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CANDIDATE – PLEASE NOTE!

You must sign below and return this booklet with the Answer Sheet. Failure to do so may result in disqualification.

TEST CODE **000851**

MAY/JUNE 2002

FORM TP 22151

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

1 $\frac{1}{4}$ hours

04 JUNE 2002 (p.m.)

READ THE FOLLOWING DIRECTIONS CAREFULLY

1. In addition to this test booklet, you should have an answer sheet.
2. 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.
3. On your answer sheet, find the number which corresponds to your item and blacken the space having the same letter as the answer you have chosen. Look at the sample item below.

Sample Item

The money 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 blackened.

4. If you want to change your answer, be sure to erase your old answer completely and fill in your new choice.
5. 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, omit it and go on to the next one. You can come back to the harder item later. Your score will be the total number of correct answers.

↑ AFFIX SEAL HERE ↓

1. The fact that more than one type of economic system exists in the world today is attributable MAINLY to the fact that
- (A) there are numerous countries in the world
 - (B) people of different countries have different religious and political ideologies
 - (C) each system is modeled to cope with a different type of economic problem
 - (D) different methods can be used to solve the same economic problem

2. Which of the following changes will NOT necessarily result from a decision to have employees specialize?
- (A) Increased standardization of goods
 - (B) Improvement in the efficiency of labour
 - (C) Improvement in working conditions
 - (D) Increased production

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

4. A public limited company in the private sector is normally established by
- (A) members of the public
 - (B) an act of parliament
 - (C) a statutory meeting of the national Chamber of Commerce
 - (D) registration under the Companies Act

Item 5 refers to the following information.

A joint stock company issued ten thousand \$2, six per cent shares at a premium of 12½ per cent, all of which were fully subscribed and duly paid up.

5. How much money will be recorded as share capital?
- (A) \$10 000
 - (B) \$20 000
 - (C) \$21 200
 - (D) \$22 500

6. Broad policies for Public and Private Companies in the Private Sector are formulated by the
- (A) shareholders.
 - (B) board of directors.
 - (C) company secretary.
 - (D) managing director.

7. Which of the following can be regarded as a benefit to Caribbean countries from the establishment of multinational corporations?
- (A) Employment
 - (B) Repatriation of profits
 - (C) Depletion of material resources
 - (D) Reduction of national ownership

8. Which of the following are the financial functions of a business organization?
- I. Payment
 - II. Budgeting of the business
 - III. Costing all activities
 - IV. Advertising its produce
- (A) I and II only
 - (B) I, II and III only
 - (C) I, III and IV only
 - (D) II, III and IV only

9. Which of the following is LEAST likely to result from growth in an organization?
- (A) Increased capital investment
 - (B) More division of labour
 - (C) Greater productivity
 - (D) Increased communication
10. A major role of a trade union is to encourage
- (A) staff to strike whenever they have problems at work
 - (B) management to pay higher salaries and give longer vacations to staff
 - (C) advancement of the welfare of its members
 - (D) staff to become members of the union
11. For employees to produce to their maximum which of the following is important?
- I. Suitable working conditions
 - II. Holiday with pay
 - III. Good human relationship
 - IV. Creating surplus
- (A) I and II only
 - (B) I and III only
 - (C) II and IV only
 - (D) III and IV only
12. Mr Gyma, the General Manager of Z Co., never discusses problems with workers or listens to suggestions from his employees. His leadership style can be described as being
- (A) authoritarian.
 - (B) democratic.
 - (C) laissez-faire.
 - (D) bureaucratic.
13. Which of the following management practices would contribute to the success of a business?
- I. Pricing at maximum mark-up
 - II. Paying attention to the quality of goods or services sold
 - III. Communicating with employees
 - IV. Earning maximum profits for owners
- (A) I and II only
 - (B) II and III only
 - (C) II and IV only
 - (D) II, III and IV only
14. Which of the following responsibilities must be assumed by the management of a company?
- I. Maximising efficiency and creating surpluses
 - II. Maintaining good communication and human relations
 - III. Producing goods of a marketable quality
 - IV. Determining dividends to be paid to shareholders
- (A) I only
 - (B) I and IV only
 - (C) I, II and IV only
 - (D) I, II, III and IV
15. A *laissez-faire* leader can be described as one who
- (A) is very constructive about what he does
 - (B) listens to others and takes a reasonable view of what is said
 - (C) stays in the background and allows subordinates to make their own decisions
 - (D) decides what to do despite what others may think

16. If the opening stock figure was overstated by \$1500, the effect on the net profit figure would be
- (A) a decrease of \$3 000.
 - (B) an increase of \$1 500.
 - (C) a decrease of \$1 500.
 - (D) an increase of \$3 000.
17. Which of the following contracts MUST be evidenced in writing?
- (A) Purchase of a bus-ticket
 - (B) Purchase of a radio
 - (C) Purchase of a lot of land
 - (D) Purchase of a car for cash
18. If Albert fraudulently represents himself to be John and induces Peter to make a contract with him, the contract is
- (A) void
 - (B) voidable
 - (C) ultra vires
 - (D) discharged
19. Which of the following is an example of extractive production?
- (A) Agriculture
 - (B) Communication
 - (C) Manufacturing
 - (D) Tourism
20. Which of the following practices may be MOST appropriate in solving the unemployment problem in developing countries where the labour force is large?
- I. Greater production through increased labour
 - II. Increased mechanisation
 - III. Increase in vocational training programmes
 - IV. Increase in salaries
- (A) I only
 - (B) I and III only
 - (C) II and III only
 - (D) II and IV only
21. Wealth set aside for the production of further wealth is termed
- (A) banking.
 - (B) commerce.
 - (C) capital.
 - (D) saving.
22. What is the MOST LIKELY effect on a developing economy when professional and skilled labour migrate to developed countries?
- (A) Unskilled labourers can demand higher wages.
 - (B) The demand for skilled labour and professional services will decrease.
 - (C) Unskilled labourers can work harder.
 - (D) Production levels of goods and services will decrease.

Items 23 – 24 refer to the following information.

For each phrase, select one heading which is MOST closely related to it. Each heading may be used once, more than once, or not at all.

- (A) Unemployment
- (B) Migration
- (C) Underemployment
- (D) Brain drain

23. The movement of educated, skilled people to settle in other industrialised countries?

24. The holding of jobs for which employees are overqualified?

25. Which of the following is the simplest form of production?

- (A) Subsistence
- (B) Domestic consumption
- (C) Surplus and export
- (D) Cottage industry

26. Primary production is concerned with the

- (A) distribution of goods
- (B) providing goods to meet essential needs
- (C) provision of raw materials
- (D) manufacture of goods

27. A bulk increasing industry should be sited near its

- (A) source of raw materials
- (B) market
- (C) bank
- (D) source of power

28. Which of the following practices does NOT result from mechanization?

- (A) Production is increased.
- (B) Goods are produced to a standard pattern.
- (C) People may be needed for manual work.
- (D) The specialist becomes more skilled in his work.

29. The advantages which a firm may achieve by significantly increasing the size of its output are known as

- (A) effects of large scale production
- (B) economies of scale
- (C) risk-bearing economies
- (D) economies of concentration

30. Which of the following describes capital-intensive industry?

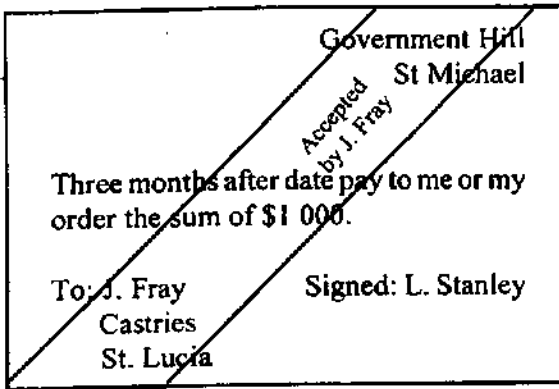
- (A) Large amounts of capital and very little labour
- (B) Large amounts of labour and very little capital
- (C) All capital and no labour
- (D) Capital and labour in the same proportion

31. A country has a favourable balance of trade when

- (A) it exports more than it imports
- (B) it imports more than it exports
- (C) there are no restrictions to trade
- (D) imported goods are cheaper

32. A company wishes to introduce a new breakfast cereal aimed particularly at small children. Which techniques of advertising are LIKELY to make the children ask their parents to buy the cereal?
- I. Emphasize the nutritional value.
 - II. Package it in a brightly coloured box.
 - III. Enclose free gifts of toys and puzzles.
 - IV. Compose attractive jingles and have them played regularly on the radio.
- (A) I, III and IV only
(B) III, IV and II only
(C) IV, II and I only
(D) I, II and III only
33. Which of the following activities carried out in a firm will NOT be under the supervision of the marketing manager?
- (A) Packaging
(B) Advertising
(C) Distribution
(D) Purchasing
34. Which of the following is an example of a cottage industry?
- (A) Making cabbage baskets at home for sale
(B) A car-parts business operated from home
(C) A hire-care business run from home
(D) A plant nursery run from home
35. Which of the following is responsible for 'breaking bulk'?
- (A) Manufacturer
(B) Wholesaler
(C) Retailer
(D) Consumer
36. Before exporter B sent goods to importer A he insured the consignment and paid the captain of the vessel the charge for carriage. Goods were shipped
- (A) f.o.b.
(B) c.i.f.
(C) f.a.s.
(D) c.o.d.
37. If an exporter quotes prices CIF, it means that the
- (A) exporter pays the freight
(B) importer pays the freight
(C) exporter pays insurance and freight
(D) importer pays insurance and freight
38. If you were not sure of a customer's ability to pay for an order by which of the following means would you request payment?
- I. A crossed cheque
 - II. A money order
 - III. A bank draft
 - IV. A promissory note
- (A) I and IV only
(B) III, II, I and IV
(C) II and III only
(D) I, II and III only

Items 39 - 40 refer to the following diagram.



39. The document above may be described as

- (A) an order cheque
- (B) a promissory note
- (C) a bearer's cheque
- (D) a Bill of Exchange

40. Mr. Fray, in the document, is referred to as the

- (A) payee
- (B) endorsee
- (C) drawee
- (D) payer

41. Tom invests his savings by buying shares in a company. From this investment Tom expects to receive

- (A) dividends.
- (B) profits.
- (C) interest.
- (D) revenue.

42. A court order requiring an employer to deduct money from an employee for payment of his debts is known as

- (A) garnishment.
- (B) demand.
- (C) withdrawal.
- (D) revenue.

43. Which of the following types of insurance is a government likely to require each employed individual to pay?

- (A) National insurance
- (B) Liability insurance
- (C) Life insurance
- (D) Car insurance

44. Which of the following is the MOST important use of collateral security to the borrower?

- (A) It can be sold if the borrower fails to pay.
- (B) It gives the banker an idea of the state of the business.
- (C) It establishes the financial position of the borrower.
- (D) It improves the borrower's chance of getting a loan.

Items 45 - 47 refer to the following:

The group below consists of four lettered headings followed by a list of numbered phrases. Select one heading which is most closely related to it. Each heading may be used once, more than once or not at all.

- (A) Income Tax
- (B) Corporation Tax
- (C) Excise duty
- (D) Customs duty

45. Tax paid on wages and salaries

46. Tax paid by companies

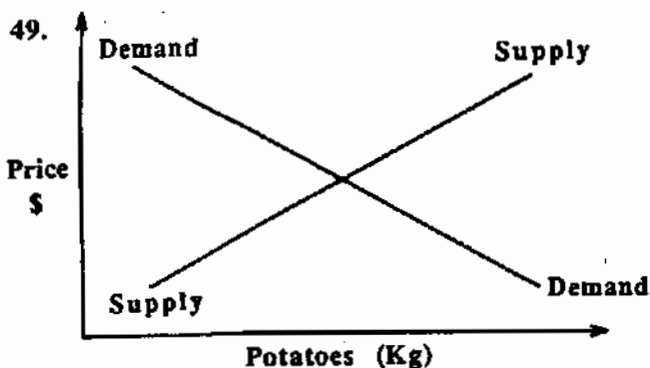
47. Tax paid on goods entering the country

Item 48 is based on the following information.

Loleen lives in a country where the following tax structure exists.

TYPE OF TAX	%
Stamp Duties	10
Capital Gains Tax	12
Corporation Tax	25
Customs Duties	30

48. What percentage of tax is paid by Loleen if she sells a building for a profit of \$1.5m?
- (A) 10%
 - (B) 12%
 - (C) 25%
 - (D) 30%



Using information from the diagram above, which of the following statements can be deduced?

- I. More potatoes are demanded at a lower price.
 - II. Fewer potatoes are supplied at a higher price.
 - III. More potatoes are supplied at a lower price.
 - IV. Fewer potatoes are demanded at a higher price.
- (A) I and II only
 - (B) I and IV only
 - (C) I, II and III only
 - (D) II, III and IV only

Items 50 – 52 refer to the following.

For each numbered statement select the one heading which is most closely related to it and mark the corresponding letter on the answer sheet. Each heading may be used once, more than once, or not at all.

- (A) Pure competition
- (B) Pure monopoly
- (C) Monopolistic competition
- (D) Oligopoly

50. Price is unaffected by the behaviour of the individual buyer or seller and is established for the entire industry.
51. The price allows the firm abnormal profit though its marginal cost equals its marginal revenue.
52. Price equals the firm's average cost, marginal cost and marginal revenue.
53. If a Caribbean country should devalue its currency, it is MOST likely that
- (A) its imports would become cheaper and its exports would become more expensive
 - (B) its imports would become more expensive and its exports would become cheaper
 - (C) both its imports and exports would become more expensive
 - (D) both its imports and exports would become cheaper

54. Which of the following practices would NOT contribute to the economic development and growth of a community?

- (A) Increased use of the country's natural resources
- (B) Increased importation of consumer goods
- (C) Provision of loans and technical assistance for establishing local businesses
- (D) Provision of more infrastructure within the country

55. International trade owes its origin to

- (A) countries with large populations not having sufficient goods
- (B) the varying resources of different regions
- (C) the fact that countries desired to have greater contact with each other
- (D) the great need for foreign exchange by most countries

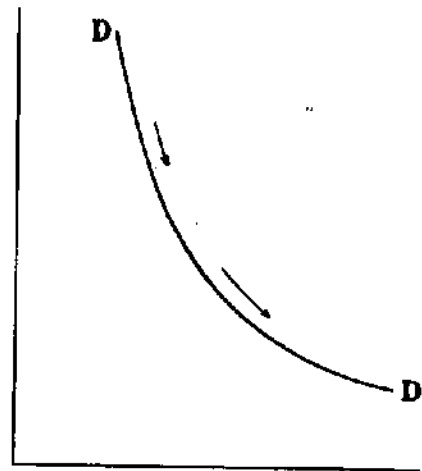
56. Which of the following is the distinguishing characteristic of a low standard of living?

- (A) Primary school education
- (B) Short life expectancy
- (C) Persistent ill health
- (D) Living in unhealthy conditions

57. Most English speaking Caribbean territories are members of all the following organizations EXCEPT

- (A) CDB
- (B) OPEC
- (C) CARICOM
- (D) ACP

Item 58 refers to the following diagram.



58. What is the movement downwards along the curve known as?

- (A) Extension of demand
- (B) Contraction of demand
- (C) Increase in demand
- (D) Decrease in demand

59. Which of the following features is a disadvantage of nationalisation?

- (A) Profits remain in the country.
- (B) Jobs are provided for more people.
- (C) Losses are met by the taxpayers.
- (D) Essential services are provided at lower prices.

60. Which of the following are MAJOR economic problems facing many Caribbean countries today?

- I. High levels of unemployment
 - II. Adverse balance of payments
 - III. Low productivity in manufacturing
 - IV. Lack of capital for investment
- (A) I and II only
 - (B) II and III only
 - (C) I, II, III and IV
 - (D) I, III, and IV only

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