

**FORM TP 2012109**



TEST CODE **01240020**

MAY/JUNE 2012

**CARIBBEAN EXAMINATIONS COUNCIL  
SECONDARY EDUCATION CERTIFICATE  
EXAMINATION**

**PRINCIPLES OF BUSINESS**

**Paper 02 – General Proficiency**

*2 hours*

**25 MAY 2012 (a.m.)**

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. Answer the **THREE** questions in Section I, **ONE** in Section II and **ONE** in Section III as indicated.
2. All answers must be written in the booklet provided.
3. Begin **EACH** question on a separate page.
4. Keep **ALL** parts of **EACH** answer together.
5. **EACH** question is worth 20 marks.

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

Copyright © 2010 Caribbean Examinations Council  
All rights reserved.

01240020/F 2012



**SECTION I**

**Answer the THREE questions in this section.**

1. (a) (i) Identify THREE features of a small business. **(3 marks)**
- (ii) State THREE reasons why small businesses are important to a community. **(3 marks)**
- (b) Explain the effect of growth on EACH of the following:
- (i) Scale of production
- (ii) Potential for export **(4 marks)**
- (c) A fashion designer would like to introduce Computer Aided Design (CAD) into her fashion designing business.
- Outline TWO benefits that she will enjoy from using CAD in her business. **(4 marks)**
- (d) Discuss TWO disadvantages of using technology in a small business. **(6 marks)**
- Total 20 marks**

2. (a) Outline TWO responsibilities of the management of a business to EACH of the following:
- (i) Society
- (ii) Employees
- (iii) Customers **(6 marks)**
- (b) (i) State FOUR ways in which managers can encourage teamwork within an organization. **(4 marks)**
- (ii) Describe TWO characteristics that would make a Prime Minister or President a good leader. **(4 marks)**
- (c) The manager of DXC Ltd wants to promote Steve, a junior employee, to a key position in the organization. There are several employees who are senior to Steve and are interested in the same position.
- Discuss TWO strategies which the management of DXC Ltd can employ to reduce conflict that may arise from this promotion. **(6 marks)**

**Total 20 marks**

GO ON TO THE NEXT PAGE

3. Maggie recently bought books, shoes and clothes from an online company.
- (a) Define the term 'e-commerce'. **(2 marks)**
  - (b) State TWO advantages and TWO disadvantages of 'e-commerce'. **(4 marks)**
  - (c) Outline TWO reasons why firms offer trade discounts. **(4 marks)**
  - (d) Maggie plans to buy a refrigerator from a local store.
    - (i) Discuss any TWO of the following 'terms of sale' options that are available to her:
      - a) Hire purchase
      - b) Lay away plan
      - c) Credit sale
      - d) Credit card **(6 marks)**
    - (ii) Given that Maggie buys the refrigerator and it stops working after one month. Advise her of TWO actions which she may take to get compensation from the store. **(4 marks)**
- Total 20 marks**

## SECTION II

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

4. (a) (i) State THREE reasons for establishing a business. **(3 marks)**
- (ii) Identify THREE sources of capital used in financing a business. **(3 marks)**
- (b) (i) Define the term 'collateral' and give TWO examples of collateral that may be used in a business transaction. **(4 marks)**
- (ii) Outline TWO reasons why collateral is important to a borrower. **(4 marks)**
- (c) Discuss the importance of EACH of the following elements of a business plan:
- (i) Executive summary
  - (ii) Financial projections **(6 marks)**
- Total 20 marks**

GO ON TO THE NEXT PAGE

5. (a) State TWO roles of commercial banks. (2 marks)
- (b) Outline the differences between EACH of the following pairs of business terms:
- (i) Money market and capital market
  - (ii) Crossed cheques and open cheques
  - (iii) Bull market and bear market (6 marks)
- (c) Describe THREE benefits that an entrepreneur may enjoy from starting his own business as opposed to purchasing investments. (6 marks)
- (d) Discuss TWO types of investment options that are available to entrepreneurs. (6 marks)
- Total 20 marks**

### SECTION III

**Answer EITHER Question 6 OR Question 7. Do NOT answer both.**

6. (a) Describe how the maintenance of EACH of the following responsibilities of government may affect the development and growth of businesses:
- (i) Law and order
  - (ii) A safe environment for investors
  - (iii) Job security and other benefits for workers (6 marks)
- (b) Outline TWO actions which businesses could take to protect the environment. (4 marks)
- (c) Suggest TWO ways in which governments could encourage the private sector to invest in the education of its employees. (4 marks)
- (d) Discuss TWO benefits that could result from BOTH government and private businesses investing in education. (6 marks)
- Total 20 marks**

7. (a) Define the term 'international trade'. **(2 marks)**
- (b) State THREE benefits of international trade. **(6 marks)**
- (c) Outline ONE way in which countries may use EACH of the following measures to improve international trade:
- (i) Modern technology
  - (ii) Development of the manufacturing sector
  - (iii) Investment in research **(6 marks)**
- (d) Discuss the effects of EACH of the following measures used by countries to restrict international trade:
- (i) Tariffs or custom duties
  - (ii) Quotas **(6 marks)**

**Total 20 marks**

**END OF TEST**

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