



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 2012108

MAY/JUNE 2012

C A R I B B E A N E X A M I N A T I O N S C O U N C I L
SECONDARY EDUCATION CERTIFICATE
EXAMINATION

PRINCIPLES OF BUSINESS

Paper 01 - General Proficiency

75 minutes

25 MAY 2012 (p.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 60 items. You will have 75 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 answer space (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 this item later. Your score will be the total number of correct answers.

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

1. Barter is BEST described as a the
 - (A) process of exchange involving the use of money
 - (B) purchase of goods and services using cheques
 - (C) exchange of goods and services without the use of money
 - (D) exchange of goods and services using notes and coins

2. Which of the following is NOT a function of money?
 - (A) Indivisibility
 - (B) Store of value
 - (C) Measure of value
 - (D) Medium of exchange

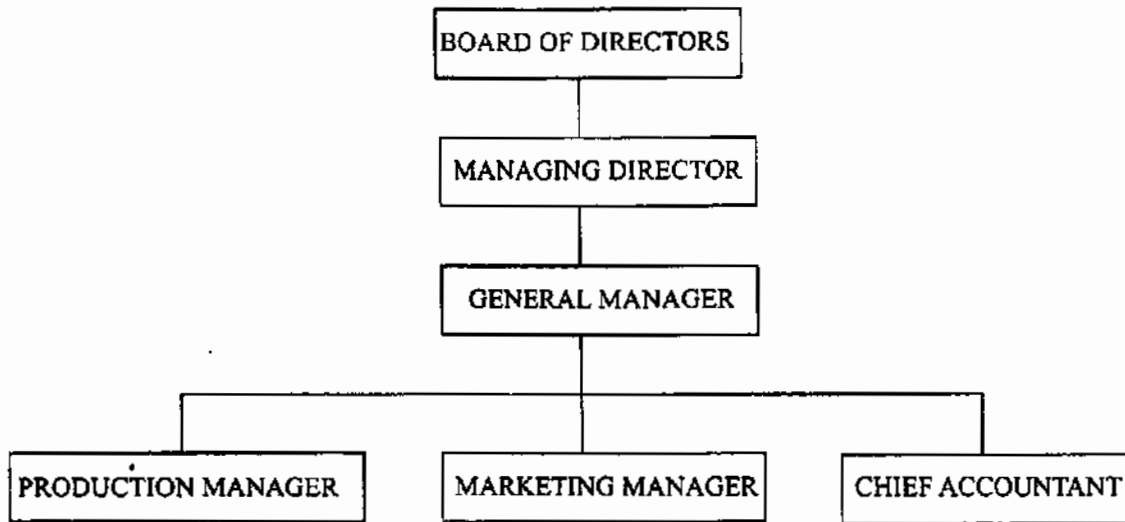
3. Which of the following types of business environment is MOST typical of the Commonwealth Caribbean area?
 - (A) Corporate state
 - (B) Mixed economy
 - (C) Centrally planned
 - (D) Perfectly competitive

4. Private enterprise is run MAINLY to
 - (A) create profits
 - (B) reduce inflation
 - (C) distribute goods and services
 - (D) provide jobs for more people

5. Which of the following is NOT an objective of the public sector?
 - (A) Maximizing profits
 - (B) Providing essential services
 - (C) Regulating business activity
 - (D) Promoting economic growth and development

6. The PRIMARY role of the human resource department of an organization is to
 - (A) promote recreational activities for workers
 - (B) hire, recruit, train and motivate workers
 - (C) assist employees in understanding industrial relations
 - (D) produce magazines highlighting outstanding workers

Item 7 refers to the following diagram which shows a section of a typical vertical organizational chart for a manufacturing company.



7. The relationship between the highest level of management down to the various departments is known as
- (A) line
 - (B) rank
 - (C) staff
 - (D) flow
-
8. Which of the following involves selecting the objectives and procedures for achieving goals?
- (A) Planning
 - (B) Motivating
 - (C) Organizing
 - (D) Controlling
9. The MAIN purpose of installing a suggestion box in a company is to get workers' views about
- (A) each other
 - (B) other companies
 - (C) ways of improving the workplace
 - (D) ways of improving economic conditions
10. Which of the following statements BEST describes an authoritarian leader?
- (A) Willing to take suggestions
 - (B) Allowing workers to plan their own work
 - (C) Making decisions without consultation
 - (D) Consulting those likely to be affected by the decision
11. A MAJOR role of a trade union is to encourage
- (A) staff to become members of the union
 - (B) advancement of the welfare of its members
 - (C) staff to strike whenever they have problems at work
 - (D) management to pay higher salaries and give longer vacations to staff

12. Which of the following are functions of the entrepreneur?
- I. Ensuring that workers are unionised
 - II. Co-ordinating the factors of production
 - III. Undertaking risks by anticipating demand
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
13. An entrepreneur may reduce his risk of loss by
- (A) planning ahead
 - (B) hiring more staff
 - (C) securing bank loans
 - (D) purchasing additional fixed assets
14. The MOST important use of collateral security to the lender is that it
- (A) establishes the financial position of the borrower
 - (B) can be seized if the borrower fails to pay
 - (C) improves the borrower's chance of getting a loan
 - (D) gives the lender an idea of the state of the business
15. The condensation of the business plan is contained in the
- (A) feasibility plan
 - (B) marketing plan
 - (C) keynote summary
 - (D) executive summary
16. Which of the following CANNOT be used as collateral for obtaining a loan from a financial institution?
- (A) An amount in a fixed deposit account
 - (B) An insurance policy with a cash value
 - (C) Legally owned property not covered by insurance
 - (D) A mortgaged home with insurance coverage
17. A post-dated cheque is one which
- (A) is dated for payment at a future date
 - (B) was written no longer than six months ago
 - (C) is dated to agree with the date of the document requesting payment
 - (D) is dated by the bank's date on the day the cheque is presented for payment
18. A contract may be discharged by
- (A) breach
 - (B) change of mind
 - (C) inconsideration
 - (D) misappropriation
19. The monthly payments collected by an insurance company on behalf of its policy holders are known as
- (A) deposits
 - (B) premiums
 - (C) instalments
 - (D) endowments

20. Which of the following types of cheques allows an individual to receive cash on demand?
- (A) Open
 - (B) Crossed
 - (C) Certified
 - (D) Banker's
21. Which of the following types of capital is used for the day-to-day operations of a business?
- (A) Fixed
 - (B) Floating
 - (C) Nominal
 - (D) Working
22. Which of the following businesses may BEST be classified as a cottage industry?
- (A) JMN Superstore, located in the rural area
 - (B) Mary's Craft Supplies, located at home
 - (C) People's Cooperative Bank, located in Trinidad
 - (D) Peter and John's Company, located in Jamaica
23. The movement of educated, skilled people to settle in other industrialised countries is referred to as
- (A) migration
 - (B) brain drain
 - (C) unemployment
 - (D) underemployment
24. The holding of jobs for which employees are overqualified is referred to as
- (A) migration
 - (B) brain drain
 - (C) **unemployment**
 - (D) **underemployment**
25. The introduction of mechanization in the production process may affect society by
- (A) reducing jobs for unskilled workers
 - (B) increasing brain drain in the economy
 - (C) reducing pollution of the country's cities
 - (D) providing more jobs for unskilled workers
26. Which of the following is a feature of perfect competition?
- (A) Few buyers and many sellers
 - (B) Many buyers and few sellers
 - (C) Many buyers and many sellers
 - (D) Barrier to entry into the market
27. Which of the following is LEAST likely to result from growth in an organization?
- (A) Greater productivity
 - (B) More division of labour
 - (C) Increased communication
 - (D) Increased capital investment
28. Which of the following can be described as a marketing activity?
- (A) Issuing bulletins on staff matters
 - (B) Distributing commodities to outlets
 - (C) Publicising advertisements for new staff
 - (D) Ensuring that workers are given fringe benefits

29. A 'market' in economic terms is defined as
- (A) the business centre of the community
 - (B) a specific place where buyers and sellers meet
 - (C) a place where tangible goods are bought and sold
 - (D) a situation which exists when buyers and sellers influence the price of goods
30. Which of the following is NOT a function of the retailer?
- (A) Selling in small quantities
 - (B) Preparing goods for resale
 - (C) Providing a local supply of goods
 - (D) Transporting goods to suitable storage facilities
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. Which of the following gives identity to a specific producer's goods?
- (A) Label
 - (B) Brand
 - (C) Patent
 - (D) Copyright
33. Which of the following factors are likely to influence customers when choosing a toothpaste?
- I. Size
 - II. Brand
 - III. Flavour
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
34. Market equilibrium exists when
- (A) buyers pay reasonable prices for goods
 - (B) sellers are satisfied with the prices paid for their goods
 - (C) at current prices, the amount buyers wish to buy equals the amount sellers want to sell
 - (D) at the ruling market price, buyers do not want to add to the stock of goods they already have
35. Which of the following can have its shares traded on the stock exchange?
- (A) Partnerships
 - (B) Public companies
 - (C) Private companies
 - (D) Co-operative societies
36. Mr. Jones has several bills of fixed amounts to pay each month. His bank manager agreed to pay them monthly from Mr. Jones' account. This service, provided by the bank, refers to
- (A) overdrafts
 - (B) letters of credit
 - (C) standing orders
 - (D) acting as trustees
37. With which of the following is a stock market identified?
- (A) Costs and prices
 - (B) Risks and benefits
 - (C) Rent and investment
 - (D) Premium and reward

38. Tom invests his savings by buying shares in a company. From this investment Tom expects to receive
- (A) profits
 - (B) interest
 - (C) revenue
 - (D) dividends
39. 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
40. Which of the following services is provided by commercial banks?
- (A) Printing money
 - (B) Selling stocks and bonds
 - (C) Controlling the supply of money
 - (D) Accepting deposits from customers
41. Which of the following measures may be used by government to protect consumers?
- I. Taxation
 - II. Price controls
 - III. Provision of subsidies
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
42. Governments can influence business activity positively by reducing
- (A) taxes
 - (B) grants
 - (C) spending
 - (D) disposable income
43. Tax paid on wages and salaries is referred to as
- (A) excise duty
 - (B) income tax
 - (C) customs duty
 - (D) corporation tax
44. Which of the following actions by 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
45. Which of the following measures are used by government to redistribute income?
- (A) Consumption tax and tariffs
 - (B) Customs duties and levies
 - (C) PAYE and National Insurance
 - (D) Excise duties and value added tax
46. 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
47. Which of the following forms of taxation requires every employee to pay the same PERCENTAGE of his salary in taxes?
- (A) Indirect
 - (B) Regressive
 - (C) Progressive
 - (D) Proportional

48. A country has a favourable balance of trade when
- (A) it sells more than it buys
 - (B) it buys more than it sells
 - (C) imported goods are cheaper
 - (D) there are no restrictions to trade
49. The buying and selling of goods and services among countries is called
- (A) balance of trade
 - (B) international trade
 - (C) balance of payment
 - (D) international marketing
50. Which of the following practices would NOT contribute to the economic development and growth of a country?
- (A) Provision of more infrastructure within the country
 - (B) Increased use of the country's natural resources
 - (C) Increased importation of consumer goods
 - (D) Provision of loans and technical assistance for establishing local businesses
51. Which of the following are LIKELY to affect the standard of living in a country?
- I. A high crime rate
 - II. A low literacy rate
 - III. Widespread pollution
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
52. Which of the following is NOT a feature of free trade?
- (A) Protectionism
 - (B) Trade specialization
 - (C) Increase in world output
 - (D) Comparative cost advantage
53. A government can correct an adverse balance of payments problem by
- (A) implementing price floors
 - (B) increasing customs duties
 - (C) reducing severance payments
 - (D) improving the rate of inflation
54. Which of the following is NOT a benefit of international trade?
- (A) Producers are able to increase their market size.
 - (B) Political links are developed with other countries.
 - (C) Import restrictions can be imposed on foreign items.
 - (D) A greater variety of goods is obtained from overseas.
55. Which of the following methods can government use to reduce unemployment?
- (A) Increases in income tax
 - (B) Deflation of the economy
 - (C) Employment levy on firms
 - (D) Increased interest rates on borrowing
56. Which of the following is a feature of economic dualism in the Caribbean?
- (A) Small farming sector
 - (B) Rural-urban migration
 - (C) Urban-rural migration
 - (D) Large manufacturing sector

57. Which of the following organisations would settle a dispute among banana-producing countries of the Caribbean and Central America over preferential agreement in the European Community?
- (A) World Trade Organization
 - (B) Caribbean Development Bank
 - (C) Caricom Single Market and Economy
 - (D) Organization of Petroleum Exporting Countries
58. Which of the following are MAJOR economic problems facing many Caribbean countries today?
- I. High levels of unemployment
 - II. Lack of capital for investment
 - III. Low productivity in manufacturing
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
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) multi-national corporations
60. Which of the following agreements is Barbados promoting when it sells furniture to Jamaica?
- (A) OECS
 - (B) GATT
 - (C) NAFTA
 - (D) CARICOM

END OF TEST

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