

TEST CODE **01240020**

FORM TP 2007123

MAY/JUNE 2007

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 02 – General Proficiency

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

29 MAY 2007 (a.m.)

Answer ALL questions in Section I and THREE questions in Section II as indicated.

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

1. Her parents were present when Daliah's uncle promised to give her one of the most up-to-date cellphones on her eighteenth birthday. On that day, however, her uncle refused to deliver the cellphone. Daliah was so disappointed that she threatened to sue her uncle for breach of contract.
- (a) Define the term 'contract'. (2 marks)
- (b) State THREE essential features of a valid simple contract. (3 marks)
- (c) Explain the term 'breach of contract'. (2 marks)
- (d) State whether Daliah would succeed if she sues her uncle. (1 mark)
- (e) Give a reason to justify your answer in (d) above. (2 marks)

Total 10 marks

2. CARICOM has numerous small and micro enterprises.

- (a) Identify TWO criteria used to classify a firm as small in CARICOM countries. (2 marks)
- (b) Outline TWO contributions that small enterprises make to the development of an economy. (4 marks)
- (c) Explain the term 'cottage industry', giving TWO examples from your country. (4 marks)

Total 10 marks

3. (a) Define the term 'market structure'. (2 marks)
- (b) State TWO features of EACH of the following types of market structure:
- (i) Perfect competition
- (ii) Monopoly (4 marks)
- (c) Outline TWO ways in which a monopoly supplier of cellular phones can influence the price of cellular phones. (4 marks)
- (d) Discuss THREE reasons why a government may intervene in a monopoly market. (6 marks)
- (e) Discuss TWO factors that can contribute to a fall in demand for cellular phones in your country. (4 marks)

Total 20 marks

SECTION II

Answer **THREE** questions in this section as indicated.

ORGANIZATIONAL PRINCIPLES

Answer **EITHER** Question 4 **OR** Question 5. Do **NOT** answer both.

4. LFJ Ltd. manufactures and sells local fruit juices. The company is made up of several departments which carry out specific functions.

(a) State **TWO** functions of **EACH** of the following departments of LFJ Ltd:

(i) Production

(ii) Personnel

(iii) Finance

(iv) Marketing

(8 marks)

(b) The manager of the marketing department made a request for 500 more packages of fruit juices than were available in stock. The request made by the marketing department will affect the other departments.

Explain **ONE** way in which **EACH** of the departments (a) (i) - (iii) above, may be affected by the request. (6 marks)

(c) Identify **TWO** ways in which a team approach could benefit LFJ Ltd. (2 marks)

(d) State **TWO** ways in which a Management Information System (MIS) can be used by the production department of LFJ Ltd. (4 marks)

Total 20 marks

5. An employee of Luta's Auto Repairs, a sole proprietorship, remarked that the remuneration package and incentives were good, but the leadership style of the owner was rather domineering. The only reason he continued to work there was to satisfy his basic physiological needs.
- (a) List THREE characteristics of a sole proprietorship. (3 marks)
 - (b) Explain what is meant by the following:
 - (i) Remuneration package
 - (ii) Incentives (4 marks)
 - (c) Identify the leadership style exhibited by the sole proprietor in the scenario above, giving a reason for your answer. (3 marks)
 - (d) Outline TWO other leadership styles used by managers. (4 marks)
 - (e) List TWO examples of basic physiological needs. (2 marks)
 - (f) Identify TWO types of needs, other than physiological, that can be satisfied through work, and give ONE example of EACH type. (4 marks)

Total 20 marks

6. Soft Drink industries worldwide are very competitive. Marketing managers in soft drink companies must avoid complacency and being too conservative.

- (a) Outline TWO practices of a 'customer focused' company. (4 marks)
- (b) State ONE reason why it is important for companies to maintain a good corporate image. (2 marks)
- (c) Explain TWO ways in which sales representatives can assist companies with market research. (4 marks)
- (d) The advent of the internet has opened up new possibilities for business.
 - (i) Discuss TWO ways in which marketing managers can use the world wide web to enhance business. (4 marks)
 - (ii) Identify TWO services that businesses can provide to customers through the internet. (2 marks)
 - (iii) Outline TWO factors that affect e-commerce. (4 marks)

Total 20 marks

7. A production manager was invited to give a presentation to students at a local high school. In her presentation, she told the students that there were various factors of production, all of which were important to the success of the production process. She elaborated on human resources as an important factor of production.

- (a) Explain the term 'natural resources' as a factor of production. (2 marks)
- (b) State TWO factors of production, other than human resources and give ONE example of EACH. (4 marks)
- (c) Discuss TWO reasons why employers fail to train and develop their human resources. (4 marks)
- (d) In talking about human resources, the production manager stated that the migration of employees impacted on the labour force of countries.
 - (i) Define the term 'labour force'. (2 marks)
 - (ii) Outline TWO effects of migration on your country. (4 marks)
 - (iii) Suggest TWO possible reasons for migration. (4 marks)

Total 20 marks

8. Caribbean economies face a number of social and economic problems in their quest to move their countries toward economic growth and development. Two major economic problems are population growth and unemployment.
- (a) Discuss, with the aid of an example, how population growth affects unemployment. (3 marks)
 - (b) State TWO types of unemployment that exist in your country, and give ONE possible cause of EACH. (4 marks)
 - (c) Suggest THREE ways in which the government of your country can reduce EACH type of unemployment stated in (b) above. (6 marks)
 - (d) Identify THREE trade agreements associated with the Caribbean. (3 marks)
 - (e) Discuss how effectively any TWO of the trade agreements mentioned in (d) above have contributed to the economic development of Caribbean economies. (4 marks)

Total 20 marks

9. In recent times, the Caribbean island of Woodwater has been having problems with its financial institutions. Many customers have lost faith in the banking system and are withdrawing their money and purchasing shares on the stock market and real estate. The government, through the Central Bank, has stepped in to prevent a collapse of the commercial banking sector.
- (a) Distinguish between commercial banks and the Central Bank. (4 marks)
 - (b) Outline FOUR types of services provided by commercial banks. (4 marks)
 - (c) Explain ONE way in which customers may benefit from EACH of the services outlined in (b) above. (4 marks)
 - (d) Outline TWO differences between purchasing shares on the stock market and saving in a commercial bank. (4 marks)
 - (e) Discuss TWO ways in which the Central Bank can intervene in the banking sector to prevent a collapse. (4 marks)

Total 20 marks

END OF TEST