 marks)
- (c) (i) Identify and discuss THREE features which could be used in determining if J & J operates in perfect competition. (6 marks)
- (c) (ii) Identify and discuss THREE features which could be used in determining if J & J operates as a monopoly. (6 marks)
- (d) With the aid of a diagram, show how a monopolist determines price or output in his market. (4 marks)

Total 20 marks

END OF TEST