PRINCIPLES OF BUSINESS

**January 2009**

**Section I**

1. (a) Define EACH of the following management functions:

* + 1. Planning
    2. Organizing
    3. Coordinating
    4. Motivating (8 marks)

1. Outline FOUR responsibilities of management to its employees. (8 marks)
2. Outline TWO Strategies that workers can use to urge management to consider their request for higher wages. (4 marks)

**Total 20 marks**

2. (a) Define the term ‘contract’ . (2 marks)

(b) Outline TWO differences between a simple contract and a specialty contract, giving One example of EACH type of contract. (6 marks)

(c) Outline Three ways by which a contract may be terminated. (6 marks)

1. Discuss Two rules governing the ‘offer’ and ‘acceptance’ of a contract (6 marks)

**Total 20 marks**

3. (a) (i) Explain what is meant by the term ‘extractive production’, giving TWO examples of extractive production. (4 marks)

(ii) Identify TWO examples of service industries in the Caribbean (2 marks)

(b) Explain what is meant by EACH of the following terms, giving ONE example in EACH case:

(i) Capital intensive production

(ii) Labour intensive production (6 marks)

(c) Outline FOUR factors that must be considered in determining a suitable location for a gas station. (8 marks)

**Total 20 marks**

**Section II**

**Answer Two questions in this section as indicated.**

**Answer EITHER Question 4 OR 5. DO NOT answer both.**

1. Ms Mac produces a confectionary locally known as “fudge” and sells it door-to-door. She uses the brand name, Exotic Fudge.

(a) Define the term ‘branding’ (2 marks)

(b) Outline Two benefits of ‘branding’ (4 marks)

1. Explain the four P’s of marketing that must be considered by all entrepreneurs. (8 marks)

(d) Suggest TWO benefits that Ms Mac is likely to enjoy by selling her fudge from door-to-door. (4 marks)

(e) Identify TWO methods of distribution, other than door-to-door that Ms. Mac can use.

(2 marks)

**Total 20 marks**

5. (a) Describe Two ways in which the central bank controls the activities of commercial banks. (4 marks)

(b) (i) Identify Four services that commercial banks offer to their customers. (4 marks)

(ii) Explain One way by which customers benefit from any TWO of the services identified in (i) above. (4 marks)

1. (i) Outline TWO differences between ‘short-term capital’ and ‘long-term capital’

(4 marks)

(ii) Identify TWO sources of ‘short-term capital and TWO sources of long-term capital. (4 marks)

**Total 20 marks.**

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

6. You have been appointed Chief Environmental Officer of your country and have been asked to provide guidelines to ensure that citizens, tourist and business cooperate in making the environment safe.

(a) Recommend TWO guidelines that business should follow to ensure they do not pollute the environment. (4 marks)

(b) Outline THREE ways by which the government can protect the consumers of your country from unfair business practices. (6 marks)

(c) Outline TWO ways by which the government can assist in the development of small business enterprises in your country. (4 marks)

(d) Discuss ONE economic impact, on a country, of an improvement in the following social services:

(i) Health care

(ii) Transportation system (6 marks)

**Total 20 marks**

7. (a) Distinguish between ‘standard of living’ and ‘quality of life’. (4 marks)

(b) Identify THREE indicators of a country’s standard of living. (3 marks)

(c) Identify THREE indicators of a country’s quality of life. (3 marks)

(d) Outline TWO reasons why countries trade with each other. (4 marks)

(e) Evaluate the effectiveness of the following measures in addressing the balance of payments problems of a country:

(i) Tariffs

(ii) Devaluation (6marks)

**Total 20 marks**

**Answers to January 2009**

1. a. **Planning i**nvolves looking ahead, making decisions and policies in keeping with

organizational goals.

**Organizing** involves ensuring that employees have access to the other factors of production so that they can do their jobs at the right place and time.

**Coordinating** involves ensuring that all the factors of production work together smoothly to achieve the organizational goals.

**Motivating i**s encouraging employees to perform their task efficiently and effectively.

b. Four responsibilities of management to employees are

1. Ensuring that employees receive a fair wage in keeping with their performance.

2. Ensuring the there is safe and comfortable working environment

3. Ensuring that employees are trained so that they would be able to perform their task efficiently and effectively.

4. Ensuring that employees receive all benefits due to them including overtime pay and leave arrangements.

c. Two strategies that employees can use to urge management to consider their request for higher wages are:

1. Collective bargaining – discussion with management in which all proposals and counter proposals are addressed.

2. Industrial action – this includes sick out, go slows or work to rule.

1. a. A contract is a legally binding agreement between two or persons which is enforceable by law.

b. Differences between a simple and specialty contract include; a specialty contract must be in writing whereas a simple contract can be verbal. A specialty contract must also be signed, sealed and delivered and a simple contract need not.

c. A contract cam be terminated by

1. death – one of the parties to the contract die

2. agreement – all parties to the contract agree to end the contract.

3. lapse of time – the time frame in which the contract was to be completed is past due.

d. Two rules governing offer and acceptance are:

1. An offer must be certain in that an offer must be specific and directed to a particular person. If not it is regarded as an invitation to treat and there is no grounds for a contract.

2. Only the offeror can make an offer and only the offeree can accept the offer. Anyone else offering or accepting the terms and conditions of the contract unless authorized to do so makes the contract invalid.

1. a. Extractive production refers to primary production in which raw materials are derived from nature. Extractive production include oil production and lumber production.

Two examples of service industries in the Caribbean are the banking industry and security industry.

b. Capital intensive production is a situation where more machinery is used in the production than manual labour.

Labour intensive production is a situation where more manual or human/animal labour is used than machinery.

c. Factors to consider in the location of a gas station are:

1. The availability of customers vehicle drivers, in a high traffic area or business district.

2. The availability of good transport for raw materials and other stock.

3. Availability of sufficient land to accommodate building, parking and waiting areas.

4. The availability of proper infrastructure and utilities such as roads, drainage, water and electricity.

1. a. A **brand** is a trade mark, name or symbol attached to a product which distinguishes it

from another.

b. Two benefits of branding are:

1. It makes the product easily identifiable to consumers.

2. It distinguishes it from close substitutes and imitations.

c. The four P’s of marketing that must be considered by entrepreneurs are;

1. **Product** – This refers to what is being sold and is aimed at satisfying the consumer.

2. **Price** – This is the amount asked for the product and must include cost, market forces and pricing strategy.

3. **Place** – This is how the product will reach the consumer, the distribution channels to be used.

4. **Promotion** – How the consumer would be made aware of the product and be motivated to buy. It includes advertising, sales promotion, personal selling and public relations.

d. Ms. Mac would enjoy all the benefits of;

1. Interacting with the consumer and understanding what they want and how she can further develop her product.

2. There is no middleman and as a result all the profit belong to her.

e. Ms. Mac can use a **retailer** such as shops and supermarkets or even use a **wholesaler** since fudge is not as perishable.

1. a. The central bank can control the activities of commercial banks through the following:

1. Liquid asset requirement – the central bank stipulates the percentage of deposits that commercial banks can hold in cash and this affects their ability to lend.

2. Special deposit – commercial banks can be instructed by central to put away a specific sum which would be frozen until released by central bank. This again affect commercial banks lending ability.

b. (i) Four services of commercial banks are:

1. It provides a place to safe place to save.

2. Give loans.

3. Makes payments on behalf of customers.

4. Provides an avenue to receive payment.

(ii) Commercial banks provide a safe place to save since in a bank it is not easily lost or stolen and you can earn an interest over time. Commercial banks also provide loans which allowing qualifying customers to access additional finance for private or investment purposes.

c. (i) Short term capital is capital required for a period usually less than three years and is of a smaller quantity as compared to long term capital which is usually payable over a long period twenty to forty years and is of a large amount.

(ii) Two sources of short term capital are :

1. Overdrafts 2. Loans from commercial banks.

Two sources of long term capital are:

1. Mortgages 2. Selling shares for limited liability companies.
2. a. To avoid pollution business should develop policies to dispose of waste material and bi

products of production in a safe and harmless manner. Businesses should also try to use raw materials which are bio degradable in an attempt to limit harmful waste.

b. Government can protect customers from unfair business practices in the following ways

1. Establish laws which protect the consumer and penalize law breakers for example standards for manufacturing.

2. Establish institutions whose sole purpose is to seek the interest of consumers

and protect consumers such as the bureau of standards who ensure goods meet legal standards.

1. Develop avenues for consumers to complain about poor quality goods or services, unfair prices or inaccurate weights and measures.

c. Government can assist in the development of small business in the following ways:

1. Providing institutions to give advice and training to small business owners.

2. Providing low interest loans to small business owners to help them start their businesses.

d. Health Care – If there is an improvement in health care in a country there will be a healthier more productive workforce which would increase production and the Gross Domestic Product.

Transportation – A more efficient transportation network would facilitate the timely arrival of goods and people to and from their destinations allowing for increase productivity and more efficient use of resources.

1. a. Standard of living is a quantitative measure of the amounts of tangible goods

a person ,household or country enjoys and quality of life is a qualitative measure referring to the quality of goods and services enjoyed by a people.

b. Three measures of standard of living are:

1. Per capita income of a country.

2. The level of consumer spending.

3. The amount of construction taking place in a country.

c. Three measures of quality of life are:

1. The levels of crime in a country.

2. The state of a country’s health care services

3. The standard of education in a country.

d. Two reasons why countries trade with each other are:

1. To acquire goods that your country do not produce.

2. To acquire goods that another country can produce cheaper.

e. A tariff – is a tax placed on goods entering a country, this has the impact of reducing the amount of goods imported and money leaving the country. Thereby encouraging local production. It also negatively affects a trading relationship with trading partners who might in turn tax your exports resulting in a reduction in your exports.

Devaluation – This reduces the value of a countries currency which makes its exports relatively cheaper and imports more expensive. Export demand increases and import demand decreases, which can correct a balance of payments problem. However the price of raw materials also increase if they are imported which pushes up the prices of goods produced.

**PRINCIPLES OF BUSINESS**

**June 2008**

**Answer the THREE questions in this section**

1. (a) Identify FOUR departments of a typical business. (4 mks)

(b) Outline One function of EACH of the departments identified in (a) above (4 mks)

(c) There is an increased demand for soft drinks at Christmas time. Explain how this increased demand will affect the activities of any FOUR departments in a soft drink firm (8 mks)

(d) State TWO ways in which management can resolve conflict within the organization.

(4 mks)

**Total 20 marks**

2. (a) List TWO levels of production and explain the MAIN difference between them.

(4 mks)

(b) Outline ONE main difference between primary and secondary production, giving ONE example of EACH. (4 mks)

1. (i) Describe TWO features of cottage industries.

(ii) State ONE way in which EACH feature describe in (i) above, contributes to economic development. (6 mks)

(d) Discuss TWO ways in which linkage industries can assist in the development of Caribbean economies. (6 mks)

**Total 20 marks**

3. Flour Hills one shopping mart that purchased baked goods from a supplier in the nearest city, which is 75 miles away. In the last two weeks the owner of the shopping mart has had an unusual amount of complaints about goods being spoilt and stale.

(a) State THREE factors that influence consumer behavior. (6 mks)

(b) Identify TWO organizations in your country where consumers can seek redress for unfair treatment. (2 mks)

(c) Outline TWO possible distribution channels that can be used to deliver the baked products to the final consumer. (4 mks)

(d) Select an appropriate method of transportation for EACH of the following products giving ONE reason for your choice.

(i) Fresh flowers

(ii) Cement

(iii) Daily newspaper

(iv) Money. (8 mks)

**Section II**

**Answer Two questions in this section as indicated.**

**Answer EITHER Question 4 OR 5. DO NOT answer both.**

4. (a) State TWO reasons why an individual may want to set up a business. (4 mks)

(b) Outline THREE ways in which business contribute to the development of a community. (6 mks)

(c) Define the following terms, giving an example of EACH:

(i) Public sector

(ii) Private sector (6 mks)

(d) State TWO reasons why a government may nationalize an industry. (4 mks)

**Total 20 marks**

5. (a) State the MAIN purpose of a business plan. (2 mks)

(b) Describe the FOUR elements of a business plan. (8 mks)

(c) Identify TWO forms of collateral. (2 mks)

(d) Outline TWO reasons why bankers require collateral from borrowers. (4 mks)

(e) Explain TWO ways in which unethical business practices impact on the borrower.

(4 mks)

**Total 20 marks**

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

1. A CARICOM country, in the year 2000, experienced an increase in real Gross Domestic Product (GDP) by 2%. This resulted in an improvement in the standard of living and the quality of life enjoyed by individuals in that country.

(a) Distinguish between standard of living and quality of life. (4mks)

(b) Explain what is meant by an increase in real GDP by 2% (3mks)

(c) Outline three factors that could have contributed to an improvement in the country’s standard of living. (6mks)

(d) Describe two ways by which the Gross National Product (GNP) of a country may be measured. (4mks)

(e) Discuss hoe a country can experience an increase in real GDP without an improvement in its standard of living. (3mks)

1. CARICOM has decided to establish a Single Market and Economy for the Caribbean region.
   1. (i) Explain what is meant by ‘single market’, as it relates to CARICOM.

(3mks)

(ii) State THREE aims of CARICOM. (3mks)

* 1. Outline THREE advantages of CARICOM’s Single Market and Economy.

(6mks)

(c) Identify ONE **major** economic problem faced by Caribbean countries and discuss a possible solution to that problem. (4mks)

(d) Identify ONE social service provided by the government of your country and explain how that social service contributes to the economic development of your country. (4mks)

**Total 20 marks**

ANSWERS TO JUNE 2008

1. a. Four departments of a typical business are:
2. Production 2. Marketing
3. Finance 4. Human Resource

b. Production – To create goods which are useful to man.

Marketing – To make the customer aware of the product

Finance – To ensure all employee are paid accurately and on time.

Human Resource – To ensure that the best persons are employed.

c. An increase in demand would affect the activities of the following departments;

Production – There will be greater production and as a result an increase in activity in the production department, this would include longer hours of operation and increase raw material.

Marketing – There would be greater activity in the distribution department since a greater volume of product has to reach a larger volume of consumers.

Human Resource – This department will need to hire more employees to meet the increase in production.

d. Management can resolve conflict within an organization through;

1. Collective bargaining – Discussion between employees or trade union representatives and management.

2. Arbitration – this is where both parties request that the dispute goes before an arbiter, whose verdict both parties agree to accept.

2. a. Two levels of production are the domestic level production which is production for local or use by the country and export level production which is production for export or sale in other countries.

b. Primary production is production of an extractive nature which involves extracting resources from nature such as lumber. Secondary production uses the resources acquired from primary production to create goods useful to man such as furniture.

c. Two features of a cottage industry include;

1. It is of a handicraft nature.

2. It is a small business which takes place at home.

Its handicraft nature contributes to economic development since the products are attractive to tourist and is capable of earn and attracting foreign revenue.

As a result of its size and the fact that it is home based encourages entrepreneurs which stimulates business activity and creates employment.

d. Two ways in which linkage industries assist in economic development include:

1. Linkage industries support larger industries either by providing raw materials or as an outlet for finished goods and this promotes business activity and trade within a country or among Caribbean countries.

2. Linkage industries create employment within a country which supports the economic cycle. Employees earn a wage which is used to buy goods and services which is revenue or capital for producers to produce more goods and services.

3. a. Three factors that influence consumer behavior are:

1. Price – If the price of a product is fair and affordable consumers will buy as compared to if it is to high consumers will not buy the product.

2. Place – If consumer are able to have access to the product they may try the product.

3. Promotion – If consumers are aware of the product and are convinced that it can provide them with some benefit there is an increase chance that they will buy the product.

b. Two organization where consumers can seek redress for unfair treatment are

1. The Ministry of Health for food related complaints.

2. The Bureau of Standards for product related complaints.

c. Two possible distribution channels for bake products include:

1. Through the use of a retailer such as mini marts and supermarkets who will then sell the product to the consumer.

2. Through direct distribution in the form of your own bakery or with the use of a van door to door.

d. Appropriate methods of transportation include:

Fresh flowers – An air condition van because the van would have more space to avoid squeezing the flowers and damaging them, also to avoid wilting in the heat air condition is necessary.

Cement – A truck since it is bulky and heavy.

Daily newspaper – A van because it is enclosed and would protect it from wind and rain.

Money – A armored vehicle for security.

4. a. An individual may want to start a business to;

1. Be his own boss and not be employed by anyone so that he can make his own decisions.

2. To earn an income which is not limited to any fixed amount.

b. Business contribute to the development of a community by:

1. Creating employment in a community which can lead to a better standard of living in the community.

2. A business provides a service to people in the community in which all members of the community can benefit.

3. Business sometimes sponsor events and do charitable work in a community which help in the development of the community.

c. The Public sector is that part of the economy which is owned and controlled by government. e.g Water and Sewage.

The Private sector is that part of the economy which is owned and controlled by private individuals. e.g The Supermarket industry.

d. Government may want to nationalization an industry:

1. To ensure all citizens have access to certain vital resources such as water.

2. To ensure all citizens can afford certain vital resources such as water.

5. a. The main purpose of a business plan is to outline how a prospective business will operate and determine how financially viable it can be.

b. Four elements of a business plan include:

1. Executive summary – this is an introduction and general overview of the business which also gives a business description.

2. Production – this outlines the business products or service and what it is offering to customers.

3. Marketing – this section outline how the business intends to price the product, distribute the product, make consumers aware of the product and convince them to buy the product.

4. Finance – this section outlines how the business will acquire fixed and working capital including projected financial statements and cash flow analysis.

c. Two forms of collateral are:

1. Money in bank 2. Assets such as land or vehicle

d. Bankers require collateral:

1. To determine if borrowers are able to repay a loan and the financial stability of the borrower.

2. As a form of security if the borrower can not repay the loan the asset will be seized.

e. Unethical business practices can impact the borrower such that:

1. The borrower may not be able to acquire a loan at any financial institution.

2. The borrower may not be able to repay his loan since his business may lose customers and profit.

6. a. Standard of living is a quantitative measure of the amounts of goods

a person ,household or country enjoys and quality of life is a qualitative measure referring to the quality of goods and services enjoyed by a people.

b. An increase in real GDP refers to an increase by 2% of the total money value of all goods and services produced in a country during a one year period.

c. Three factor that could contribute to an increase in standard of living include:

1. An increase in national income which allows a population to afford better or more goods and services.

2. An increase in government expenditure especially on social services such as security, health and education.

3. A better distribution of income so that all classes of society can enjoy better quality goods and services.

d. Gross National Product can be measured through:

1. The income method which is a total of all the income earned by individuals in a country.

2. The output method which is the total money value of all production in a country including net factor income from abroad.

e. A country can experience an increase in real GDP without an increase in standard of living because:

1. The money value of the goods and services produced are low, which is the case with many primary product such as agriculture.

2. The earnings from the increase is not passes on to citizens in the form of social services and infrastructure or the distribution of income is poor and the money stay in the hands of the few.

7. a. Single market as it refers to CARICOM involves the unity of member state which includes the free movement of people, goods and capital among member countries.

Three aims of CARICOM include:

1. Free trade among member countries.
2. Cultural integration among member countries.
3. The free movement of people within member countries.

b. Three advantages of CARICOM’s single market and economy are:

1. Free trade which means goods and raw materials would be cheaper among member countries.

2. Manufacturers and producers now can enjoy a larger market for the sale of their products and may benefit from the economies of scale.

3. Free movement of people which encourages tourism within the region.

c. One major economic problem in the Caribbean is the Caribbean’s dependence on primary production as its source of revenue. A possible solution is greater capital investment through loan in the areas of technology and manufacturing.

d. A social service provided the government is free health care. This allows persons who can not afford to access health care and a healthier population is a more productive population.

**PRINCIPLES OF BUSINESS**

**JUNE 2007**

**SECTION 1**

**Answer ALL THREE questions in this section**

1**.**  Her parents were present when Daliah’s uncle promised to give her one of the most up-to-date cellphones on her eighteenth birthday. On that day, however, her uncle refused to deliver the cellphone. Daliah was so disappointed that she threatened to sue her uncle for breach of contract.

(a) Define the term ‘contract’ (2mks)

(b) State THREE essential features of a valid simple contract. (3mks)

(c) Explain the term ‘breach of contract’. (2mks)

(d) State whether Daliah would succeed if she sues her uncle. (1mk)

(e) Give a reason to justify your answer in (d) above. (2mks)

**Total 10 marks**

2. CARICOM has numerous small and micro enterprises.

(a) Identify TWO criteria used to classify a firm as small in CARICOM countries. (2mks)

(b) Outline TWO contributions that small enterprises make to the development of an economy. (4mks)

(c) Explain the term ‘cottage industry’, giving TWO examples from your country. (4mks)

3. (a) Define the term ‘market structure’. (2mks)

(b) State TWO features of EACH of the following types of market structure:

(i) Prefect competition

(ii) Monopoly (4mks)

(c) Outline TWO ways in which a monopoly supplier of cellular phones can influence the price of cellular phones. (4mks)

(d) Discuss THREE reasons why a government may intervene in a monopoly market. (6mks)

(e) Discuss TWO factors that can contribute to a fall in demand for cellular phones in your country. (4mks)

**Section II**

**Answer THREE Questions in this section as indicated.**

**Answer EITHER Question 4 OR 5. DO NOT answer both.**

1. LFJ Ltd. Manufactures and sells local fruit juices. The company is made up of several departments which carry out specific functions.

(a) State TWO functions of EACH of the following departments of LFJ Ltd:

(i) Production

(ii) Personnel

(iii) Finance

(iv) Marketing (8mks)

(b) The manager of the marketing department made a request for 500 more packages of fruit juices than were available in stock. The request made by the marketing department will affect other departments.

Explain ONE way in which EACH of the departments (a) (i)- (ii) above, may be affected by the request. (6mks)

(c) Identify TWO ways in which a team approach could benefit LFJ LTD.

(2mks)

(d) State TWO ways in which a Management Information System (MIS) can be used by the production department of LFJ Ltd. (4mks)

**Total 20 marks**

5. An employee of Luta’s Auto Repairs, a sole proprietorship, remarked that the remuneration package and incentives were good, but the leadership style of the owner was rather domineering. The only reason he continued to work there was to satisfy his basic physiological needs.

(a) List THREE characteristics of a sole proprietorship. (3mks)

(b) Explain what is meant by the following:

(i) Remuneration package

(ii) Incentives (4mks)

(c) Identify the leadership style exhibited by the sole proprietor in the scenario above, giving a reason for your answer. (3mks)

(d) Outline Two other leadership styles used by managers. (4mks)

(e) List TWO examples of basic physiological needs. (2mks)

(f) Identify TWO types of needs, other than physiological, that can be satisfied through work, and give ONE example of EACH type. (4mks)

**Total 20 marks**

**PRODUCTION AND MARKETING**

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

**6.** Soft Drinks industries worldwide are very competitive. Marketing managers in soft drink companies must avoid complacency and being too conservatives.

(a) Outline TWO practices of a ‘customer focused’ company. (4mks)

(b) State ONE reason why it is important for companies to maintain a good corporate image. (2mks)

(c) Explain TWO ways in which sales representatives can assist companies with market research. (4mks)

(d) The advent of the internet has opened up new possibilities for business:

(i) Discuss TWO ways in which marketing managers can use the world wide web to enhance business (4mks)

(ii) Identify TWO services that business can provide to customers through the internet. (2mks)

(iii) Outline TWO factors that affect e-commerce. (4mks)

**Total 20 marks**

**7.** A production manager was invited to give a presentation to students at a local high school. In her presentation, she told the students that there were various factors of production, all of which were important to the success of the production process. She elaborated on human resources as an important factor of production.

(a) Explain the term ‘natural resources’ as a factor of production. (2mks)

(b) State TWO factors of production, other than human resources and give ONE example of EACH. (4mks)

(c) Discuss TWO reasons why employers fail to train and develop their human resources. (4mks)

(d) In talking about human resources, ‘the production manager stated that the migration of employees impacted on the labour force countries.

(i) Define the term ‘labour force’. (2mks)

(ii) Outline TWO effects of migration on your country. (4mks)

(iii) Suggest TWO possible reasons for migration. (4mks)

**Total 20 marks**

**FINANCE AND INTRODUCTION TO ECONOMICS**

**Answer EITHER Question 8 OR Question 9. Do NOT answer both.**

8. Caribbean economies face a number of social and economic problems in their quest to move their countries towards economic growth and development. Two major economic problems are populations growth and unemployment.

(a) Discuss with the aid of an example, how population growth affects unemployment. (3mks)

(b) State Two types of unemployment that exist in your country and give one possible cause of each . (4mks)

(c) Suggest THREE ways in which the government of your country can reduce each type of unemployment stated in (b) above. (4mks)

(d) Identify THREE trade agreements associated with the Caribbean. (4mks)

(e) Discuss how effectively any TWO of the trade agreements mentioned in (d) above have contributed to the economic development of the Caribbean economies. (4mks)

**Total 20 marks**

**9.** In recent time the Caribbean island of Woodwater has been having problems with its financial institutions. Many customers have lost faith in the banking system and are withdrawing their money and purchasing shares on the stock market and real estate. The government through the Central bank has stepped in to prevent a collapse of the commercial banking sector.

(a) Distinguish between commercial bank and the central bank. (4mks)

(b) Outline four types of services provided by commercial banks. (4mks)

(c) Explain one way in which customers may benefit from each of the services outlined above. (4mks)

(d) Outline two differences between purchasing shares on the stock market and saving in commercial bank. (4mks)

(e) Discuss two ways in which the Central bank can intervene in the banking sector to prevent a collapse. (4mks)

ANSWERS TO JUNE 2007

1. a. A contract is a legally binding agreement which is enforceable by law.

b. A simple contract can be:

1. Verbal or written.

2. Must have offer, acceptance and consideration.

3. Need not be signed.

c. A breach of contract is where one of the parties to the contract fail to carry out his part of the agreement.

d. Daliah will not succeed in her law suit.

e. A promise is not a contract because there was no consideration, something was not given up to acquire the cellphone.

1. a. Two criteria used to classify a firm as small are:
2. Its profit must be within a particular profit range.
3. It must have a particular asset value.

b. Small enterprises contribute to the development of an economy in the following ways:

1. By providing essential services and support to larger firms.

2. By creating employment which contributes to the Gross Domestic Product of a country.

c. A cottage industry is a small business which originates at home and is of a handicraft nature.

3. a. A market structure is the way in which markets are designed or organized in order for firms to sell their products.

b. Perfect competition – A very large number of buyers and sellers.

- All buyer and seller have the same knowledge about the market.

Monopoly - Single producer or distributor.

* Can influence the market price.

c. Two ways in which a monopoly supplier of cellphones can influence price are:

1. By increasing the supply, creating a glut and forcing price down.

2. By reducing supply, creating a shortage and forcing price up.

d. Government may want to control a monopoly for the following reasons:

1. To ensure that consumers are not taken advantage of through high prices.

2. To ensure that quality standards are meet since there is no competition to motivate a monopoly to higher standards.

3. To ensure that the majority of the population have access to the good or service especially if it is a vital resource and not only those who can afford.

e. Two factors that can contribute to a fall in demand for cell phones are:

1. An increase in the price of cell phones or telecommunication rates.

2. A change in consumer taste especially if it is discovered that it is a heath risk.

4. a. Functions of the following departments:

Production – Creation of the good.

Warehousing of the good.

Personnel- Hiring employees.

Dismissal of employees.

Finance - Payment of employees wages and salaries.

Payment of debtors.

Marketing - Market research and product development.

Advertising and promotion of the product.

b. Increase demand will affect the departments in the following ways:

Production - Increase production and longer hours of work.

Personnel - Overtime for some employees or hiring additional staff.

Finance - Overtime payment and wages for additional staff.

c. A team approach can assist by:

1. Helping the job get done faster or an increase in production and productivity.

2. A greater pool of knowledge and ideas to accomplishing a task.

d. Management of Information systems can be used in the following ways:

1. To monitor stock levels and automatically update stock for the sales department.

2. To monitor production levels and raw materials used to update the purchasing department.

5. a. Three characteristics of a sole proprietorship/trader are:

1. Business is small.

2. He alone works in the business with the assistance of family.

3. He takes all the risk and puts up all the capital.

b. Remuneration package – is what is offered to the employee for performing a job which includes salary and other benefits.

Incentive – Motivation for additional work or high levels of productivity and may include bonuses and gifts.

c. The leadership style used is that of the authoritarian leadership style because the employee suggest that the sole trader was domineering.

d. Two other leadership styles are:

1. The democratic style where the manager involve employees in decision making.

2. The laissez-faire style where the manager allows employees to use their creativity and innovation to complete their jobs.

e. Two other types of need that can be satisfied through work are:

1. Safety and Security needs – a job allows the employee to earn a wage to afford shelter and clothing.

2. Esteem needs – a job allows the employee to feel a sense achievement and self respect.

6. a. A customer focused company engages in a lot of Market Research and Product Development. Market Research to find out what the consumer wants through interviews and questionnaires. Product Development to give the customer what they want.

b. A good corporate image would give the customer a positive outlook of the company and its products thereby encouraging them to buy its products.

c. Sale representatives can assist in market research by :

1. Gathering data from customers in terms of complaints and suggestions.

2. Interacting with customers and actually conducting market research informally to find out what they want, like and dislike.

d. (i) The internet can be used to enhance the business in the following ways:

1. Through advertising on popular web sites to make customers aware and encourage them to buy the product.

2. To conduct market research to gain consumer ideas and options.

(ii) A business can provide :

1. Actual sales and delivery through the use of a credit card.
2. An avenue for customer complaints and redress.

(iii) Two factors that affect e-commerce are:

1. Customers can not actually see the product and experience its first hand before making a purchasing decision.
2. Internet fraud and identity theft discourage customers.

7. a. A natural resource a anything that comes from nature and can be processed into something useful to man.

b. Two factors of production are:

Land - a building used to manufacture furniture.

Capital – cash in bank used to pay employees.

c. Employers fail to train human resource because:

1. It is costly to the business when employees can train themselves.

2. Trained employee may want to leave the business and seek better opportunities elsewhere.

d. (i) Labour force includes all persons between 16 – 60 years of age who are willing and able to work.

(ii) Two effects of migration are:

1. Brain drain – where professional and skilled labour leave the country to explore more worthwhile opportunities.
2. A reduction in production and productivity in the country as a result of labour shortages.

(iii) Reasons for migration are:

1. Instability within a country such as crime or war.
2. More lucrative opportunities such as higher wages and benefits.

8. a. Population growth affects unemployment in that in any country there are a specific range of jobs available to the population however if the population increase too rapidly and job creation cannot keep pace the result is unemployment. This is the case in larger countries such as China and India.

b. Two types of unemployment are:

1. Seasonal – some industries are not productive all year and as a result only when they are busy that jobs are created.

2. Frictional – this is the period of time in between jobs and this is as a result of choice sometimes and other time the unavailability of readily available jobs.

c. Government can reduce unemployment in the following ways:

1. Through training of the population which makes them more skilled and more eligible for employment.

2. Creating avenues for small business development in the form of low interest loans and advice to entrepreneurs.

3. Direct jobs creation by hiring residence to work on local projects and infrastructural work in a country.

d. Trade agreement associated with the Caribbean are:

1. CARICOM – Caribbean Common Market

2. CARIBCAN – Caribbean Canadian Agreement

3. ACP – African, Caribbean, Pacific.

e. CARICOM has contributed to economic development since it encourages economic integration among Caribbean countries and allows for the free movement of goods, people and capital. This encourages trade and business in the Caribbean.

ACP allows Caribbean countries to trade with the wider world which encourages competition, higher quality goods and cheaper prices. It also provides a larger market for local manufactures. This leads to a higher standard of living in the Caribbean.

9. a. The commercial bank is a financial institution which deal directly with the public providing financial services to the average citizen. The Central Bank does not interact with the public but provides services to the government and other commercial banks.

b. Four services of commercial banks are:

1. Saving services

2. Loan services

3. Payment services

4. Money dispersal services.

c. Savings – The commercial bank provides a safe place to save money and collect an interest.

Loans – Average citizens can access additional funds for personal and investment purposes when is necessary once they qualify.

Payment – The bank will deduct payments in the form of a standing order from your account as long as you request.

Money dispersal. – The bank would give you your money when you want it through its branches or automatic teller machines.

d. Saving in commercial banks earns an interest and you can be guaranteed that your money will be there when you need it. Purchasing shares is an investment which is a risk there is no guarantee that you can make a profit or even retain your investment. However the rewards are greater.

e. The Central bank can prevent a collapse in the banking sector in the following ways:

1. Providing loans to commercial banks to assist them through their financial crisis.

2. Provide financial advice to the commercial bank as well as release special deposits and regulate the interest rate to assist the banks.

**PRINCIPLES OF BUSINESS**

**JUNE 2006**

**SECTION 1**

1. John had just graduated from High School. John’s father decided to retire and transfer the owernership of his shoe store to him. After the business for one year, John decided to convert the business to a Private Limited Company.

(a) State TWO advantages John’s father enjoyed as a Sole Trader. (2mks)

(b) Explain TWO benefits John would enjoy by converting the business to a Private Limited Company. (4mks)

(c) Outline TWO ways in which the growth of the business may affect its organization.

(4mks)

**Total 10 marks**

2. (a) Outline TWO functions of an entrepreneur. (4mks)

(b) Explain THREE reasons why some entrepreneurs may prefer to keep their business. (6mks)

**Total 10 marks**

**3.** Purr Chase would like to buy goods on credit from Sales Plus Limited, a popular hardware store in her community. Nevados National Bank (NNB), the local bank, has a variety of credit plans available to assist persons like Purr Chase to make purchases.

(a) Describe THREE Types of credit methods that Nevados National Bank (NNB) can provide to enable Purr Chase to buy goods from Sales Plus Ltd. (6mks)

(b) State THREE conditions that Purr Chase Must satisfy in order to obtain a loan from NNB. (3mks)

(c) Outline THREE methods of payments of payment that Purr Chase could use to repay her loan at Nevados National Bank. (6mks)

(d) Explain TWO ways by which the Central Bank could reduce the capacity of NNB to make loans to its customers. (4mks)

(e) Identify ONE institution,that could provide Purr Chase with credit facilities similar to those provided by commercial banks. (1mk)

**Total 20 marks**

**Section II**

**Answer THREE Questions in this section as indicated.**

**ORGANIZATIONAL PRINCIPLES**

**Answer EITHER Question 4 OR 5. DO NOT answer both**

**4. PARTIAL ORGANIZATIONAL CHART OF NACTAR DRINKS LTD.**

Shareholders

Board of directors

Managing Director

Engineer

Consultant

Production Manager

ma

Sales Clerk

Sales Clerk

Marketing Manager

Sales Supervisor North

Sales Clerk

Sales Clerk

Sales Clerk

Sales Clerk

Sales Clerk

Human Resource Manager

Financial Manager

Sales Supervisor South

**a.** Statethe type of organizational structure shown above (1mk)

b. Outline two differences between an organization and an informal group (4mks)

c. (i) Define the term span of control. (2mks)

(ii) Identify the span of control of the marketing manager. (2mks)

d. (i) Explain what is meant by the term chain of command. (2mks)

(ii) The consultant has recommended changes in the sales strategy. Identify the organizational channel/path that he must use to implement the changes at the level of the sale clerk. (4mks)

e. (i) Explain what is meant by the term informal channel of communication. (2mks)

(ii) Discuss one way in which in formal channels of communication can affect the functioning of the organization. (3mks)

5. a. Name three government departments in your country. (3mks)

b. Outline two functions of each department named above. (6mks)

c. Ms. Mary want to open a private nursery school in her community. Advice her on the three government regulations that she must adhere to before starting the business.

(3mks)

d. Give one reason why each regulation identified above is important. (6mks)

e. Identify two ways in which the nursery school can contribute to the development of the community. (2mks)

**PRODUCTON AND MARKETING**

**Answer Either Question 6 OR question&. DO NOT answer both.**

6. The manager of a shoe factory has proposed to the owners that the expansion of the factory and the introduction of more modern equipment will result in the decrease in the cost of producing a pair of shoes. The expansion however will require a large injection of money into the business.

a. Define each of the following terms:

(i) Internal economies of scale

(ii) Internal diseconomies of scale. (4mks)

b. Identify two internal economies of scale. (2mks)

c. Explain how two different internal economies of scale can lead to lower cost of production. (4mks)

d. (i) Discuss one negative consequence to society of the introduction of modern factory equipment. (2mks)

(ii) Suggest two measures that can be used to reduce the negative social impact discussed above. (4mks)

e. Identify one disadvantage which may result from the expansion in the factory and suggest one way of counteracting it. (4mks)

7. Chicken producers of two Caribbean countries,Aquala and Boluda sell chicken to local hotels,fast food outlets and households. However Aquala chicken producers import feed,medicine and hatching eggs while Boluda chicken producers buy feed, medicine and hatching eggs from local suppliers.

1. Define the terms backward and forward linkages  **(2mks)**
2. Identify **TWO** backward and **TWO** forward linkages in chicken production **(4mks)**
3. Compare **THREE** benefits to be gained from a large and persistent increase in demand for chicken in the economies of Aquala and Boluda **(6mks)**
4. Discuss **TWO** reason why linkages are important to business  **4mks)**
5. Suggest **TWO** measures that the government could use to encourage the development of linkage industries and illustrate how ONE of the measures can be implemented. **(4mks)**

**FINANCE AND INTRODUCTION TO ECONOMICS**

**Answer EITHER Question 8 OR question 9. Do NOT answer both.**

8. a. Discuss three major economic problems facing Caribbean countries. (6mks)

b. Outline three ways in which the International Monetary Fund (IMF) assist Caribbean countries in solving their economic problems. (6mks)

c. Discuss three reasons why a country may decided to nationalize its major industries.

(6mks)

d. State two disadvantages a country may face if it decides to nationalize its major industries. (2mks)

9. a. Explain what is meant by National Income of a country. (2mks)

b. Discuss three ways in which a country may use the National Income data in planning for its development. (6mks)

c. Describe three ways in which the Caribbean Development Bank (CDB) assist countries within the region in alleviating their economic problems. (6mks)

d. Suggest three reason why a country engages in international trade. (6mks)

**ANSWERS TO JUNE 2006**

**1.** (a) The advantages that John’s father would enjoy operating as a sole trader are:

1. The business is easy to control and manage.
2. There is a more interpersonal relationship with customers and as a result satisfy their needs directly.

(b) Benefits of converting the business to a Private Limited Liability company are:

1. There is now limited liability which is that the debts of the

. business is limited to the assets of the business and John’s personal assets are not included.

2. The business is a separate legal entity which means that the business is not associated with John but has a name and identity of its own. As a result any legal or other implications of the business is separate from John.

(c) The growth of a business would affect its organizational structure in the following ways:

1. The organizational structure may become larger as a result of more departments within the organization.

2. There may be a greater use of staff functions in the organization to support line functions again resulting in an expansion in the organizational structure.

**2.** (a) Two functions of an entrepreneur are:

1. To take the risk and invest in the business thereby providing the business with all the necessary operating resources.

2. To organize the factors of production in manner to maximize the use of the resources and increase productivity.

An entrepreneur may want to keep his business small because:

* 1. He wants to maintain control of the business thereby making it easier to manage.
  2. There is greater flexibility with decision making allowing for quicker decisions
  3. There is an interpersonal relationship with customers which allows for the direct satisfaction of their needs.

**3.** (a) The types of credit that Nevados National Bank can provide to enable

Purr Chase to buy goods from Sales Plus are:

1. Credit Card- This facility allows customers to use a specific sum of money and pay at a later date.
2. Overdraft – If Purr Chase has a chequing account she can get an overdraft which is a maximum limit which can be used above that which is available in her account.
3. Short term loan – The bank can lend Purr Chase the amount required and she can repay monthly at a specific rate of interest for a specific period of time.
4. The conditions that Purr Chase must fulfill in order to qualify for a loan are;
   1. Credit worthiness – Purr Chase must have a good history of loan repayment.
   2. She must also have a stable job and a salary which can allow for comfortable repayment.
   3. Collateral – she must have some form of security which is greater in value than the amount borrowed.
5. Purr Chase can repay her loan by;
   1. Cash repayment monthly into the bank when the loan is due.
   2. Standing order which deducts the specific amount of the loan from her account when due.
   3. Direct debiting which allows the amount of the loan to be deducted from her salary before the money reaches her account. This is useful if her salary goes to one bank and she has the loan with another.
6. The central Bank can reduce the capacity of commercial bank to lend money by;
   1. Setting a minimum liquid asset requirement – the central bank instructs or stipulates the amount of cash the commercial bank can hold.
   2. Special deposits- The commercial bank can be instructed by central bank to put away or freeze a specific sum for a specific period of time.
7. A **credit union** can provide Purr Chase with similar credit facilities.

**4.** (a) The type of organizational chart shown above is a line and staff

organizational chart.

1. Two differences between an organization and an informal group are:
   1. An organization has a set of rules and policies and an informal group does not.
   2. An organization has a structure and an informal group does not.
2. The span of control refers to the supporting relationships and the amount of persons a supervisor supervises.

The marketing manager’s span of control includes the sale supervisors north and south it may even extend to all the sales clerks.

1. The chain of command refers to the lines of authority which exist within an organization from top to bottom.

The consultant must submit his recommendations to the Managing Director who will then forward them to the Marketing Manager who will in return pass it to the sales supervisors and finally to the sales clerks.

1. An informal channel of communication refers to the way information passes throughout the organization which are not part of company policy or established organizational procedures.

Informal channels of communication can affect an organization because it may lead to incorrect or distorted data being transferred throughout the organization. This may lead to negative effects in production and productivity.

**5.** (a) Three government departments in Trinidad are:

1. The Bureau of Standards.

2. The Environmental Management Authority

3. The Inland Revenue

1. ***The Bureau of Standards*** – To monitor the quality of goods produced in Trinidad and Tobago to ensure they meet quality and safety standards.

To accept complaints and act upon producers of dangerous and unsafe products.

***The Environmental Management Authority*** – To ensure that organizations act within the environmental laws of Trinidad and Tobago and to take action against organizations that act in breach of the environmental laws.

***The Inland Revenue*** – To distribute information to the public with reference to income tax return and to assist members of the public with the filing and completion of income tax return.

1. Government regulations which Ms Mary must adhere to with the opening of a nursery are :
   1. Qualification regulation which insist that teachers must have the appropriate training before dealing with children of that age.
   2. Health and safety in that the environment must meet safety and health standards before starting the business.
   3. Supervisory standards there must be one teacher for every five children.
2. ***Qualification regulations*** are important because children at that age require special techniques in order to effectively teach them especially at those foundation years.

***Health and Safety*** regulation are important because it ensures that the environment for the children does not hurt or injure them so that they can be comfortable and happy.

***Supervisory standards*** – Children at that age must be carefully monitored and if there are insufficient teachers then they can not be carefully supervised.

1. The nursery school can contribute to the development of the community in the following ways;
   1. The nursery school provides the foundation for students/children and it prepares the child for further learning and a community with well disciplined educated children will only develop.
   2. The school also provides employment for members of the community which increases the standard of living of the community.

**6.** (a) **(i)** The internal economies of scale describes the relationship between the

cost of production and output as the scale of operation expand. It refers to the cost advantages of expansion by one particular industry.

**(ii)** The internal diseconomies of scale refer to the disadvantages of business expansion.

1. Two internal economies of scale are:
   1. Technical economies
   2. Marketing economies.
2. ***Technical economies*** of scale refer to the advantages gained from the use of more efficient methods of production and the use and specialization of machinery. As production increases with the use of the same inputs the cost per unit of output also falls.

***Marketing economies*** are gained when production expands the business as a result buys larger quantities of raw material in bulk and benefit from bulk buying discounts. As the cost of inputs fall the cost per unit of output also falls.

(d) **(i)** A negative consequence to society with the introduction of modern factory equipment is unemployment. Unemployment affect the society in that the standard of living falls, there is increase poverty, a strain on the social services and there may even be an increase in crime.

**(ii)** This negative social impact can be reduced by the following:

1. Develop a training program for workers to use the machinery or to be employed in another part of the organization.
2. Establish a job placement program to assist persons to obtain jobs in other organizations or industries.

(e) A disadvantage of business expansion is that the business becomes difficult to manage and control. This problem may be solved with the use of more specialized staff and more departments within the organization’s structure.

**7.** (a) A **backward linkage** is where one industry has to depend on another

industry not related to it for services.

A **forward linkage** is where one industry produces the raw material for another.

(b) Backward linkages related to the chicken industry are

1. The feed industry

2. The medicine for chicken industry

Forward linkages related to the chicken industry are:

1. The hotel industry
2. Fast Food industry.

(c) Benefits to be gained from an increase in demand for chicken in the

economy are:

1. An increase in the demand for chicken will lead to an increase in exports which will result in an increase in revenue for the country.
2. There will also be an increase in employment as a result of business expansion.
3. There may be also be better social services and infrastructure as a result of an increase in government revenue.

(d) Government can encourage the development of linkages through the

following:

1. Educate business as to the benefit that can be derived from linkages and encouraging them to buy locally and use local raw material.
2. Offer tax holiday and other incentives to encourage business to take up the opportunities.

Government through the use of trade fairs and various conventions can educate businesses as to the advantages of linkages in a country.

**8.** (a) Three major economic problems facing the Caribbean are:

1. A balance of payments problem – Caribbean countries suffer from

a persistent problem whereby imports are greater than exports.

Globalization and free trade makes the importation of goods and services easier as a result making the problem worst.

2. Inflation – Caribbean countries suffer from general price increases

most of which is imported and is a result of high exchange rates

causing the prices of imported goods and services and raw

material to be high.

3. Unemployment – This problem is as a result of the balance of payment problem and inflation causing a contraction of capital and limited financing for production.

1. Ways in which the IMF can assist Caribbean countries in solving their economic problems are:
   1. Providing short term loans to countries to finance their debt or help balance their economies.
   2. It helps countries set economic targets in an attempt to assist them in reaching their economic goals.
   3. It sets out stringent guidelines for economic management forcing countries to use monetary and fiscal policies to monitor balance of payments deficits, inflation, unemployment etc.
2. A country may decided to nationalize a major industry for the following reasons:
   1. The industry may be one that the entire country is dependant upon and in the interest of providing a service for all at a price that everyone can afford it may be best to nationalize.
   2. To keep all the profit of the industry in the country which can be used for the provision of social services and infrastructure.
   3. Government can prevent foreign companies from making all the profits and repatriating it back home resulting in an out flow of capital from the economy.
3. Disadvantages of nationalization are:
   1. Government may choose to use the industry to create employment which results in inefficiency in production and reduce profitability.
   2. This action may discourage foreign investment and investors.

**9.** (a) National Income is the money value of the goods and services

produced by a country during a one year period taking into

consideration net factor income from abroad and depreciation.

1. A country may use National Income Data for planning in the following ways:
   1. As an indicator of the growth and standard of living in a country to compare against other countries and previous years so that government can have an idea as to how to adjust it policies.
   2. To see which area of the economy is weakest and which area is strongest in the economy and to allocate resources accordingly.
   3. To assess present and past plans and policies to determine which ones was most effective.
2. The Caribbean Development Bank (CDB) assist countries in the following ways.
   1. The bank provides loans to member states to provide funding for economic activity.
   2. The interest rate charged by the bank is lower than that charged by financial institutions so that debt repayment is not difficult.
   3. The country is given is grace period or an additional period of time after taking the loan to begin repayment.
   4. Provides assistance to local developmental agencies in the form of advice and even loans when handling major projects.
3. Countries engage in international trade for the following reasons:
   1. Because different countries have different resources that other countries do not possess hence the only way to acquire them is through international trade.
   2. Because of the different climates which various countries enjoy some goods grow best in particular climates hence international trade.
   3. Some countries possess the technology and has specialized in the production of certain commodities and as a result produce them best at cheaper prices hence it is more economical to import

**PRINCIPLES OF BUSINESS**

**JUNE 2005**

**Section I**

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

1. (a) Identify TWO ways by which government can regulate the setting up of business.

(2mks)

(b) What is the significance of the word, ‘Limited’, in the name of a company?

(2mks)

(c) State the MAIN purpose of EACH of the following documents:

1. Memorandum of Association
2. Articles of Association
3. Partnership Agreement (6mks)

**Total 10 marks**

2. ”The way capital and labour are combined determines the productivity of business”.

(a) Define ‘productivity’ (2mks)

(b) What is meant by ‘capital’ (2mks)

(c) Discuss THREE strategies which can be used to increase the efficiency of

labour. (6mks)

**Total 10 marks**

3. (a) Define the term, ‘supply’, in economic terms . (2mks)

(b) Explain THREE factors, other than price, that may cause an increase in .

the supply of beef. (6mks)

(c) Outline THREE factors, other than price, that may cause a decrease in the

Demand for ice-cream. (6mks)

1. Discuss THREE ways in which producers or consumers may influence the

price of cheese. (6mks)

**SECTION II**

**Answer THREE question in this section as indicated.**

**ORGANIZATIONAL PRINCIPLES**

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

4. In 10 years, the Fair Deal Supermarket (FDS) Ltd. Has grown from one shop to 8 branches. As a result of this expansion, management decided to introduce a Management Information system (MIS).

(a) What is the role of a Management Information System (MIS)? (2mks)

(b) Explain EACH of the following functions of Management:

(i) Planning

(ii) Controlling

(iii) Co-ordinating (6mks)

(c) Identify TWO problems FDS Ltd. May face, as a result of the expansion.

(4mks)

(d) State TWO ways in which FDS Ltd, can utilize MIS in its personnel department. (4mks)

(e) Outline TWO benefits which FDS Ltd, can obtain from utilizing a MIS.

(4mks)

**Total 20 marks**

**5.** (a) State THREE functions of a business. (3mks)

(b) Identify THREE differences between a market economy and a planned economy. (6mks)

(c) Name a country which has:

(i) A planned economy

(ii) A mixed economy (2mks)

(d) List THREE methods of internal communication used in an organization.

(3mks)

(e) (i) Evaluate the effectiveness of ONE method listed in (a) above. (2mks)

(ii) Outline TWO reasons why an effective communication flow is important to an organization. (4mks)

**Total 20 marks**

**PRODUCTION AND MARKETING**

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

6. “Today there is a need to diversify the economies of Caribbean territories, but the migration of skilled personnel makes this very difficult”.

(a) Explain the meaning of the terms ‘diversification’ and ‘migration’ (4mks).

(b) State THREE reasons why skilled workers migrate. (6mks)

(c ) Suggest TWO actions that the government of your country can take to discourage the migration of skilled personnel (4mks)

(d) Discuss TWO ways in which the migration of skilled personnel affects diversification. (6mks)

**Total 20 marks**

7. A firm is importing a new brand of disposable diapers for sale locally. There are many different brands available locally. You are asked for advice on marketing the product.

(a) Outline the purpose of a market research. (2mks)

(b) Discuss FOUR factors that must be considered when marketing the new product. (8mks)

(c) What is meant by ‘sales promotion’? (2mks)

(d) Justify TWO sales promotion techniques you are likely use for this product.

(8mks)

**Total 20 marks**

**FINANCE AND INTRODUCTION TO ECONOMICS**

**Answer EITHER Question 8 OR Question 9. Do NOT answer both.**

8. The countries of the Caribbean have been experiencing a number of economic problems. The result is a failure to achieve the desired economic growth and development.

(a) (i) Differentiate between economic growth and economic development.

(3mks)

(ii) Identify THREE major economic problems facing Caribbean countries. (3mks)

(b) Outline THREE factors that may cause your country to experience economic growth. (6mks)

(c) State TWO ways in which education can help in the economic development of your country. (4mks)

(d) Discuss TWO benefits of foreign investment to your country. (4mks)

**Total 20 marks**

**9.** The following information was taken from the final accounts of Tropicalo, a country in the Caribee Isles. The figures are quoted in US ($M).

**United States dollars**

Visible trade

Exports 24000

Imports 26000

Invisible (net)

Exports 20000

Imports 15000

1. (i) Difference between a county’s terms of trade and its balance of trade. (3mks)

(ii) Calculate Tropicalo’s balance of trade using the figures given above.

(2mks)

(b) Calculate Tropicalo’s current account balance using the figures given above

(3mks)

(c) Identify TWO ways in which a country may have a surplus on its current account. (4mks)

(d) (i) Explain what is meant by ‘balance of payments’. (2mks)

(ii) Discuss THREE ways by which a country would be able to finance the deficit in its balance of payments. (6mks)

**Total 20 marks**

***ANSWERS TO JUNE 2005***

**1.** (a) Government can regulate the setting up of business through:

1. Laws

2. Taxes

1. The word limited in the name of a company is there to show that the company has limited liability, this means that the debts of the company is limited to the assets of the company and the company is a separate entity from its owners.
2. The main purpose of :
   1. Memorandum of Association – To show the external relationship of the company such as : Name of company, address of company and objectives of the company.
   2. Articles of Association – To show the internal rules of the company such as Name of directors, voting procedure, rights of share holders etc.
   3. Partnership Agreement – This document defines the relationship among partners and includes the name of the partners, the investment of each partner, the responsibilities of each partner and how profits will be shared.

**2.** (a) Productivity is production per unit of input and it is a measure of

efficiency of the factors of production.

1. Capital refers to assets or money which can be used to initiate or improve production.
2. Strategies which can be used to increase the efficiency of labour are:
   1. Specialization – This is the division of labour whereby every one does the job best suited for him. Whereby skill and competencies are used to determine the job you do.
   2. Motivation – Strategies such as bonuses, recognition and time off can be used to encourage workers to perform at their best.
   3. Training – If a worker is trained he will be better able to perform his task thereby increasing efficiency.

**3.** (a) Supply is the willingness and ability of a manufacturer to produce a

particular product at a particular price at a particular point in time.

1. Factors which may cause an increase in the supply of beef are :
   1. A change in the price of other goods for example if the price of lamb falls producers may decide to shift production from lamb to beef.
   2. Improve techniques and the use of technology in farming can lead to an increase in the supply of beef.
   3. Entry of new firms into the industry such as more farmers rearing cattle.
2. Factors which may cause a decrease in the demand for ice cream are :
   1. Changes in the price of other goods such as a reduction in the price of yogurt.
   2. Change in consumer taste away from ice cream towards yogurt for health reasons.
   3. Changes in income- ice cream is a luxury good and a reduction in income may result in greater expenditure on necessitates.
3. Three ways by which producers or consumers can influence the price of cheese are:
   1. Consumers can withhold their demand thereby creating an artificial glut and forcing prices down.
   2. Producers can withhold supply thereby creating a shortage and forcing prices upward.
   3. Producers can increase supply thereby creating a glut and forcing prices down.

**4.** (a) The role of MIS is to support decision making by producing summarized.

and standard reports.

(b) Planning – This is the process by which the manager prepares for the future. Management set goals and objectives and is guided by the mission statement of the business when doing so.

Controlling – This is the process of checking and measuring how activities are being carried out in the business and steering them towards meeting the goals of the organization.

Co – ordinating – This is where the manager ensures that all the factors of production are working together smoothly to achieve optimum results.

(c) Problems FDS may face as a result of expansion are:

* 1. The business may become to large to control and reduce productivity and inefficiency may result.
  2. Management of employees may become difficult with reference to pay, training and leave arrangements as a result a personnel department may become necessary.

1. FDS can use MIS in its personnel department to:
   1. To create an employee data base so that at any time management can derive information on an employee such as name, age, training and experience.
   2. To create standard reports as to employee punctuality and regularity in any week or month.
2. Benefits of MIS are:
   1. Decision making is made easier because information is readily available.
   2. A standardized system is put in place so that information is consistent and regular.

**(5)** (a) The functions of a business are:

1. The creation of goods and services.

2. To employ, train and promote workers.

3. Marketing and sales of goods and services.

1. Three differences between a market and a planned economy are :
   1. In a market economy decision making is not controlled whereas in a planned economy it is.
   2. There is little government intervention in a market economy as compared to a planned economy in which there is total government control.
   3. In a planned economy income is evenly distributed whereas in a market economy it is uneven.
2. Planned economy – Cuba

Mixed economy – Trinidad and Tobago

1. Three methods of internal communication in a business are ;
   1. Formal Meetings
   2. Memorandums
   3. Notice Boards

(e) (i) Formal meetings are an effective communication tool because there is the direct transfer of information to a large number of staff members at any one point in time.

(ii) Effective communication is important in a business because:

1. All employees will know exactly what they are required to do how and when.

2. Management can get feedback from employees and customers as to what is required to improve operations.

**6.** (a) **Diversification** occurs when a business wishes to offer other lines of products or services in addition to what it is currently offering.

**Migration** refers to the difference between immigration and emigration i.e persons leaving and entering a country.

1. Reason why workers migrate:
   1. For better job opportunities
   2. For a better salary
   3. To enjoy a higher standard of living
2. Government can discourage the migration of skilled personnel by:
   1. Providing greater salaries and benefits which meet international standards.
   2. By providing incentives such as promotional opportunities or fringe benefits.
3. Migration of skill personnel affect diversification in the following ways:
   1. When skilled personnel migrate they take with them their knowledge and experience (brain drain) as a result if a business wishes to enter a new field of operations it may not have the personnel with the expertise in that particular area to do so.
   2. When skilled personnel migrate current business operations/production is affected and as a result if a business has plans to diversify it may not be able to do so.

**7.** (a) Market research allows the marketer to:

1. Gather information about a particular marketing problem such as the best

price to sell a product at.

2. Allows the marketer to analyze the particular problem a derive solution for the problem.

(b) Four factors that must be considered when marketing a new product are:

1. **Product** – The type of good such as quality, size, design and packaging and if consumers would want these particular qualities.

2. **Price** – The best price to sell the product at which will attract consumers.

3. **Promotion** – The best way to make consumers aware of the product and encourage them to purchase it.

4. **Place** – The best channel of distribution for the product i.e retailer, wholesalers or directly to consumers.

1. Sales Promotion is a short term incentive aimed at encouraging sales.
2. Sales promotion techniques which can be used for a new brand of disposable diapers are:
   1. Free samples – this will make consumers aware of the product and allow them to judge for themselves its quality.
   2. Free gifts attached to the product may persuade consumers to try the product such as baby oil etc.

**8.** (a) (i) **Economic growth** is defined as the overall expansion of the economy in

terms of its gross national product. It measures quantitative increases in the economy. **Economic development** measures the quality of life in terms of standard of living.

(ii)Three major economic problems facing the Caribbean are:

1. Increasing National Debt
2. A Balance of Payment deficit
3. Reduce foreign investment.
4. Three factors that may cause a country to experience economic growth are:
   1. An increase in production in the country which is reflected in an increase in GNP and National Income.
   2. An increase in exports which results in an increase in revenue for the country.
   3. An increase in foreign investment will lead to an increase in production within a country which would be reflected in the countries national income figures and is a symbol of economic growth.
5. Education can help in the economic development of the country in the following ways:
   1. Education will allow the population to attain better, higher paying jobs and as a result be able to increase the standard of living of the country.
   2. Education will allow the population to develop various expertise and technologies in production thereby increasing productivity and economic development.
6. Benefits of foreign investment are:
   1. Foreign investment allows the country to increase its production thereby the country can earn revenue via taxation or export.
   2. Foreign investment through an increase in production also increases employment within the country.

**9.** (a) (i) **Terms of trade** measures the difference between a country’s imports and exports of goods with a trading partner where as the **balance of trade** measures the difference between a country’s imports and exports of goods with all its trading partners.

(ii) Visible imports – Visible exports = Balance of trade

26000 - 24000 = 2000

(b) Current Account Balance

Visible = (2000)

Invisible = 5000

= 3000

(c) A country may have a surplus on its current account if

* 1. Visible exports are greater than visible imports.
  2. Invisible exports are greater than invisible imports.

(d) The balance of payments is a financial account which determines a country’s indebtedness with its trading partner.

1. A country can finance a balance of payments deficit in the following ways:
   1. Borrowing from financial institutions such as the IMF or World Bank
   2. Sell assets owned by the country such as land or businesses.

**PRNCIPLES OF BUSINESS**

**June 2004**

**SECTION I**

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

1. (a) State THREE differences between a centrally planned economy system and a market driven economy system. (3mks)

(b) Identify THREE differences between the private sector and the public sector.

(3mks)

(c) State TWO legal requirements which a public limited company must satisfy before operating as a business. (4mks)

**Total 10 marks**

2. Small firms have always played an important part in the economic life of most countries. In the Caribbean these small firms are regarded as the engine that fuels the economy.

(a) List THREE benefits which Caribbean countries obtain from small firms.

(3mks)

(b) List THREE ways in which small firms are different from large organizations.

(3mks)

(C) State FOUR features of cottage industries. (4mks)

**Total 10 marks**

3. Mary operates a coffee shop on the island of little Bay. One month ago a second coffee shop was opened on the island by Susan. Mary fears that there may be a deadline in the demand for the coffee from her shop.

(a) Define the terms ‘demand’ and ‘supply’ (2mks)

(b) List TWO factors that may affect the demand for coffee sold by Mary.

(2mks)

(c) (i) Name the market structure under which Mary operated before the opening of the coffee shop by Susan. (2mks)

(ii) State TWO characteristics of the market structure identified in (c) (i) above. (4mks)

(d) (i) Name the market structure under which Mary operated after the opening of the coffee shop by Susan. (2mks)

(ii) State TWO characteristics of the market structure identified in (d) (i) above. (4mks)

(e) What effects can the opening of the coffee shop by Susan have on the price of coffee sold by Mary? (4mks)

**Total 20 marks**

**SECTION II**

**Answer THREE questions in this section as indicated.**

**ORGANIZATIONAL PRINCIPLES**

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

4. Tasty Fruit is a manufacturer of several types of exotic tropical fruit juices. Without consultation, Mr Albert, the General Manager, took a decision that with immediate effect all breaks would be reduced from 15 minutes to 5 minutes. He claimed that the change became necessary to enable the factory to process a larger amount of fruit juices daily.

(a) What type of leadership style did Mr. Albert appear to be practicing? (2mks)

(b) (i) Name TWO other leadership styles. (2mks)

(ii) Describe ONE of the leadership styles you named in (b)(i) above(2mks)

(c) Identify TWO situations that can result from the action taken by Mr Albert.

(4mks)

(d) (i) State FIVE qualities of a good manager. (5mks)

(ii) Give an example to show how lack of one of the qualities you mentioned at (d)(i) above can affect the operation of the factory. (2mks)

(e) State THREE responsibilities of management to its employees. (3mks)

**Total 20 marks**

5. David displayed a ‘for sale’ sign on his second-hand Toyota motor car. A telephone contact number was also included. Luton saw the sign and called David.

Luton: Do you have a Toyota car for sale?

David: Yes I do.

Luton: What is the lowest price you will accept for it?

David: $30000.

The next day Luton brought $30000 to David and demanded the keys to the Toyota car. David refuses to take the $30000 or to hand over the car to Luton. Luton threatened to sue David for breach of contract.

1. Define the term ‘contract’ (2mks)
2. State FIVE features of a valid contract. (5mks)

(c) (i) Did David Make a Firm offer by saying that the lowest amount he will accept for the car is $30000? (1mk)

(ii) Give ONE reason for your answer (2mks)

(d) (i). Explain the term ‘breach of contract’ (2mks)

(ii) Give ONE remedy for breach of contract. (1mk)

1. State FOUR ways by which a contract can be terminated or discharged

(4mks)

(f) (i) Advise Luton whether he will succeed in court against David. (1mk)

(ii) Give ONE reason for your advice. (2mks)

**Total 20 marks**

**PRODUCTON AND MARKETING**

**Answer Either Question 6 OR question&. DO NOT answer both.**

6. (a) State TWO ways in which a country benefit from tourism. (2mks)

(b) State Two disadvantages of tourism. (2mks)

(c) Discuss THREE advantages and THREE disadvantages to Caribbean countries if tourism advertisements represent the region as a whole instead of individual territories.

(12mks)

(d) State TWO methods other than advertising that a country can use to promote its tourism products. (4mks)

**Total 20 marks**

**7.** Mark Brown is planning to set up an entertainment park for children and adults on a site outside the capital of the country. He is presently conducting marketing research.

(a) What do you understand by the term ‘marketing research’? (2mks)

(b) List SIX different types of information Mark Brown should get before setting up the entertainment park. (6mks)

(c) State the importance of any THREE types of information listed in (b) above to the success of the business. (6mks)

(d) Identify THREE sources from which Brown may obtain the required information. (6mks)

**Total 20 marks**

**FINANCE AND INTRODUCTION TO ECONOMICS**

**Answer EITHER Question 8 OR question 9. Do NOT answer both.**

8. (a) (i) State TWO purposes of taxation. (4mks)

(ii) Distinguish between ‘direct’ and ‘indirect taxation’. Give an example

of EACH type. (4mks)

(b) Define the term ‘standard of living’. (2mks)

1. The following activities have been found to contribute to the destruction of the environment.

* Manufacturing
* Tourism
* Use of chemicals in agriculture production.

(i) State ONE way in which EACH of the following above activities affects the environment. (6mks)

(ii) State TWO measures which can be taken to protect the environment.

(4mks)

**Total 20 marks**

9. Over the years, Caribbean countries have worked hard to develop their economies through the establishment of a number if institutions and trade agreements.

1. Identify TWO MAJOR economic institutions which operate in the Caribbean.

(2mks)

(b) State ONE MAJOR function of EACH economic institution identified in (a) above. (4mks)

(c) (i) What do you understand by the term ‘economic dualism’. (2mks)

(ii) State TWO effects of economic dualism on a country. (4mks)

(d) Differentiate between ‘savings’ and ‘investment’. (4mks)

(e) State TWO reasons why foreign investment is important to Caribbean countries. (4mks)

**Total 20 marks**

ANSWERS TO JUNE 2004

**1. (a)** **Differences between a planned economy and a market driven economy are:**

1. In a planned economy the state owns and controls the factors of production and all business enterprise whereas in a market drive economy private individual own and controls the factors of production and business.
2. In a planned economy the state determines what is produced and how much whereas in a market economy market forces determine what and how much is produced.
3. In a planned economy there is even distribution of income as compared to the inequality which exist in a market economy.

**(b)** **Differences between private sector and public sector are:**

1. Private sector owned by private individuals whereas the public sector is owned by the state.
2. Pubic sector exist for the benefit of the citizenry whereas the private sector exist to make a profit.
3. Private sector obtains capital from loans,personal savings and selling shares whereas the public sector is funded by the government.

**(c)** **Two legal requirements that a public company must satisfy are:**

1. A Certificate of trading which allows the public company to trade on the stock exchange.
2. A Prospectus which advertises the shares being offered for sale on the stock exchange and gives general information about the company and its performance.

**2.** **(a)** **Benefits from small firms to Caribbean countries are:**

1. They create employment and help the unemployment problem.
2. They foster business activity, provide revenue for the government through taxes and provide a service to many communities.
3. They provide support and sometimes raw materials for large firms.

**(b)** **Small firms are different from large firms in that:**

1. The initial and working capital of small firms are limited whereas large firms have a greater capital base.
2. Large firms have greater cost as a result of more machinery and employees as compared to small firms.
3. Large firm benefit from the economies of scale whereas small firms do not.

**(c)** **Four features of a cottage industry are:**

1. Simple machines and tools are used in the production process.
2. Small initial capital is required as compared to other industries.
3. Production is carried out in the home.

**3. (a)** Demand is the willingness and ability the purchase a product at a particular price at a particular point in time.

Supply is the willingness and ability the produce a particular product at a particular price at a particular point in time.

**(b)** **Two factors that may affect the demand for coffee sold by Mary are:**

1. Competition may cause Mary to lose some of her customers and as a result the demand for her coffee.
2. The price of the coffee sold by the other coffee shop, if the price is lower Mary may lose some demand.

**(c)** **(1)** The market structure Mary operated under is a **monopoly**

**(11)** **Two characteristic of this market are:**

1. Mary is the sole producer and supplier of coffee
2. Mary is the price setter, she determine the price coffee is sold at.

**(d)** **(1)** After the opening of the other coffee shop Mary is operating under a **duopoly**

**(11)** **Two characteristics of this market structure are:**

1. There are only two firms in the industry.
2. Market forces determine the price and firms are price takers.

**(e)** The coffee shop opened by Susan can only serve to decrease the price of coffee, because competitors may reduce price in order to gain market share. The result may also be a glut (excess supply) on the market which force prices down.

**4.** **(a)** The leadership style practiced by Mr. Albert is an Authoritarian style.

**(b)** **(1)** Two other leadership styles are the **Democratic and Laissez-faire**

**(11)** The Democratic leadership style involves the leader being very inter-personal and highly communicative. The leader involves all employees in the decision making process. The aim is to get worker more involved and persuade them to get the job done.

**(c)** **Two situations that can result from the action taken by Mr. Albert are**

1. Workers may decided to rebel passively in the form of go-slows, sick-outs or overtime bans
2. Workers may adopt a more aggressive form of showing their displeasure by involving their trade union and engaging in strike action.

**(d)** **(i)** **Five qualities of a good manager are:**

1. The manager motivates
2. The manager communicates regularly with workers
3. The manager plans effectively
4. Is flexible when handling problems
5. Makes and carries out intelligent decisions.

**(ii)** If the manager does not motivate his workers they may not be inspired to go the extra mile and would not take pride in their work the result is that productivity levels will begin to fall.

**(e)** **The responsibility of management to employees are:**

1. To provide fair wages
2. To provide proper working conditions
3. To provide means of motivating workers.

**5. (a)** A contract is a legally binding agreement made by two or more persons and is enforceable by law.

**(b)** **Five features of a valid contract are:**

Offer and acceptance, Consideration, Genuineness, Capacity, Legality

**(c)** **(1)** Yes. David did make a firm offer.

**(11)** David made a firm offer because he verbally expressed the desire to accept $30,000 for the car. Which creates the grounds for a verbal contract.

**(d)** **(1)** The term breach of contract means that one party to the contract failed to carry out or complete their part of the contract.

**(11)** One remedy for a breach of contract is compensation for any losses through court action.

**(e)** **A contract can be terminated or discharged by:**

1. Performance- The contract has been completed
2. Agreement – both parties agree to cancel the contract
3. Breach – One party fail to carry out their part of the contract.
4. Lapse of time – failure of one party to complete their part of the contract in a reasonable time.

**(f)** **(1)** No Luton will not succeed in court against David.

**(11)** He will not succeed because the offer is difficult to prove and the sale of a vehicle is a specialty contract which must be in writing because there is a deed of ownership.

**6.** **(a)** **Two ways that a country can benefit from tourism are:**

1. Foreign exchange is earned since tourist spend their currency.
2. Many small businesses exist especially cottage industries to satisfy the needs of tourist. Hence a reduction in unemployment.

**(b)** **Two disadvantages of tourism are:**

1. There is sometimes the importation of disease which natives are not resistant against and the result is widespread infection and in some cases death.
2. Tourism is a seasonal industry and as a result there is not sustainable employment and development.

**(c)** **Advantages of group tourism advertisement are:**

1. There are cost savings since all countries would contribute to the cost of advertising.
2. Countries that are unable to afford advertising can now access advertising for their country.
3. Countries that are not tourist oriented benefit from the publicity and may enjoy increased tourism as a result.

**Disadvantages of group tourism advertising are:**

1. Some countries may be overshadowed by tourist oriented destinations.
2. Individual countries may not enjoy the amount of publicity that they need.
3. Cost may be shared equally but the benefit may not since tourist may focus on countries specifically geared towards tourism and not visit the other countries of the Caribbean.

(d) **Other methods of advertising are:**

1. Sales promotion such as packages to visit particular countries with all meal and tours.
2. Personal selling such as friendly, welcoming and attentive service.

**7. (a)** Market Research may be defined as the systematic and continuing study and evaluation of all factors bearing on any business operations which involve the transfer of goods from producer to consumer.

**(b)** **Six types of information that mark Brown should get before starting are:**

1. Pricing information-What prices are consumers prepared to pay.
2. Market information – The average size of the market and a target market.
3. Competitor information- are there any competitors if so how many and how close.
4. Product information – What type entertainment do the consumers want.
5. Advertising information – What is the most effective form of advertising.
6. Cost information – What is the average cost of set up and day to day operations in the business.

**(c)** **The importance of the information are:**

1. Pricing information would give the investor any idea of how much consumers are willing to pay and how often hence it will assist in determining if it is profitable.
2. Cost information would the investor an idea of the total cost of operations and set up. Hence the investor could determine if he could afford and if it is worthwhile to invest.
3. Competitor information – This will give the investor an idea of how many competitors, type of competitors, their market share and their proximity to his potential site.

**(d)** **Three sources from which Brown may obtain the required information are:**

1. Primary research such as interviews and surveys
2. From previous research completed
3. Secondary sources such as books, company memos and documents and magazines.

**8.** **(a)** **(i)** **Two purposes for taxation are:**

1. To finance government expenditure.
2. To reduce the consumption of undesirable products.

**(ii)** A direct tax is one in which the burden of the tax fall directs apon the person it is levied. An indirect tax is the burden of the tax fall apon different individuals.

**(iii) Standard of Living** is defined as the quality and quantity of consumer goods and services that those persons in a country consider as fitting and proper for themselves. It measures the quality of life.

**(b)** **(i)**  Manufacturing may affect the environment since it may lead to pollution of the air and water as industry attempts to get rid of it by-products of production.

Tourism may affect the environment since it may encourage the spread to disease, bacteria and dangerous insects between countries via people and what they carry.

Chemicals in agriculture may lead to a deterioration of the soil and seepage into waterways which may affect drinking water and aqua life including fishes.

**(ii)** **Two ways in which the environment can be protected are:**

1. Through law and legislature against pollution and the proper disposal of industrial waste.
2. To set up environmental agencies to monitor industries and pollution in general.

**9. (a) Two major economic institutions which operate in the Caribbean are:**

1. **CARICOM-** Caribbean Common Market
2. **CDB –** Caribbean Development Bank

**(b)** A major function of CARICOM is **To foster economic cooperation among member states through free trade.**

A major function of the CDB is **To help member states of the region carry out their development plans.**

**(c)** **Economic dualism** is the division of an economy into two different sectors one which is technologically advanced and the other which is technologically backward.

**The effect of economic dualism** is that there is a widening of the economic classes in society the very rich and the very poor as a result of uneven distribution of income. There is also large government expenditure in the technological backward area since it can not support itself.

**(d) Savings is** that part of the income not spent whereas investment is spending over a given period on the production of capital goods.

**(e)** **Two reasons why foreign investment is important are:**

1. Caribbean countries may not have the capital to maximize the use of its resources hence encouraging foreign investment is best and government can earn revenue through taxes.
2. Foreign investment helps create employment and train local citizens to use international technology.

***PRINCIPLES OF BUSINESS***

***JUNE 2005***

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
   * 1. II only
     2. IV only
     3. I and II only
     4. 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 JUNE 2005***

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

***Principles of Business***

***JUNE 2006***

PAPER I - 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 JUNE 2006***

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

PRINIPLES OF BUSINESS

PAPER I - MULTIPLE CHOICE

# **June 2000**

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 JUNE 2000

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.A

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.A 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

***PRINCIPLES OF BUSINES***

***JUNE 2003***

PAPER I - MULTIPLE CHOICE

1. Which of the following statements describes the functions of a business?
   * 1. Production of goods and services
     2. Creation of jobs
     3. Maximization of sales
     4. Education of workers
        1. 1,11 and 111
        2. 1,11 and 1V
        3. 1,111 and 1V
        4. 11,111 and 1V
2. Which of the following conditions operated under the barter system
   * + 1. All households were self sufficient
       2. The rate of exchange is fixed
       3. Goods were used as a means of exchange
       4. Determining the value of an item was easy
3. Broad policies for Public and Private Companies in the Private Sector are formulated by the
   * + 1. Shareholders
       2. Board of Directors
       3. Company Secretary
       4. Managing Director
4. In a public limited company the ordinary shareholders collect their dividends
   * + 1. Before those holding preferred shares
       2. Before those holding debentures
       3. After those holding deferred shares
       4. After those holding preferred shares
5. A line relationship in an organization is one in which
   * + 1. Exist between a senior officer and his subordinate
       2. Is not connected by intermediary officers or other senior personnel
       3. Exist between the manager and is connected directly to his employees
       4. Involves only one supervisor
6. What is the best suggestion to a sole trader whose business is expanding too rapidly for his to control
   * + 1. Purchase more cash registers.
       2. Institute a self-service system.
       3. Increase the stock available.
       4. Set up departments with managers.
7. In a large organization if workers are dis-satisfied about working conditions the trade union representative first action would be to
   * + 1. Have discussions with the personnel officer.
       2. Advise employees to adopt go-slow tactics.
       3. Plan for strike action.
       4. Request a meeting with the board of directors.
8. Which of the following methods can be used to improve the communication flow within an organization

Suggestion schemes

Films and film strips

Staff memos

Notice boards

1. 1,11 and 111 only
2. 1,11 and 1V only
3. 11,111 and 1V only
4. 1,11,111 and 1V only

Items 9-11 are based on the diagram below, which shows a section of a typical organizational chart for a manufacturing company.

Board Of Directors

(1)

Managing Director

General Manager

(2)

(3)

Marketing Manager

Chief Account

Production Manager

(4) (5) (6)

1. The relationship between the highest level of management down to the various departments is known as
   * + 1. Rank
       2. Line
       3. Staff
       4. Flow
2. The managerial function performed at level 2 is known as
   * + 1. Judicial
       2. Delegatory
       3. Procedural
       4. Promotive
3. The managerial function performed at level 3 is best described as
   * + 1. Disseminatory
       2. Communicative
       3. Executive
       4. Consultative
4. Which of the following statements describe the functions of management?
   * 1. Co-ordinating the work of employees.
     2. Delegating work to employees.
     3. Controlling employees and raw materials.
     4. Ensuring that employees join a trade union.
        1. 1 and 11 only
        2. 11 and 111 only
        3. 1,11 and 111 only
        4. 11,111 and 1V only
5. Mr. Gyan the manager of Z Co. is always too busy to discuss problems with workers and to listen to suggestions from his employees. His leadership style can be described as
   * + 1. Authoritarian
       2. Democratic
       3. Laissez-faire
       4. Bureaucratic
6. Which of the following policies adopted by management is MOST likely to ensure worker moral?
   * + 1. Employees should take part in decision making on an ongoing basis since every employee has duties and responsibilities.
       2. Supervisors should make decisions when they are directed to do so by the general manager.
       3. The general manager should make all decisions because he is responsible for the performance of all employees.
       4. Decisions made by the top manager and his advisors must be carried out by employees and directed to ensure that there will be no breakdown in work procedure.
7. Which of the following elements is not a requirement of a simple contract?
   * + 1. Consideration
       2. Legalization
       3. Acceptance
       4. Offer
8. Which of the following situations would occur if a contract for the sale of goods becomes void?
   * 1. The prospective buyer becomes the owner.
     2. The seller has the right to keep any money or goods, which have been given to him in this transaction.
     3. The prospective buyer does not become the owner.
     4. The seller must return any money or goods given to him by the prospective buyer for the transaction.
        1. 11 and 111 only
        2. 111 and 1V only
        3. 1 and 1V only
        4. 1,11 and 1V only
9. According to the law of contracts, a contract has not been effected until
   * + 1. There has been an exchange of money between the contractual parties.
       2. The acceptance of the offer has been made before witnesses.
       3. Consideration has been made with respect to the contract.
       4. Both parties have received copies of the contract document.
10. Which of the following contract must be evident in writing?
    * + 1. Purchase of a bus ticket
        2. Purchase of a radio
        3. Purchase of a lot of land
        4. Purchase of a car for cash
11. Which of the following is not a natural resource of the Caribbean?
    * + 1. Gold
        2. Bauxite
        3. Coal
        4. Timber
12. Money used for everyday operations of a business is called
    * + 1. Fixed capital
        2. Nominal capital
        3. Floating capital
        4. Working capital
13. A switch to capital intensive methods of production in a country might, in the short run result in
    * + 1. Increase unemployment
        2. Increase output
        3. Reduced output
        4. Reduced unemployment
14. Wealth set aside for the production of further wealth is termed
    * + 1. Banking
        2. Commerce
        3. Capital
        4. Saving
15. What is the most likely effect on a developing economy when professional and skilled labour migrate to developed countries?
    * + 1. Unskilled labour can demand higher wages.
        2. The demand for skilled labour and professional services will decrease.
        3. Unskilled labourers can work harder.
        4. Production levels of goods and services will decrease.
16. The person responsible for bringing together and organizing the factors of production is the
    * + 1. Trade Unionist
        2. Entrepreneur
        3. Manager
        4. Financier
17. Which of the following are classified as primary industries?
    * 1. Farming
      2. Services (direct and commercial)
      3. Manufacturing
      4. Mining
         1. 1 and 11 only
         2. 1 and 1V only
         3. 11 and 1V only
         4. 1,11,111 and 1V
18. Which of the following are examples of extractive industries?
    * 1. Mining
      2. Refining
      3. Fishing
      4. Agriculture
         1. 1,11 and 111 only
         2. 1,11 and 1V only
         3. 1,111 and 1V only
         4. 11,111 and 1V only
19. Which of the following is an example of an extractive type industry?
    * + 1. Transport
        2. Fishing
        3. Tourism
        4. Refining
20. Which of the following LEAST affect the location of an extractive industry?
    * + 1. Proximity to sources of raw material.
        2. Availability of an abundant labour force.
        3. Proximity to large shopping areas.
        4. The presence of good roads and drainage.
21. In the Caribbean many people are hired for sugar cane farming and very little equipment is used. This industry can best be described as
    * + 1. Labour intensive
        2. Having low capital output
        3. Having high capital output
        4. Capital intensive
22. Which of the following activities are involved in the field of marketing?
    * 1. Sales promotion
      2. Public advertising
      3. Packaging and selling
      4. Distribution and decisions
         1. 1 and 11 only
         2. 111 and 1V only
         3. 11,111 and 1V only
         4. 1,11,111 and 1V
23. Which of the following documents gives the name of the ship and full particulars of the shipment of goods.
    * + 1. Bill of Sale
        2. Bill of Lading
        3. Way Bill
        4. Broker’s Bill
24. Which of the following is least likely to be described as good public relations for a company.
    * + 1. The offering of scholarships
        2. Reduction in price to retailers
        3. Sponsorship of a steel band
        4. Hosting of an annual sports event
25. Which of the following is a hire purchase agreement?
    * + 1. An individual has a record player he plans to use at dances for a fee.
        2. An individual contracts to rent a television for three years.
        3. An individual pay a portion of the cost of an article, possess it and continues to pay a specific sum at specific periods.
        4. An individual buys an article, pays part of the cost and gets the article when the final balance is paid.
26. A firm expands to achieve internal economies of scale because it wants to
    * + 1. Increase cost of production
        2. Increase workers wages
        3. Decrease the quantity of goods it produces
        4. Decrease its cost per unit
27. In which of the following types of trade can the hire purchase method of buying be used?
    * + 1. Wholesale trade
        2. Retail trade
        3. Import trade
        4. Foreign trade
28. All persons can be called consumers because they
    * + 1. Use goods
        2. Have wants
        3. Satisfy themselves
        4. Buy goods
29. In which of the following situations would a credit note be sent to the buyer?
    * 1. The buyer is overcharged.
      2. The buyer is undercharged.
      3. Some of the goods are damaged.
      4. Some of the goods are returned.
         1. 1 and 111 only
         2. 11 and 111 only
         3. 11 and 1V only
         4. 1,111 and 1V only
30. In which order in the marketing process would the following MOST likely occur?
    * 1. Advertising
      2. Preparation of production
      3. Market research
      4. Sales
         1. 1,11,111,1V
         2. 111,11,1,1V
         3. 111,11,1V, 1
         4. 1V, 11,111,1
31. Which of the following documents would have been used by a ship owner who agreed for a sum of money, to provide a ship to carry a shipment of cargo from one port to another?
    * + 1. Import license
        2. Bill of lading
        3. Charter party
        4. Airway bill
32. Which of the following documents would give title to goods?
    * 1. A bill of sale
      2. A bill of materials
      3. A bill of lading
      4. A bill of sight
         1. 111 only
         2. 1 and 111 only
         3. 11 and 1V only
         4. 111 and 1V only
33. The bank account which allows a customer to make payments by cheque is the
    * + 1. Current account
        2. Savings account
        3. Deposit account
        4. Capital account
34. Which of the following refers to the type insurance taken out by a firm specifically to cover it against theft by employees?
    * + 1. Group insurance
        2. Fidelity bond insurance
        3. Marine insurance
        4. Comprehensive cover insurance
35. 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 loan to private individuals and companies.
      4. Helping to regulate the money supply of a country.
         1. 1,11, and 111 only
         2. 1,11 and 1V only
         3. 1,111 and 1V only
         4. 11,111 and 1V only
36. Which of the following cannot be used as collateral for obtaining a loan from a financial institution?
    * + 1. A mortgaged home with insurance coverage.
        2. An insurance policy with a cash value.
        3. An amount in a fixed deposit account.
        4. Wife/husband’s legally owned property not covered by insurance.

Items 45 – 47 refer to the following forms of taxation a government uses to raise revenue:

1. Preference duty
2. Customs drawback
3. Excise duty
4. Excise drawback

Which of the above forms of taxation is

1. Imposed on goods produced in a country?
2. A refund on duty collected on goods imported into a country for manufacture and export after manufacture?
3. A refund of taxes imposed on goods produced in a country but subsequently exported from it?
4. Which of the following is an example of indirect tax?
   * + 1. Income tax
       2. Consumption tax
       3. Estate duty
       4. Water rate
5. 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 buyers wish to buy equals the amount sellers want to sell.
6. When demand for a commodity decreases and the supply increases the price should.
   * + 1. Increase
       2. Decrease
       3. Remain constant
       4. Exceed cost
7. The price of an article is usually high when there is a
   * + 1. Large quantity for sale and few people wanting to buy.
       2. Small quantity for sale and few people wanting to buy.
       3. Small quantity for sale and many people wanting to buy.
       4. Large quantity for sale and many people wanting to buy.
8. Brown’s store sells pencils at 15 cents each. White has opened a store about 200 meters away and sells the same brand of pencils at 12 cents each. What are the likely effects on Brown’s business?
   * 1. Customers will decrease
     2. Capital will decrease
     3. General stock will increase
     4. Turnover will increase
        1. 1 and 11 only
        2. 1 and 111 only
        3. 1 and 1V only
        4. 11 and 111 only
9. Which of the following situations is NOT a benefit of international trade?
   * + 1. A greater variety of goods are 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.
10. International trade owes its origin to
    * + 1. Countries with large populations not having sufficient goods.
        2. The varying resources of different regions.
        3. The fact that countries desire to have greater contact with each other.
        4. The great need for foreign exchange by most countries.
11. Which of the following practices would not contribute to the economic growth and development of a community?
    * + 1. Increase use of the country’s natural resources.
        2. Increase importation of consumer goods.
        3. Provision of loans and technical assistance for establishing local business.
        4. Provision of more infrastructure within the country.
12. A country can raise foreign exchange by ALL of the following EXCEPT
    * + 1. Foreign loans
        2. Grants from foreign countries
        3. Bilateral trade
        4. Domestic trade
13. Most English speaking Caribbean territories are members of ALL of the following organizations EXCEPT
    * + 1. CDB
        2. OPEC
        3. CARICOM
        4. ACP
14. Which of the following types of business environments is MOST typical of the Commonwealth Caribbean area?
    * + 1. Corporate state
        2. Mixed economy
        3. Centrally planned
        4. Perfectly competitive
15. Which of the following trading agreements is Barbados promoting when it sells furniture to Jamaica?
    * + 1. OECS
        2. CARICOM
        3. GATT
        4. NAFTA
16. Which of the following services are nationalized in MOST CARICOM territories?
    * 1. Food production
      2. Water
      3. Communication
      4. Electricity
         1. 1 and 11 only
         2. 11 and 111 only
         3. 1,111 and 1V only
         4. 11,111 and 1V only

***ANSWERS TO 2003***

1.C 21.A 41.A

2.C 22.C 42.B

3.B 23.D 43.B

4.D 24.C 44.A

5.A 25.B 45.C

6.D 26.C 46.B

7.A 27.B 47D

8.D 28.C 48.B

9.B 29.A 49.D

10.B 30.D 50.B

11.A 31.B 51.C

12.C 32.B 52.A

13.A 33.C 53.C

14.A 34.D 54.B

15.B 35.B 55.B

16.B 36.A 56.D

17.C 37.A 57.B

18.C 38.B 58.B

19.C 39.C 59.B

20.D 40.B 60.D