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FORM TP 2012027

CARIBBEAN EXAMINATIONS COUNCIL

**SECONDARY EDUCATION CERTIFICATE
EXAMINATION**

PRINCIPLES OF BUSINESS

Paper 01 - General Proficiency

75 minutes

05 JANUARY 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

(A) (B) (C) (D)

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.

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0110

1. Private enterprise is run MAINLY to

- (A) create profit
- (B) reduce inflation
- (C) provide jobs for more people
- (D) distribute goods and services fairly

2. The type of business environment MOST typical of the Commonwealth Caribbean area is

- (A) corporate state
- (B) mixed economy
- (C) centrally planned
- (D) perfectly competitive

3. In a public limited company, the losses are borne by the

- (A) staff
- (B) directors
- (C) community
- (D) shareholders

4. Which of the following is NOT a function of money?

- (A) Indivisibility
- (B) Store of value
- (C) Measure of value
- (D) Medium of exchange

5. The policies of a company are formulated by the

- (A) auditors
- (B) directors
- (C) managers
- (D) shareholders

6. A MAJOR role of a trade union is to encourage

- (A) staff to become members of the union
- (B) staff to strike whenever they have problems at work
- (C) management to pay higher salaries and give longer vacations to staff
- (D) the advancement of the welfare of its members

7. Under which of the following categories would subsidized meals for employees fall?

- (A) Fringe benefits
- (B) Duty allowance
- (C) Wages and salaries
- (D) Workmen's compensation

8. Management Information System (MIS) is defined as the

- (A) technological benefits gained by an organization for being part of a well-organized industry
- (B) use of technology to gather information for use in making decisions within an organization
- (C) use of various factors within a business to reduce costs and increase profits
- (D) management process responsible for identifying, anticipating and satisfying consumer requirements at a profit

9. 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

10. Selecting objectives and the procedures for achieving goals is referred to as
- (A) planning
 - (B) organizing
 - (C) controlling
 - (D) motivating
11. One advantage of a Management Information System is that it tends to improve
- (A) product quality
 - (B) employee relationships
 - (C) contractual negotiations
 - (D) database maintenance and monitoring
12. An overview of a business plan is contained in the
- (A) feasibility study
 - (B) keynote summary
 - (C) marketing strategy
 - (D) executive summary
13. Which of the following CANNOT be used as collateral for obtaining a loan from a financial institution?
- (A) Money in a fixed deposit account
 - (B) Motor vehicle not covered by insurance
 - (C) An insurance policy with a cash value
 - (D) A mortgaged home with insurance coverage
14. The MOST important use of collateral security to the lender is that it
- (A) can be sold if the borrower fails to pay
 - (B) gives the banker an idea of the state of the business
 - (C) establishes the financial position of the borrower
 - (D) improves the borrower's chance of getting a loan
15. An entrepreneur may reduce his risk of loss by
- (A) planning ahead
 - (B) securing bank loans
 - (C) sponsoring community projects
 - (D) purchasing additional fixed assets
16. One of the MAIN functions of an entrepreneur is to
- (A) prepare the accounting records
 - (B) advertise the company's product
 - (C) organize the factors of production
 - (D) organize the marketing of the company's product
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
- I. breach
 - II. lapse of time - *time up*
 - III. offer and acceptance
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
19. Which of the following factors prevents an agreement from being considered a valid contract?
- (A) Consideration
 - (B) Legal purpose
 - (C) Misrepresentation
 - (D) Offer and acceptance
20. Which of the following documents is required for importing goods on which there are quota restrictions on imports?
- (A) Bank draft
 - (B) Bill of lading
 - (C) Import licence
 - (D) Bill of exchange
21. The factor of production which earns interest is
- (A) land
 - (B) capital
 - (C) labour
 - (D) enterprise
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) Unskilled labourers may work harder.
 - (C) Production levels of goods and services will decrease.
 - (D) The demand for skilled labour and professional services will decrease.
23. The term 'economies of scale' means the
- (A) purchase of goods at low prices
 - (B) reduction in the size of the business
 - (C) increase in the size of the business
 - (D) reduction in costs as output increases
24. Which of the following is LEAST likely to result from growth in an organization?
- (A) Greater productivity
 - (B) Increased communication
 - (C) Greater division of labour
 - (D) Increased capital investment
25. Subsistence production is BEST described as producing goods for
- (A) profit
 - (B) export
 - (C) local trade *domestic*
 - (D) personal use
26. Primary production is concerned with the
- (A) distribution of goods
 - (B) manufacture of goods
 - (C) provision of raw materials
 - (D) provision of goods to meet essential needs

27. What type of capital is defined as money used for the day-to-day operations of a business?
- (A) Fixed
 - (B) Floating
 - (C) Nominal
 - (D) Working
28. Which of the following market situations is typically found where there is a large number of producers and consumers?
- (A) Oligopoly
 - (B) Monopoly
 - (C) Perfect market
 - (D) Imperfect market
29. Which of the following characteristics BEST describes a competitive market?
- (A) Few sellers and many buyers
 - (B) Difficult entry to new markets
 - (C) Imperfect consumer knowledge of prices
 - (D) Production of almost identical goods
30. 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
31. Which of the following can be described as a marketing activity?
- (A) Issuing bulletins on staff matters
 - (B) Distributing the commodities to outlets
 - (C) Publicising advertisements for new staff
 - (D) Ensuring that workers are given fringe benefits
32. The price of an item is usually high when the number of people wanting to buy it is
- (A) few and the quantity for sale is small
 - (B) few and the quantity for sale is large
 - (C) large and the quantity for sale is large
 - (D) large and the quantity for sale is small
33. The PRIMARY function of advertising is to
- (A) promote public relations
 - (B) promote brand loyalty
 - (C) communicate information
 - (D) ensure wider distribution of goods
34. Which of the following is NOT a function of the retailer?
- (A) Preparing goods for resale
 - (B) Selling in small quantities
 - (C) Providing a local supply of goods
 - (D) Transporting goods to suitable storage facilities
35. Investment can be defined as
- (A) the stock of goods in a country
 - (B) additions to the capital stock of a country
 - (C) the amount of money available at a given time
 - (D) the amount of capital owned by the government

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) acting trustees
- (C) letters of credit *- business use this*
- (D) standing orders

37. 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

38. Which of the following are services provided by commercial banks?

- I. Controlling the supply of money
- II. Offering loans to small businesses
- III. Accepting deposits from customers

- (A) I and II only
- (B) I and III only
- (C) II and III only
- (D) I, II and III

39. Which of the following can be referred to as a characteristic of the stock market?

- (A) Costs and prices
- (B) Risk and benefits
- (C) Interest and profit
- (D) Premiums and investment

40. Which of the following can have their shares traded on the stock exchange?

- (A) Partnerships
- (B) Public companies
- (C) Private companies
- (D) Co-operative societies

Item 41 refers to the table below.

Annual Income \$	% Tax Paid	\$ Tax Paid
20 000	20	4 000
50 000	40	20 000
80 000	60	48 000

41. Which of the following types of taxation is illustrated in the table above?

- (A) Indirect
- (B) Regressive
- (C) Progressive
- (D) Proportional

42. Which of the following is NOT regarded as a role of taxation?

- (A) Raising revenue for government
- (B) Influencing the distribution of incomes and wealth
- (C) Influencing total expenditure on goods and services
- (D) Influencing the investment decisions of publicly owned enterprises

43. Which of the following measures are used by government to redistribute income?

- (A) Customs duties and levies
- (B) Consumption tax and tariffs
- (C) PAYE and National Insurance
- (D) Excise duties and value added tax

44. The term 'subsidies' refers to

- (A) grants given by government
- (B) taxes withheld by government
- (C) loans given to small businesses
- (D) profits realised from investment

45. Tax paid on wages and salaries is referred to as
- (A) Income tax
 - (B) Excise duty
 - (C) Customs duty
 - (D) Corporation tax
46. Tax paid on goods entering the country is referred to as
- (A) Income tax
 - (B) Excise duty
 - (C) Customs duty
 - (D) Corporation tax
47. Which of the following institutions is involved in protecting the consumer?
- (A) Forestry Department
 - (B) Bureau of Standards
 - (C) International Monetary Fund (IMF)
 - (D) Natural Resources Conservation Authority (NRCA)
48. A country has a favourable balance of trade when
- (A) imports equal exports
 - (B) it sells more than it buys
 - (C) it buys more than it sells
 - (D) there are no restrictions to trade
49. Inflation can BEST be described as
- (A) fluctuations in the general price level
 - (B) a fall in the level of prices of goods and services
 - (C) a general and sustained rise in the level of prices
 - (D) changes in the level of prices of goods and services
50. Which of the following practices would NOT contribute to the economic development and growth of a community?
- (A) Increased importation of consumer goods
 - (B) Increased use of the country's natural resources
 - (C) Provision of more infrastructure within the country
 - (D) Provision of loans and technical assistance for establishing local businesses
51. Education contributes to economic growth by ensuring that the workforce is highly
- (A) mobile
 - (B) efficient
 - (C) classified
 - (D) structured
52. Which of the following is NOT a benefit of international trade?
- (A) Import restrictions on foreign items
 - (B) The development of political links with other countries
 - (C) Importation of a greater variety of goods
 - (D) Increase in the market size by local producers
53. Which of the following factors contribute to improving a country's standard of living?
- I. High per capita income
 - II. Increases in national income
 - III. Foreign ownership of capital
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III

54. To correct an adverse balance of payments position, a government may
- (A) reduce credit
 - (B) increase exports
 - (C) reduce income tax
 - (D) increase the money supply
55. Which of the following trading agreements is Barbados promoting when it sells furniture to Jamaica?
- (A) OECS
 - (B) GATT
 - (C) NAFTA
 - (D) CARICOM
56. Which of the following organizations would settle a dispute among banana producing countries of the Caribbean and Central America over preferential agreement in the European Union?
- (A) World Trade Organization
 - (B) Caribbean Development Bank
 - (C) CARICOM Single Market and Economy
 - (D) Organization of Petroleum Exporting Countries
57. 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
58. Which of the following methods may a government use to reduce unemployment?
- (A) Increase in income tax
 - (B) Deflation of the economy
 - (C) Employment levy on firms
 - (D) Increase interest rates on borrowers
59. Which of the following are MAJOR economic problems facing many Caribbean countries today?
- I. High levels of unemployment
 - II. Adverse balance of payments
 - III. Lack of capital for investment
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
60. Which of the following practices may be MOST effective in solving the unemployment problem in developing countries with a large labour force?
- I. Increased mechanization
 - II. Increase in vocational training programmes
 - III. Greater production through increased labour
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III

END OF TEST

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