

FORM TP 9922

JANUARY 1999

CARIBBEAN EXAMINATIONS COUNCIL
SECONDARY EDUCATION CERTIFICATE
EXAMINATION

PRINCIPLES OF BUSINESS
Paper 02 - General Proficiency

FOR REFERENCE
ONLY

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

06 JANUARY 1999 (a.m.)

Answer ALL the questions in Section I and ANY THREE in Section II.

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SECTION I

Answer ALL FOUR questions in this section.

1. Marie is a graduate of a Caribbean University. She has a B.Sc degree in management studies and she possesses artistic skills. Since she is unable to obtain a management position, she has decided to start a small business to produce and deliver ethnic dolls to the local craft vendors. She will enter this business on her own and bear the entire risk of the business.

- (a) (i) Name the legal format of the business Marie will set up. (1 mark)
- (ii) List ONE feature of this type of business. (1 mark)
- (b) Explain TWO methods Marie may use to raise capital for her business. (4 marks)
- (c) (i) State ONE advantage and ONE disadvantage of going into this type of business. (2 marks)
- (ii) State the process of terminating this type of business. (1 mark)

Total 9 marks

2. Agriculture Delight, a local food processing business, has decided to relocate its business as a result of the downturn in production on the small farms in the area. Agriculture Delight purchased most of the farm produce it uses from these small farms. The General Manager has taken the view that a move to the northern part of the country, closer to larger farms, will prove more cost-effective for the company.

- (a) Identify TWO advantages of location of industry. (2 marks)
- (b) Identify FOUR characteristics of large-scale farms from which Agriculture Delight may benefit. (4 marks)
- (c) Identify THREE benefits which could accrue to the economy if Agriculture Delight develops linkages within the economy. (3 marks)

Total 9 marks

3. A local airline has decided to expand its market within the Caribbean area. The major competitors have a secure foothold in the area, and the demand for additional airline seats does not seem immediately apparent.

- (a) Define the term 'demand'. (2 marks)
- (b) Identify FOUR factors which could influence the demand for airline seats. (4 marks)
- (c) Discuss THREE strategies which could be used by the local airline to promote the sale of airline seats. (3 marks)

Total 9 marks

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4. Colin signs a rental lease agreement to pay Janet \$10,000 per month for twelve months for her house. At the end of the eleventh month, Colin decides not to pay the rent for the last or twelfth month of the contract. He said since he has paid one month's deposit, Janet should keep that for the rent. Janet informs Colin that the contract states that 'the deposit should be returned in full or in part at the end of the twelve months depending on terms and conditions of the contract'. Janet decides to take Colin to court.

- (a) (i) Define the term 'contract'. (1 mark)
(ii) Identify the category of contracts into which a lease agreement falls. (1 mark)
(b) Identify FOUR requirements of a contract. (4 marks)
(c) Advise Janet whether or not she would succeed in a court of law. (3 marks)

Total 9 marks

SECTION II

Answer ANY THREE questions in this section.

5. According to data from the Ministry of Planning and Production, the Gross Domestic Product (G.D.P.) of your country grew by 5% over the previous quarter.

- (a) Define the term 'Gross Domestic Product'. (2 marks)
(b) Identify FOUR difficulties in calculating Gross Domestic Product. (4 marks)
(c) Discuss THREE uses of G.D.P. (6 marks)
(d) Discuss THREE difficulties in comparing G.D.P. of different countries. (6 marks)

Total 18 marks

6. By the year 1999, the Caribbean will be organised into a CARICOM single market and economy.

- (a) (i) Identify TWO benefits of a single market and economy. (2 marks)
(ii) List FOUR reasons for the formation of CARICOM. (4 marks)
(b) Choose THREE of the following associate institutions of CARICOM and explain the role EACH plays in the integration process of the region.
(i) University of the West Indies (U.W.I.)
(ii) Caribbean Examinations Council (CXC)
(iii) Caribbean Development Bank (C.D.B.)
(iv) Caribbean Association of Industry and Commerce (C.A.I.C.) (6 marks)
(c) Discuss THREE benefits of CARICOM to the member states. (6 marks)

Total 18 marks

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7. If money, not barter, is the oil that is important in the engine of economies, then commercial banks and central banks are the drivers of the engines of economic growth of economies.
- (a) (i) Define the term 'money'. (2 marks)
 - (ii) List THREE characteristics of money. (3 marks)
 - (iii) Define the term 'barter'. (1 mark)
 - (b) Distinguish between a central bank and a commercial bank. (6 marks)
 - (c) Discuss the role of central banks in Caribbean economies. (6 marks)

Total 18 marks

8. You have ordered the latest designer shoes in a foreign country from a supplier in a foreign country. The supplier will not send you the goods you ordered unless you convince him that you can finance your credit and that he will be paid.
- (a) (i) Identify THREE documents which may be used by the importer to finance credit in overseas trade. (3 marks)
 - (ii) Explain the use of EACH document identified in (a) (i) above. (3 marks)
 - (b) Select THREE other methods that can be used to make payments for goods locally and abroad and discuss their advantages. (6 marks)
 - (c) Explain the process used by commercial banks to: clear cheques; handle letters of credit; and issue bank drafts. (6 marks)

Total 18 marks

9. Mount Nibo Scientific Council (MNSC) suffered from severe fiscal plight, poor management and lack of commitment to general scientific research. The Government repositioned the Manager and Chief Research Officer of MNSC. A new Manager and Chief Research Officer were put in place. The fired persons challenged the Government and sought redress through the Public Services Commission (PSC). The rule of the PSC states that persons could be temporarily reassigned, without cause. However, such persons must be given two months notice. The PSC upheld the Government's action.
- (a) (i) Identify the managerial style demonstrated by the Government. Give a reason for your answer. (3 marks)
 - (ii) List THREE managerial practices which may have led to the repositioning of the executives of MNSC. (3 marks)
 - (b) Discuss THREE reasons why the PSC may have upheld the Government's decision to reposition the executives. (6 marks)
 - (c) Discuss THREE steps the new executive management team should take to improve the efficiency of the MNSC. (6 marks)

Total 18 marks