***PRINCIPLES OF BUSINESS***

**SPECIMEN PAPER I - MULTIPLE CHOICE**

**1.** Which of the following explain why barter system restricts exchange?

# 

1. There must be a coincidence of wants.
2. The commodities used are not homogeneous.
3. It is difficult to divide certain commodities.
4. A rate of exchange must be determined.

* + 1. II only
    2. III and IV only
    3. I, II and III only
    4. I, III and IV only

**2.** Subsidized meals for employees would fall under which of the following

categories?

* + 1. Fringe benefits
    2. Workmen’s compensation
    3. Duty allowance
    4. Wages and Salaries

**3.** Which of the following practices are characteristic of a free economy?

1. Private ownership of assets
2. Central planning
3. Price fixing
4. Freedom of contract

(A) I and III

(B) I and IV

(C) II and IV

(D) I and II

**4.** Which of the following is NOT a primary industry?

(A) Mining

(B) Farming

(C) Fishing

(D) Building

**5.** Which of the following is not a retailer?

(A) The peddler on the beach

(B) The fruit vendor who has a cart by the roadside

(C) The hairdresser located in a shopping center

(D) The owner of the small grocery store on the corner

**6.** A company that is owned and operated by the government and people of

a country is a

* + - 1. Multi-national corporation
      2. State corporation
      3. Government department
      4. Public limited company

**7.** Which of the following business organization need NOT be registered?

1. Soft slipper manufacturing owned by Mr. Sears
2. Light’s bakery owner by MR. lights
3. We three surveyors partnership
4. Soft and Beautiful Garment Factory Company Limited

(A)II only

(B)IV only

(C)I and II only

(D)III and IV only

**8.** The PRIMARY role of the personal department of a firm is to

(A)Compile a magazine highlighting outstanding workers

(B)Promote recreational activities for workers

(C)Assist employees to understand industrial relations

(D)Hire, recruit, train and motivate workers

**9.** Which of the following is LEAST likely to result from the growth in an

organization?

(A) Increased capital investments

(B) More division for labor

(C) Greater productivity

(D) Increased communication

**10.** The manager of ABC company has embarked upon sponsoring a school

cricket team in the Caribbean territory. The company is fulfilling it’s

(A) Social obligation

(B) Obligation of customers

(C) Economic obligation

(D) Obligation of maximize surpluses

Item 11 refers to the following statement:

**11.** “The leader deliberately stands back and lets the subordinates plan their

own work and make their own decisions as far as possible.”

Which word best describes the type of administration referred to in the above statement?

(A) Participative

(B) Authoritarian

(C) Democratic

(D) Laissez-Faire

**12.** The manager of a factory meets with his employees and invites suggestions and recommendations, in an effort to determine policies and solve problems.

The manager’s approach to decision-making could best be describes as

(A) Laissez-faire

(B) Democratic

(C) Autocratic

(D) Tyrannical

**13.** Good leadership is exemplified by which of the following activities?

1. Motivating Subordinate staff
2. Providing more goods at lower cost
3. Giving direction to the organization
4. Implementing established plans

(A) I,II and III only

(B) I, II and IV only

(C) I, III and IV only

(D) II, III and IV only

**14.** A major role of a trade union is to encourage

(A) Advancement of the welfare of it’s members

(B) Management to pay higher salaries and give longer

vacations to staff

(C) Staff to strike whenever they have problems at work

(D) Staff to become members of the union

**15.** Which of the following features must a simple contract have?

1. offer
2. Acceptance
3. Written
4. Consideration

(A) I and II only

(B) II and IV only

(C) I, II and IV only

(D) I, II, III and IV only

**16.** In recent conversation, Ann asks Betty the price at which she would sell a

book. Betty replies that she would sell it for $5.00. The conversation

constitutes

(A) a contract between the parties

(B) an inquiry statement of the selling

price of the book

(C) An offer from Betty to sell the book for $5.00 to Ann

(D) The sale of the book for $5.00

**17.** A contract may be discharged by

1. Performance
2. Lapse of time
3. Offer and acceptance
4. Breach

(A) I and II only

(B) III and IV only

(C) I, II and IV only

(D) II, iii and IV only

1. Which of the following factors prevents an agreement from being considered a valid contract?
   1. Offer
   2. Consideration
   3. Misrepresentation
   4. Capacity

**19.** The term ‘Human Resources’ refers to

(A) materials and good made by human beings

(B) raw materials used in the manufacturer of goods

(C) persons available for productive and professional

services

(D) capital invested by shareholders in a company

**20.** The holding of jobs for which employees are overqualified is referred to

as:

(A) Unemployment

(B) Migration

(C) Underemployment

(D) Brain drain

**21.** What is the MOST LIKELY effect on a developing economy when

professional and skilled workers migrate to developed countries?

(A) Unskilled laborers can demand higher wages.

(B) The demand for skilled labor and professional services

will decrease.

(C) Unskilled laborers can work harder.

(D) Production levels of good services will decrease.

**22.**  Which of the following are functions of the entrepreneur?

* 1. providing finance needed for production
  2. Co-ordinating the factors of production
  3. Undertaking risks by anticipating demands
  4. Ensuring that workers are unionized
     1. I and II only
     2. II and IV only
     3. I, II and III only
     4. I, III and IV only

**23.** Which of the following is the best example of capital as a factor of

production?

(A) Machinery

(B) Shares

(C) Debentures

(D) Money

**24.** Which of the following types of productive activities play an important role

in ALL Caribbean economies?

* + 1. Mining
    2. Manufacturing
    3. Agricultural
    4. Tourism

1. In which department of a manufacturing business would you MOST

LIKELY find an engineer?

* 1. Personnel
  2. Production
  3. Marketing
  4. Financial

**26.** Which of the following conditions would constitute a linkage between two

industries?

(A) Two firms are responsible for the manufacture of different

kinds of goods

(B) Two firms manufacture similar goods

(C) The output of one industry of the economy becomes the

input of another industry

(D) One firm shares the use of machinery with another firm.

**27.** Which of the following LEAST affects the location on an extractive

industry?

* 1. Proximity to large shopping areas
  2. Availability of an abundant labor supply
  3. Proximity to sources of raw materials
  4. The presence of good roads and drainage

**28.** What is the MOST LIKELY effect of a substantial increase in the duty on

cars on the car-buying public?

1. An increase in the use of public transportation
2. A decrease in car sales
3. An increase in the number of cat pools
4. A decreases in the consumption of gasoline

**29.** The standard of living is measured by

1. The index number
2. The per capita income
3. The national product
4. The national income

**30.** Which of the following can be described as a marketing activity?

1. Ensuring that workers are given fringe benefits
2. Distributing the commodities to outlets
3. Publicizing advertisements for new staff
4. Issuing bulletins on staff matters
5. The variables of a marketing mix can easily be remembered by referring to

the four P’s, which are:

1. Product, price, place, promotion
2. Product, publicity, purchase, price
3. Product, promotion, package, price
4. Product, package, place, promotion

**32.** All persons can be called consumers because they

1. Use goods
2. Have wants
3. Satisfy themselves
4. Buy goods

**33.** Which of the following are functions of packaging?

* + 1. It preserves the life of the product
    2. It enhances the general appearance of the product
    3. It protects the product
    4. It promotes the product
  1. I and II only
  2. I, II and III only
  3. II and III only
  4. I, II, III and IV

**34.** In a “hire-.purchase agreement’, an individual

1. Pays the full cost of the item and gets a rebate.
2. Contracts to rent an item for a period of time with interest.
3. Pays a portion of the cost of an article possess it and continues to pay a stated sum at specific periods.
4. Buy’s an article, pays part of the cost, and gets the article

when the balance is paid

**35.** A furniture manufacturer in Dominica wants to import a stock of paint to

keep in storage. He wants to keep costs down, what is the best method of

transporting the paint?

1. By ship
2. By truck
3. On an aeroplane
4. Through a pipeline

**36.** Which of the following instruments of payment would a firm use to effect

the speediest transfer of funds from one country to another?

1. Bank draft
2. Cheque
3. Money order
4. Telegraphic transfer

**37.** A post-dated cheque is one which

1. Was written no longer than six months ago
2. Is dated to agree with the date of the document requesting payment
3. Is dated by the bank dates on the day the cheque is presented for payment
4. Is dated for payment at a future date

**38.** Which of the following documents is required for importing goods for which

there are under-quota restrictions on imports?

1. Bill of lading
2. Bank draft
3. Import license
4. Bill of exchange

**39.** Which of the following is the quickest method of payment for a

businessman who is 20,000 kilometers away?

1. Cash
2. Cheque
3. Postal order
4. Telegraphic money order

**40.** A court order requiring an employer to deduct money from an employee

for payment of his debts is known as.

1. Garnishment
2. Demand
3. Withdrawal
4. Revenue

**41.** Tom invests his savings by buying shares in a company. From this

investment Tom expects to receive

1. Dividends
2. Profits
3. Interest
4. Revenue

**42.** Which of the following forms of payment is legal tender?

1. Cheque
2. Bank note
3. Money order
4. Postal order

**43.** Collateral is MOST needed when

1. Taking out an insurance policy
2. Ordering goods from a foreign manufacturer
3. borrowing from a financial institution
4. buying stocks and shares

**44**. The document given with the purchase of an article stating that it will work.

1. Guarantee
2. Warranty
3. Certificate
4. Proof

**45.** Which of the following measures may be used by government to control

business activity?

* + 1. Legislation
    2. Regulation
    3. Valuation
    4. Taxation
  1. III only
  2. I and II only
  3. I, II and III only
  4. I, II and IV only

**46.** When a high property tax is levied in a country it is most likely to have all

of the following effects EXCEPT to

* 1. Reduce the number of new buildings erected
  2. Encourage business firms to set up business elsewhere
  3. Create additional revenue for the government
  4. Entice citizens into buying more land

# Item 47 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 |

**47.** What percentage of tax is paid by Loleen if she sells a building for $1.5m?

1. 10%
2. 12%
3. 25%
4. 30%

**48.** Which of the following results yielded the greatest return on capital

invested?

1. Capital $10000, Net profit$2500
2. Capital $16000, Net profit $2400
3. Capital $7000, Net profit $4500
4. Capital $20000, Net profit $6000

**49.** Which of the following features are associated with perfect competition?

* + 1. Many buyers and sellers
    2. Few Buyers and sellers
    3. Freedom of entry into the market
    4. Barriers to entry into the market
  1. I and III only
  2. I and IV only
  3. II and III only
  4. II and IV only

**50.** Which of the following characteristics BEST describes a perfectly

competitive market?

1. Few sellers and many buyers
2. Production of almost identical goods
3. Difficult entry to new markets
4. Imperfect consumer knowledge of prices

**51**. A ‘market’ in economic terms is defined as

1. A place where tangible goods are bought and sold
2. The business center of the community
3. A specific place where buyers and sellers meet
4. A situation which exists when buyers and sellers influence the price of goods

**52.** Which of the following practices would not contribute to the economic

development and growth of a community.

1. Increased use of the country’s natural recourses
2. Increased importance of consumer goods
3. Provision of loans and technical assistance for establishing local business
4. Provision of more infrastructure within the country

**53.** International trade owes it’s origin to

1. Countries with large populations not having sufficient goods
2. The varying resources of different regions
3. The fact that countries desired to have greater contact with each other
4. The great need foreign exchange by most countries

Item 54 refers to the following table.

|  |  |  |
| --- | --- | --- |
| Year | **Real Exports ($m)** | **Real Imports ($m)** |
| 1991 | 72 | 70 |
| 1992 | 83 | 79 |
| 1993 | 80 | 86 |
| 1994 | 95 | 88 |
|  |  |  |
|  |  |  |

**54.** In what year was there an unfavorable balance of trade?

1. 1991
2. 1992
3. 1993
4. 1994

. **55.** Which of the following is a method of measuring the gross national

product of a country?

1. The total goods and services produced in a country in a given period
2. The total goods and services available in a country in given period
3. The total incomes earned in a country in a given less capital consumption

(D) The total incomes earned in a country less incomes payable outside the country

**56.** The total value of all the goods and services produced in a country during

particular year defines a country’s

1. Balance of trade
2. Gross national product
3. Balance of payment
4. Gross domestic product

**57.** Which one of these methods may government use to reduce unemployment?

1. Increase interest rates on borrowing
2. Increase in income tax
3. Deflation of economy
4. Employment levy on firms

**58.** Investment can be defined as

1. A stock of goods existing at a given time
2. An addition to the capital stock of a country
3. A stock of raw materials which have fallen
4. A stock of goods owned by the government

**59.** Which of the following can be classified as benefits of nationalization?

* 1. Profits will remain in the country.
  2. Essential industries will be state owned.
  3. Employment will be provided for citizens.
  4. The enterprise will have joint ownership.
  5. I, II and III only
  6. I, II and IV only
  7. I, III and IV only
  8. II, III and IV only

**60.** The MAIN purpose of production is to.

(A) make profits

(B) provide jobs

(C) Build more factories

(D) Satisfy people’s wants

***ANSWERS TO SPECIMEN PAPER 1***

1. D 21. D 41. A

2. A 22. C 42. C

3. B 23. A 43. C

4. D 24. C 44. B

5. C 25. B 45. D

6. B 26. C 46. D

7. A 27. A 47. B

8. D 28. B 48. C

9. D 29. B 49.A

10. A 30. B 50. B

11. D 31. A 51. D

12. B 32. A 52. B

13. C 33. D 53. B

14. A 34. C 54. C

15. C 35. A 55. D

16. B 36. D 56. D

17. C 37. D 57. C

18. C 38. C 58. B

19. C 39. D 59. A

20. C 40. A 60. D