**PRINIPLES OF BUSINESS**

**SPECIMEN PAPER 3 - MULTIPLE CHOICE**

1. The PRIMARY role of the personnel department of a firm is to
2. compile a magazine highlighting outstanding workers
3. promote recreational activities for workers
4. hire, recruit train and motivate workers
5. assist employees to understand industrial relations
6. Which of the following contract must be evidenced in writing
7. purchase a bus ticket
8. purchase a radio
9. purchase a plot of land
10. purchase of a car for cash

(3) Barry decided to start his own clothing store. He is happy working for himself BECAUSE

1. of the long hours he has to put in
2. any decisions he makes can be implemented quickly
3. he wants to wear brand name clothes
4. he wants to meet many people
5. The MOST important feature that is basic to a specialty contract is
6. Signature
7. Execution
8. Discharge
9. Breach
10. Tax deducted by the government from workers’ weekly salaries is called
11. income tax
12. corporation tax
13. capital gains tax
14. valued added tax
15. When there is competition, the price of an article will depend on
16. the relationship between its demand and supply
17. change in the cost of living
18. the amount of money circulating in the country
19. changes in the value of money
20. Which of the following BEST describes the term “advertising media?
21. the people whom advertising
22. the increase in sales as a result of widespread knowledge of the product
23. market researchers, salesmen, and other personnel
24. newspapers, periodicals, radio and television.
25. Which of the following may be operated as a cottage industry?
26. handicraft
27. housing development
28. small-scale retailing
29. fishing
30. The employees of Down Town Shoe Store pool their money at the end of every month and buying groceries at wholesale prices. They are operating a form of
31. consumer cooperative
32. conglomerate
33. private company
34. partnership
35. In a free-market economy. The two factors that usually determine price are
36. demand and supply
37. needs and wants
38. government and consumer
39. government and producer
40. In trading, the term license means having
41. a specific number of goods to be sold
42. permission to bring in goods
43. money to be paid in foreign goods
44. a ban on goods coming in to be sold
45. Which of the following social services are provided by the government
46. health care
47. education
48. welfare benefits
49. housing
50. i and ii only
51. ii and iii only
52. i, ii and iv only
53. i, ii, iii, and iv only
54. Which of the following BEST assist person in satisfying their basic needs
55. money
56. recreation
57. travel
58. education
59. Tom, a trader for ten years, plans to expand his furniture plant. What are the factors necessary for expansion?
60. increased capital investment and personal
61. improved internal communication
62. employment of more unskilled workers
63. greater specialization of labour
64. i, ii and iii only
65. i, ii and iv only
66. i, iii and iv only
67. i, ii iii and iv only
68. Which of the following are features of early economies?

i. the use of money as a medium of exchange

ii. direct exchange of goods for goods

iii. specialization in different occupations

 iv. direct satisfaction of merits

1. i, ii and iii only
2. i, ii and iv only
3. i, iii and iv only
4. ii, iii and iv only
5. Which of the following are the functions of a business unit?
6. production of goods and services
7. creation of jobs
8. maximization of sales
9. education of workers
10. i, ii and iii only
11. i, ii and iv only
12. i, iii and iv only
13. ii, iii and iv only
14. The monthly payments collected by an insurance company from its policyholders are known as?
15. installments
16. premiums
17. deposits
18. endowments
19. Which of the following are the reasons for a government imposing taxes?
20. promoting economic growth
21. redistributing of income
22. increasing interest rates
23. improving the balance of payments
24. i, ii and iv only
25. i, iii and iv only
26. ii and iii only
27. iii and iv only
28. A major role of a trade union is to encourage
29. staff to strike whenever they have problems at work
30. management to pay higher salaries and give longer vacations to staff
31. advancement of the welfare of its members
32. staff to become members of the union
33. John works in a bakery where he makes all the decisions and takes all the profits. What category of business is he working in?
34. sole trader
35. partnership
36. co-operative
37. joint stock company

(21) Which of the following are goals of a commercial bank

1. to provide safe way in which customers cane hold their savings
2. to provide a means of making payments
3. to make loans to business and private individuals
4. i, ii and iii only
5. i, ii and iv only
6. i, iii and iv only
7. ii, iii and iv only
8. A stock exchange renders a useful service to companies and investors by
9. lending money towards the purchase of their stock
10. assisting them in exchange their stock for money
11. accepting bills of exchange received for stocks on credit
12. providing a market for shares, bonds and other securities
13. Tom invests his savings by buying shares in a company. From this investments Tom expects to receive
14. dividends
15. profits
16. interest
17. revenue
18. A furniture manufacturer in Dominica wants to import a stock paint to keep in storage. What is the best form of transportation he can use.
19. through a pipeline
20. on an airplane
21. by truck
22. by ship
23. Which of the following are functions of the entrepreneur
24. providing finance needed for production
25. co-ordinating the factors of production
26. undertaking risks by anticipating demand
27. ensuring that workers are unionised.
28. i and ii only
29. ii and iv only
30. i, ii and iii only
31. i, iii and iv only
32. Which of the following factors prevents an agreement from being considered a valid contract
33. misrepresentation
34. consideration
35. offer and acceptance
36. legal purpose
37. A country can be described as having a planned economy if
38. most of decisions relation to the economy are made by government
39. every individual has a role to play in decisions
40. a few decisions of the economy are made by the government
41. various committees within the community are allowed to participate in the planned economy
42. A country is experiencing economic growth when the
43. output of goods and services increases
44. rate on income tax rises
45. level of unemployment rises
46. quantity of imported goods decreases
47. Which of these are the distinguishing features of capital-intensive production
48. an increase in output
49. a reduction in the unit costs
50. a standardized product
51. an increased labour price
52. i, ii and iii only
53. i, ii and iv only
54. ii, iii and iv only
55. i, ii, iii and iv only
56. The main reason for the existence of the public sector are to
57. provide essential services
58. regulate business activity
59. compete with the private sector
60. promote economic growth and development
61. i, ii and iii only
62. i, ii and iv only
63. i, iii and iv only
64. ii, iii and iv only
65. In which department of a manufacturing business would you MOST likely find an engineer
66. production
67. personnel
68. marketing
69. financial
70. A posted-dated cheque is one which
71. was written no longer than six months ago
72. is dated by the businessman to agree with the date of the document requesting payment
73. is dated by the bank dates on the day the cheque is presented for payment
74. is dated for payment at a future date
75. Which of the following instruments of payment would a firm use to effect the speediest transfer of funds from one country to another?
76. bank draft
77. cheque
78. money order
79. telegraphic transfer
80. 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 described as
81. laissez-faire
82. democratic
83. autocratic
84. tyrannical
85. Which of the following BEST describe labour as a factor of production?
86. the people who work for income in a country
87. the employees below managerial level
88. the members of a trade union
89. the population of a country.

What does point A on the graph represent?

1. main point
2. middle point
3. average point
4. optimum point
5. Country X has a population of 3 million and country Y a population of 2 million. Which of the following might explain why the labour supply in Y is higher than X?
6. the death rate in country X may be very low
7. the birth rate in country Y may be very low
8. the people in country Y might enjoy higher wages
9. country X has a large number of people over 65

Items 38-40 refers to the following

 (a) Credit Note

 (b) Debit Note

 (c) Invoice

 (d) Statement of Account

1. When the goods have been undercharged?
2. When the defective goods are returned by the buyer?
3. At regular intervals to credit customer’s accounts, giving details of purchase and payments made?

Items 41-43 refers to the following function of management

1. delegating
2. directing
3. motivating
4. organizing

Which of the above functions refers to

1. Creating an atmosphere within an organization, which require employees to perform at their best?
2. Establishing the objectives of the organization and structuring work schedules to achieve them.
3. Assigning responsibility and authority for ensuring that tasks are completed?
4. Which of the following are examples of capital goods?
5. a typing machine in the office
6. motorcars supplied to office employees
7. cloth used in a garment factory
8. A computer used in a internet cafe
9. i and iv only
10. ii and iv only
11. i, iii and iv only
12. i, ii and iii only
13. A trader invest $1875.00 in a business and realizes a net profit of $75.00 for the period. What percentage return on capital is this?
14. 4%
15. 6%
16. 7.5%
17. 12.5%
18. Which of the following practices may be MOST appropriate in solving the unemployment problem in developing countries where the labour force is large?
19. greater production through increased labour
20. increased mechanisation
21. increase in vocational training programmes
22. increase in salaries
23. i only
24. i and iii only
25. ii and iii only
26. ii and iv only
27. Which of the following describes capital intensive industry?
28. large amounts of capital and very little labour
29. large amounts of labour and very little capital
30. all capital and no labour
31. capital and labour in the same proportion?
32. Which of the following BEST describes productivity?
33. what is produced against the cost of labour
34. G.N.P of one year against G.N.P of another year
35. Gross profit against costs of sales
36. What is produced against the factors of production
37. Which of the following are characteristics of a “perfect market”
38. there are many buyers and sellers
39. the buyers are aware of the price of the goods
40. the price of the goods must be fixed by supply or demand
41. there must be several types of the commodity on sale
42. i and iv only
43. ii and iv only
44. i, ii and iii only
45. ii, iii and iv only
46. A “line relationship” in an organization is one which
47. exists between a senior officer and his subordinate
48. is not connected by intermediary officers or other senior personnel
49. exists between the manager and is connected directly to his employees
50. involves only one superior officer

 Items 51-52 refer to the following passage

 Mr. Biggs ordered 1000 items from a wholesaler. The costs was $20.00 per item but Mr. Biggs was allowed a trade discount of 20% and a cash discount of 4% since he paid within a month (30 days).

1. What did Mr. Biggs actually pay?
2. $12,800
3. $14,200
4. $15,360
5. $16,200
6. If Mr. Biggs was granted only a trade discount the amount would be
7. $16,000
8. $17,000
9. $18,000
10. $19,000
11. The term “economies of scale” refers to
12. advantage of small-scale manufactures
13. benefits derived from government policies
14. benefits derived from small size population
15. advantages, which come to a firm through optimum size
16. Which of the following is the BEST sequence of steps for a company to follow when launching a new product?
17. promotion
18. pricing
19. planning
20. selling
21. i, iii, ii iv
22. i, ii, iii, iv
23. iiii, ii, i, iv
24. iii, i, ii, iv

 Items 56-57 refer to the following information.

 In a garment factory John is designing, Mary is cutting, Jane is sewing and Anne is ironing.

1. What aspects of the production process is taking place?
2. planning
3. specializing
4. assembling
5. managing
6. Which of the following is MOST likely to result from this aspect of the production process
7. a increase in production
8. an increase in the price of the product
9. an improvement in the quantity of the product
10. an increase in the time spent on production
11. Which of the following features is a disadvantage of nationalization?
12. profits remain in the country
13. jobs are provided for more people
14. losses are meet by the tax payers
15. essential services are provided at lower prices
16. Which of the following organizations was establishes by the treaty of Chaguaramas?
17. CAIC
18. CARICOM
19. CDB
20. CIC
21. Which of the following are nationalized in most CARICOM territories
22. food production
23. water
24. communication
25. electricity
26. i and ii only
27. ii and iii only
28. i, iii and iv only
29. ii, iii and iv only

(60) Which of the following will NOT be included as part of a country’s balance of trade?

* 1. earnings from the exportation of rum
	2. payments for the importation of tobacco
	3. earnings derived from tourists spending
	4. payments for the purchase of overseas equipment

**ANSWERS TO SPECIMEN PAPER 3**

1.C 21.A 41.C

2.C 22.D 42.D

3.B 23.A 43.A

4.A 24.D 44.C

5.A 25.C 45.A

6.A 26.A 46.B

7.D 27.A 47.A

8.A 28.A 48.D

9.A 29.A 49.C

10.A 30.B 50.A

11.B 31.A 51.C

12.D 32.D 52.A

13.A 33.D 53.D

14.B 34.B 54.C

15.D 35.A 55.B

16.C 36.D 56.A

17.B 37.D 57.C

18.A 38.B 58.B

19.C 39.A 59.D

20.A 40.D 60.C