***PRINCIPLES OF BUSINESS***

**SPECIMEN PAPER 2 - MULTIPLE CHOICE**

1. When an economist says that a product has utility, he means that it is
   1. Desirable
   2. Very useful
   3. Costly to obtain
   4. Able to satisfy a want
2. Productivity can be measured by
   1. Inputs

Outputs

* 1. Revenue

Outputs

* 1. Outputs

Inputs

* 1. Inputs

Revenue

3. Subsidized meals for employees would fall under which of the following categories?

1. Fringe benefits
2. Duty allowance
3. Wages and salaries
4. Worker’s compensation

4. The MAIN reasons for the existence of the public sector are to

1. Provide essential services
2. Regulate business activity
3. Compete with the private sector
4. Promote economic growth and development

a) I, II and III only

b) I, II and IV only

1. I,III and IV only
2. II,III and IV only

5. A debenture holder is one who

1. Has first claim on any profits and is paid a fixed rate of dividend
2. Must be paid any amounts owing in the following year
3. Is paid a fixed rate of interest if the company makes profits
4. Is entitled to a fixed rate of interest whether or not the company makes profits

6. A partnership that requires additional capital can legally do which of the following?

1. Issue bonds
2. Issue debentures
3. Borrow money from the bank
4. Advertise shares to the public

7. In the formation of a company, the Memorandum of Association states not only the name of the company but also the

1. Amount of capital to be issued
2. Way the directors are chosen
3. Dividends to be paid per share
4. Expenses incurred in the formation of the company

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

1. Compile a magazine highlighting outstanding workers
2. Promote recreational activities for workers
3. Assist employees in understanding industrial relations
4. Hire, recruit, train and motivate workers

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

1. Greater productivity
2. More division of labour
3. Increased communication
4. Increased capital investment

10. Which of the following statements BEST describe an authoritarian leader?

1. Making decisions without consultation
2. Allowing workers to plan their own work
3. Consulting those likely to be affected by the decision
4. Willingness to take suggestions

11. 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

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

12. Which of the following management practices would contribute to the success of a business?

1. Pricing at maximum mark- up
2. Paying attention to the quality of goods or services sold
3. Communicating with employees
4. Earning maximum profits for owners
   1. I and II only
   2. II and III only
   3. II and IV only
   4. II, III and IV only

13. Which one of the following is NOT a function of money?

a) Measure of value

b) Medium of exchange

c) Indivisibility

d) Store of value

14. What do workers aim to achieve by collective bargaining?

1. Improvement and maintenance of working conditions
2. Greater opportunities for promotion
3. More capital intensive methods of production
4. Education and training for employees
   1. I, II And IV only
   2. III and IV only
   3. III and IV only
   4. I and IV only
5. Which of the following features must a simple contract have?
   * 1. Offer
     2. Acceptance
     3. Documentation
     4. Consideration

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

1. Which of the following practices are characteristic of a free economy?
   * 1. Private ownership of assets
     2. Central planning
     3. Price fixing
     4. Freedom to contract
        1. I and III only
        2. I and IV only
        3. II and III only
        4. II and IV only
2. The policies of a company are formulated by the
   * + 1. Shareholders
       2. Mangers
       3. Directors
       4. Auditors
3. A contract may be discharged by
   * 1. performance
     2. lapse of time
     3. offer and acceptance
     4. Breach
        1. I and II only
        2. III and IV only
        3. I, II and IV only
        4. II, III and IV only
4. The MAIN purpose of production is to
   * + 1. make profits
       2. provide jobs
       3. build more factories
       4. satisfy people ‘s wants
5. The money used for the day-to- day operations of a business is called
   * + 1. fixed capital
       2. nominal capital
       3. floating capital
       4. working capital
6. To which industry does a firm involved in food processing belong?
   * + 1. Extractive
       2. Manufacturing
       3. Constructive
       4. Service
7. An increase in the productivity of labor in the Caribbean region means that
   * + 1. a greater number of the population is now employed
       2. more factors of production are available for production
       3. both population and the values of output are decreasing
       4. the value of output per man is greater than before
8. Which of the following practices may be MOST appropriate in solving the unemployed problem in developing countries where the labor force is large?
   * 1. Greater production through increased labor
     2. Increased mechanization
     3. Increased in vocational training programmes
     4. Increase in salaries
        1. I only
        2. I and III only
        3. II and III only
        4. II and IV only
9. 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 demand
     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
10. Which of the following is the simplest form of production?
    * + 1. subsistence
        2. domestic consumption
        3. surplus and export
        4. cottage industry
11. Primary production is concerned with the
    * + 1. distribution of goods
        2. provision of goods to meet essential needs
        3. provision of raw materials
        4. manufacture of goods

1. Which of the following LEAST affects the location of and extractive industry?
   * + 1. proximity to large shopping areas
       2. availability of an abundant labor supply
       3. proximity to sources of raw material
       4. The presence of good roads and drainage
2. Which of the following are disadvantages of small firms?
   * 1. Employees feel a sense of belonging
     2. They have unlimited liability
     3. It is difficult to arrange financing
     4. They have personal ties with customers
        1. I and II only
        2. I and III only
        3. II and III only
        4. III and IV only
3. Which of the following practices does NOT result from mechanization?
   * + 1. Production is increased
       2. Goods are produced to a standard pattern
       3. People may be needed for manual work
       4. The specialist becomes more skilled in his work
4. The standard of living of a country is measure by the
   * + 1. Index number
       2. Per capita income
       3. National product
       4. National income
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
6. ALL persons can be called consumers because they
   * + 1. use goods
       2. have wants
       3. sell goods
       4. buy goods
7. Businessmen usually employ ‘loss leaders’ to
   * + 1. give a free gift with each cash purchase
       2. reclaim losses made in the sale of goods
       3. attract more customers by selling a few items at a loss
       4. Promote new products in the organization
8. Which of the following must be taken into account when packaging goods for retail?
   * 1. Cost
     2. Brand
     3. Protection
     4. Attractiveness
        1. I and III only
        2. I and IV only
        3. III and IV only
        4. I, II, III and IV
9. Which of the following contracts must be made by deed?
   * + 1. Bills of exchange
       2. Insurance contracts
       3. Transfer of shares
       4. Conveyances of land
10. Which of the following is NOT a function of the retailer?
    * + 1. Transporting goods to suitable storage facilities
        2. Providing a local supply of goods
        3. Preparing goods for resale
        4. Selling in small quantities
11. A ‘purchase order’ is a
    * + 1. statement offering to buy goods
        2. notification of goods received
        3. statement of debts outstanding
        4. request for additional good
12. Which of the following documents would give title goods?
    * 1. Bill of sale
      2. Bill of materials
      3. Bill of lading
      4. Bill of sight
         1. I only
         2. III only
         3. II and IV only
         4. III and IV only
13. Which of the following instruments of payment would a firm use to effect the speediest transfer of funds from one country to another?
    * + 1. Cheque
        2. Bank draft
        3. Money order
        4. Telegraphic transfer
14. 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
15. The bank service which allows a customer to make payments by cheques is the
    * + 1. current account
        2. savings account
        3. deposits account
        4. capital account
16. The monthly payment collected by an insurance company on behalf of its policy holders are known as
    * + 1. deposits
        2. premiums
        3. installments
        4. endowments
17. Which of the following forms of payments is legal tender?
    * + 1. Cheque
        2. Bank note
        3. Money order
        4. Postal order
18. Collateral is MOST needed when
    * + 1. taking out an insurance policy
        2. ordering goods from a foreign manufacturer
        3. borrowing from financial institution
        4. buying stocks and shares
19. Which of the following is legislation designed to protect the consumer?
    * + 1. Negative List
        2. Hire Purchase Act
        3. Customs Ordinance
        4. Banking Act
20. Export licenses are issued mainly to
    * + 1. encourage the local businessmen to produce more goods for export
        2. indicate to the importing country that the goods are of a high standard
        3. enable the government to control the flow of goods being exported
        4. indicate to the importing country the price at which the goods are to be sold
21. Which of the following measures are used by government to redistribute income?
    * + 1. Custom duties and levies
        2. Consumption tax and tariffs
        3. PAYE and National Insurance
        4. Excise duties and Value added tax
22. Which form of taxation is imposed on goods produced in a country?
    * + 1. Excise duty
        2. Preference duty
        3. Excise drawbacks
        4. Customs drawback
23. Which of the following are MAJOR functions of the Central Bank?
    * 1. Acting as the government’s bank
      2. Keeping deposits of all commercial banks
      3. Giving loans to private individuals and companies
      4. Helping to regulate the money supply of a country
         1. I, II and III only
         2. I, II and IV only
         3. I, III and IV only
         4. II, III and IV only
24. Market equilibrium exist when
    * + 1. buyers pay reasonable prices for goods
        2. sellers are satisfied with the price paid for their goods
        3. at the ruling market price, buyers do not want to add to the stock of goods they already have
        4. at current prices, the amount of goods buyers wish to buy equals the amount sellers want to sell
25. 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
26. Which of the following characteristics BEST describe a perfectly competitive market?
    * + 1. Few sellers and many buyers
        2. Difficult entry to new markets
        3. Production of almost identical goods
        4. Imperfect consumer knowledge of prices
27. Which of the following actions of government is MOST likely to lead an improvement in the standard of living?
    * + 1. Abolishing taxes on low incomes
        2. Giving tax incentives to business
        3. Increasing the income tax rate
        4. Printing more money
28. Which of the following is NOT a benefit of international trade?
    * + 1. A greater variety of goods is obtained from overseas
        2. Political links are developed with other countries
        3. Import restrictions can be imposed on foreign items
        4. Producers are able to increase their market size

Items 55 refers to the following table

Year Real Exports Real Imports

1991 72m 70m

1992 83m 79m

1993 80m 86m

1994 95m 88m

1. In what year was there an unfavorable balance of trade?
   * + 1. 1991
       2. 1992
       3. 1993
       4. 1994
2. If a Caribbean country should devalue its currency, it is MOST likely that
   * + 1. its imports would become cheaper and its exports would become more expensive
       2. its imports would become more expensive and its exports would become cheaper
       3. both its imports and exports would become more expensive
       4. both its imports and exports would become cheaper
3. The MAJOR aims of the European Union (E.U) are free movement of
   * 1. Goods
     2. Capital
     3. People
     4. Services
        1. I and II only
        2. I and III only
        3. I, II and III only
        4. I, II, III and IV
4. Which ONE of the following methods may government use to reduce unemployment?
   * + 1. Increase interest rates on borrowing
       2. Increase income tax
       3. Deflation of the economy
       4. Employment levy on firms
5. 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
6. Which of the following can be classified as benefits of nationalization?
   * 1. Profits will remain in the economy
     2. Essential industries will be state owned
     3. employment will be provided for citizens
     4. The enterprise will have joint ownership
        1. I,II and III only
        2. I, II and IV only
        3. I,III and IV only
        4. II, III and IV only

***ANSWERS TO SPECIMEN PAPER 2***

1. B 21. B 41. A

2. C 22. D 42. B

3. A 23. B 43. C

4. B 24. C 44. C

5. D 25. D 45. B

6. C 26. C 46. C

7. A 27. A 47. C

8. D 28. C 48. A

9. C 29. C 49. B

10. A 30. B 50. D

11. C 31. A 51. A

12. B 32. A 52. C

13. C 33. C 53. A

14. D 34. D 54. C

15. C 35. D 55. C

16. B 36. A 56. B

17. C 37. D 57. D

18. C 38. A 58. C

19. D 39. D 59. B

20. D 40. D 60. A