

Caribbean Examinations Council



CAPE[®] Management of Business

**SYLLABUS
SPECIMEN PAPER
MARK SCHEME
SUBJECT REPORTS**

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LIST OF CONTENTS

CAPE® Management of Business Syllabus Extract	3
CAPE® Management of Business Syllabus	4
CAPE® Management of Business Specimen Papers:	
Unit 1 Paper 01	60
Unit 1 Paper 02	68
Unit 1 Paper 03/2	74
Unit 2 Paper 01	78
Unit 2 Paper 02	86
Unit 2 Paper 03/2	90
CAPE® Management of Business Mark Schemes:	
Unit 1 Paper 01	93
Unit 1 Paper 02	95
Unit 1 Paper 03/2	110
Unit 2 Paper 01	117
Unit 2 Paper 02	119
Unit 2 Paper 03/2	134
CAPE® Management of Business Subject Reports:	
2004 Subject Report	141
2005 Subject Report	156
2007 Subject Report	171
2009 Subject Report	178
2010 Subject Report	186
2011 Subject Report	195
2012 Subject Report	204
2013 Subject Report	214
2014 Subject Report	225

Management of Business

Management of Business is an interdisciplinary subject that focuses on the theories, principles and procedures involved in managing a successful business enterprise.

The CAPE Management of Business syllabus provides not only a good foundation for further study of Management of Business and other related disciplines at the tertiary level, but also opportunities for students to function not only in existing business organisations, but also as successful entrepreneurs having developed the required knowledge and understanding of management principles, practices, and skills required to address managerial problems and the challenges faced by businesses.

The syllabus is divided into two (2) Units. Each Unit comprises three Modules.

Unit 1: Management Principles and Processes

- Module 1 – Business and its Environment
- Module 2 – The Management of People
- Module 3 – Business Finance and Accounting

Unit 2: Application in Management

- Module 1 – Production and Operations Management
- Module 2 – Fundamentals of Marketing
- Module 3 – Small Business Management



CARIBBEAN EXAMINATIONS COUNCIL

Caribbean Advanced Proficiency Examination[®]

CAPE[®]

MANAGEMENT OF BUSINESS SYLLABUS

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Contents

INTRODUCTION	i
RATIONALE	1
AIMS	1
SKILLS AND ABILITIES TO BE ASSESSED	2
STRUCTURE OF THE SYLLABUS	3
UNIT 1: MANAGEMENT PRINCIPLES AND PROCESSES	
MODULE 1: BUSINESS AND ITS ENVIRONMENT	4
MODULE 2: THE MANAGEMENT OF PEOPLE	9
MODULE 3: BUSINESS FINANCE AND ACCOUNTING	17
UNIT 2: APPLICATIONS IN MANAGEMENT	
MODULE 1: PRODUCTION AND OPERATIONS MANAGEMENT	22
MODULE 2: FUNDAMENTALS OF MARKETING	27
MODULE 3: SMALL BUSINESS MANAGEMENT	33
OUTLINE OF ASSESSMENT	38
REGULATIONS FOR PRIVATE CANDIDATES	46
REGULATIONS FOR RE-SIT CANDIDATES	46
ASSESSMENT GRID	47
GLOSSARY.....	48

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Please note that the syllabus has been revised and amendments are indicated by italics.

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Amended 2013

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Introduction

The Caribbean Advanced Proficiency Examination (CAPE) is designed to provide certification of the academic, vocational and technical achievement of students in the Caribbean who, having completed a minimum of five years of secondary education, wish to further their studies. The examinations address the skills and knowledge acquired by students under a flexible and articulated system where subjects are organised in 1-Unit or 2-Unit courses with each Unit containing three Modules. Subjects examined under CAPE, may be studied concurrently or singly.

The Caribbean Examinations Council offers three types of certification. The first is the award of a certificate showing each CAPE Unit completed. The second is the CAPE Diploma, awarded to candidates who have satisfactorily completed at least six Units including Caribbean Studies. The third is the CXC Associate Degree, awarded for the satisfactory completion of a prescribed cluster of seven CAPE Units including Caribbean Studies and Communication Studies. For the CAPE Diploma and the CXC Associate Degree, candidates must complete the cluster of required Units within a maximum period of five years.

Recognised educational institutions presenting candidates for CXC Associate Degree in one of the nine categories must, on registering these candidates at the start of the qualifying year, have them confirm in the required form, the Associate Degree they wish to be awarded. Candidates will not be awarded any possible alternatives for which they did not apply.



Management of Business Syllabus

◆ RATIONALE

The dynamic environment within which businesses operate today present both challenges and opportunities for business leaders. The growth in economic and social needs in most economies also constitutes another area of great challenge. As students proceed beyond the Caribbean Secondary Education Certificate (CSEC) level, in pursuit of their career goals, they must be cognisant of the changing socio-economic climate within which modern businesses operate.

Management of Business students must understand the principles that govern the human and operational interactions within a business, and must be aware of how a business operates within a society. Moreover, it is imperative that students possess a comprehensive understanding of the markets in the region in addition to knowledge of the global marketplace.

The CAPE Management of Business syllabus provides not only a good foundation for further study of Management of Business and other related disciplines at the tertiary level, but also opportunities for students to function not only in existing business organisations, but also as successful entrepreneurs having developed the required knowledge and understanding of management principles, practices, and skills required to address managerial problems and the challenges faced by businesses.

The syllabus will also contribute to the development of the Ideal Caribbean Person as articulated by the CARICOM Heads of Government. That is, “someone who demonstrates a positive work ethic” and “values and displays the creative imagination in its various manifestations and nurtures its development in the economic and entrepreneurial spheres.” In addition, in keeping with the UNESCO Pillars of Learning, on completion of this course of study students will learn to know, to do, to be, and to live together having been exposed to the values implicit within human rights and democratic principles, among others.

◆ AIMS

The syllabus aims to:

1. develop an understanding of the integrated nature of business organisations and the environment in which they operate;
2. develop an awareness of how global issues impact the development of business organisations with special reference to the Caribbean;
3. provide basic information on principles, legal issues, and practices of modern management with special reference to the Caribbean;

4. develop critical thinking skills that involve analysis, evaluation, decision making and problem solving;
5. develop an understanding of the importance of management of people;
6. develop skills in communicating information effectively in numerical, graphical and verbal form;
7. provide opportunities for acquisition of prerequisite knowledge and skills necessary to pursue further studies and career development;
8. provide knowledge and skills needed to become successful entrepreneurs;
9. develop attitudes, values, and ethical practices related to business;
10. develop an appreciation of the need for organisations to be good corporate citizens.

◆ SKILLS AND ABILITIES TO BE ASSESSED

The skills that students are expected to have developed on completion of this syllabus have been grouped under three main headings:

1. Knowledge and Comprehension;
2. Use of Knowledge;
3. Interpretation and Application.

Knowledge and Comprehension

The examinations will test candidates' skills and ability to:

1. grasp and recall basic facts, concepts, and principles of management theory;
2. understand the diverse managerial functions and roles;
3. understand the impact of workforce diversity on the management of organisations.

Use of Knowledge

The examinations will test candidates' skills and ability to:

1. select and use facts, theories and concepts appropriately in formulating solutions to business problems;
2. draw conclusions based on a body of information;
3. distinguish among various components of business and its environment.

Interpretation and Application

The examinations will test candidates' skills and ability to:

1. assemble and analyse relevant data and information to make projections and solve problems;
2. draw logical conclusions and make recommendations about managerial issues.

◆ STRUCTURE OF THE SYLLABUS

The syllabus is divided into two (2) Units. Each Unit comprises three Modules. Each Module requires fifty (50) hours of instruction.

Unit 1: Management Principles and Processes

- Module 1 - Business and its Environment
- Module 2 - The Management of People
- Module 3 - Business Finance and Accounting

Unit 2: Application in Management

- Module 1 - Production and Operations Management
- Module 2 - Fundamentals of Marketing
- Module 3 - Small Business Management

◆ UNIT 1: MANAGEMENT PRINCIPLES AND PROCESSES

MODULE 1: BUSINESS AND ITS ENVIRONMENT

GENERAL OBJECTIVES

On completion of this Module, students should:

1. understand the nature and scope of business and its role in society;
2. understand how different business organisations function;
3. *appreciate the importance of maintaining high ethical standards in business practices;*
4. appreciate the process of decision making and its impact on the environment;
5. *develop an awareness of the impact of the external environment on business.*

SPECIFIC OBJECTIVES

Students should be able to:

1. *distinguish among different types of economic activity;*
2. *compare the different types of business organisations based on economic sectors and legal structures;*
3. *explain the importance of setting business objectives;*
4. *explain the importance of ethics and social responsibility in setting business objectives;*
5. *discuss the process of decision-making in business organisations;*
6. *evaluate the impact of globalization on Caribbean Business Organisations.*

CONTENT

1. **Types of Economic Activity**

Classification of economic activity: primary; secondary; tertiary.

2. ***Economic Sectors and Legal Structures***

Main features including ability to raise finance, appropriateness of legal structures, problem from changing from one legal structure to another, advantages and disadvantages.



UNIT 1

MODULE 1: BUSINESS AND ITS ENVIRONMENT (cont'd)

- (a) Private Sector Organisations:
 - (i) sole-trader;
 - (ii) partnership;
 - (iii) private limited company;
 - (iv) public limited company;
 - (v) co-operative enterprise;
 - (vi) franchise;
 - (vii) joint venture (legal element governing formation, financing and management).
- (b) Public Sector Organisations:
 - (i) public corporations;
 - (ii) statutory boards.
- (c) *Not for Profit Organisations:*
 - (i) *charities;*
 - (ii) *non-governmental organisations.*
- (d) *Privatisation and Nationalisation.*

3. Business Objectives

- (a) The nature, role, and importance of business objectives.
- (b) Short, medium and long-term objectives.
- (c) Hierarchy of objectives: vision, mission statements; strategic; tactical; operational objectives.

UNIT 1

MODULE 1: BUSINESS AND ITS ENVIRONMENT (cont'd)

4. *Business Ethics and Corporate Social Responsibility*

- (a) Importance of business ethics and integrity, code of ethics.
- (b) *Obligations to stakeholders.*
- (c) *Good Corporate Governance.*

5. **Decision Making**

- (a) Process of decision making:
 - (i) concept of decision making;
 - (ii) essential features of information for decision making – accuracy, timeliness, relevance and cost effectiveness;
 - (iii) *significance of Qualitative vs. Quantitative decision-making.*
- (b) Stages of decision making (in relation to objectives):
 - (i) definition of problem;
 - (ii) data collection – importance and sources;
 - (iii) analysis and evaluation;
 - (iv) formulation of alternative strategies;
 - (v) implementation;
 - (vi) evaluation.
- (c) Factors affecting decision making:
 - (i) governmental, political and legal;
 - (ii) social and cultural;
 - (iii) technological;
 - (iv) economic;
 - (v) ecological;
 - (vi) human and natural constraints.

UNIT 1

MODULE 1: BUSINESS AND ITS ENVIRONMENT (cont'd)

6. *Impact of Globalisation on Business*

- (a) *Multinational (growth, advantages and disadvantages).*
- (b) *Role of Government:*
 - (i) *Facilitating, enabling environment;*
 - (ii) *Developing necessary legal framework.*
- (c) *Consumer behaviour:*
Choices, quality, responsibility.
- (d) *Domestic Business:*
Competition, pricing policy, quality assurance.
- (e) *Trade Liberalisation.*

Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives in Module 1, teachers are advised to engage students in the teaching and learning activities listed below.

1. Conduct field investigation to determine growth or decline in different business sectors.
2. Engage class in discussion on Porter's Five Forces Model for analysing an industry and industry analysis as a project.
3. Engage class in discussions and debates on types of business organisations to enable students to recognise advantages and disadvantages of one business organisation over another.
4. Assign different students to listen to business news (both regional and international) and make an oral presentation to the class to sensitise students to local and regional developments.
5. Use newspaper clippings on business news for class discussions and students' journals (online journals, blogs).
6. Invite resource personnel from different types of organisations to share information on their organisations.
7. Assign expository and argumentative essays on various topics.



UNIT 1

MODULE 1: BUSINESS AND ITS ENVIRONMENT (cont'd)

8. Assign group research project to foster team work.
9. Conduct simulation exercises, role play, video presentations.
10. Engage class in discussion of case studies.

Teachers and students may identify other activities that are more suitable to their own class settings.

UNIT 1

MODULE 2: THE MANAGEMENT OF PEOPLE

GENERAL OBJECTIVES

On completion of this Module, students should:

1. appreciate the importance of the application of management theories in the operation of business organisations;
2. understand the roles and responsibilities of employers and employees within an organisation;
3. develop an awareness of the effects of human motivation on organisational effectiveness;
4. appreciate the broad formal framework *of human resource management*.

SPECIFIC OBJECTIVES

Students should be able to:

1. evaluate the contributions of management theories to present day organisations;
2. explain the features of the formal organisational structure;
3. explain the theories and practices of motivation;
4. differentiate between types of leadership skills, styles;
5. *describe the group formation process, characteristics and importance of effective teams;*
6. describe possible causes of conflict in organizations;
7. *assess the effectiveness of strategies used to manage conflict in organisations;*
8. justify the need to cope with and manage change in the organisation;
9. explain the importance of effective communication in organisations;
10. evaluate the importance of human resource management in organisations.



UNIT 1

MODULE 2: THE MANAGEMENT OF PEOPLE (cont'd)

CONTENT

1. The Functions and Theories of Management

(a) *Evolution of Management theories (principles and contributions to modern day organisations):*

(i) *Classical Model - F.W. Taylor, Henri Fayol, Max Weber;*

(ii) *Human Relations Model: Elton Mayo;*

(iii) *Systems Approach – open/closed/synergy/entropy);*

(iv) *Contingency Approach.*

(b) *Functions of Management (Definition and Application):*

(i) *planning;*

(ii) *organising;*

(iii) *leading;*

(iv) *controlling;*

(v) *staffing.*

2. Organisational Structure

(a) *Classification of Organisational Structure – (Principles, Advantages and Disadvantages):*

(i) *by function;*

(ii) *by product;*

(iii) *geographical market;*

(iv) *matrix;*

(v) *team;*

(vi) *network;*

(vii) *virtual.*



UNIT 1

MODULE 2: THE MANAGEMENT OF PEOPLE (cont'd)

- (b) Characteristics of the Formal Organisational Structure:
 - (i) hierarchy;
 - (ii) chain of command;
 - (iii) span of control;
 - (iv) line and staff relationship;
 - (v) responsibility;
 - (vi) authority;
 - (vii) accountability;
 - (viii) delegation;
 - (ix) centralisation;
 - (x) decentralisation.

3. Theory and Application Motivation

- (a) Factors that stimulate and influence motivation: individual needs; *self-motivation*; ability to make choices; environmental opportunities.
- (b) Theories of motivation:
Maslow's Hierarchy of Needs; Herzberg's Hygiene Theory.
- (c) Financial and non-financial motivational strategies:
 - (i) financial incentives: payment systems and their effectiveness; appraisal; job valuation and work study;
 - (ii) non-financial incentives: individual job needs; participation; job satisfaction; job enrichment and job enlargement; opportunities for promotion.
- (d) Implication to managers: getting the best out of individuals; appreciation of work and appropriate reward systems.

UNIT 1

MODULE 2: THE MANAGEMENT OF PEOPLE (cont'd)

4. Leadership

- (a) Definition of leadership.
- (b) *Leadership Theory: McGregor's Theory X and Theory Y; Trait Theory.*
- (c) Leadership skills including:
 - (i) communication;
 - (ii) problem-solving; critical thinking.
- (d) Leadership styles (*definition, appropriateness*)
 - (i) *autocratic;*
 - (ii) *participative/democratic;*
 - (iii) *laissez faire;*
 - (iv) *transformational.*
- (e) *Informal leadership; its influence on the organisation:*
 - (i) *definition of informal leadership;*
 - (ii) *advantages and disadvantages of informal leadership.*

UNIT 1

MODULE 2: THE MANAGEMENT OF PEOPLE (cont'd)

5. **Group and Team Management**

- (a) *Definition of Teams/Groups.*
- (b) *Stages of Group Development (forming, storming, norming, performing, adjourning).*
- (c) *Characteristics of effective teams:*
 - (i) commitment;
 - (ii) participation;
 - (iii) trust;
 - (iv) decision by consensus;
 - (v) flexibility;
 - (vi) encouragement;
 - (vii) support and growth.
- (d) *Forces that influence group cohesiveness (including size, group goals, similarities, diversity, attraction).*
- (e) *Advantages and Disadvantages of teams to the organisations.*

6. **Causes of Conflict**

Possible Causes of Conflict:

- (a) management style;
- (b) competition for scarce resources;
- (c) lack of communication;
- (d) clash of personalities.

UNIT 1

MODULE 2: THE MANAGEMENT OF PEOPLE (cont'd)

7. Strategies to manage conflict:

- (a) avoidance;
- (b) smoothing;
- (c) compromise;
- (d) collaboration;
- (e) confrontation.

8. Management of Change

- (a) Nature of change: technical, economic, demographic, social and legal.
- (b) Resistance to change: fear, disrupted habits, loss of control and confidence, poor training, redistribution of workload and lack of purpose; loss of power, lack of communication.
- (c) Strategies to manage change.

9. Communication in Business

- (a) Diagram of the Communication Process.
- (b) *Communication channels (including: oral, written, visual, non-verbal); communication methods (including: Internet, e-mail, Intranet, fax, video conferencing).*
- (c) Lines of Communication:
 - (i) formal channel - vertical and horizontal;
 - (ii) informal channel;
 - (iii) problems associated with formal channel;
 - (iv) formal channel versus informal channels.

UNIT 1

MODULE 2: THE MANAGEMENT OF PEOPLE (cont'd)

- (d) Barriers to effective communication:
 - (i) selective-perceptions;
 - (ii) attitudes;
 - (iii) noise;
 - (iv) cultural bias.
- (e) *Reducing barriers to communication (including: ensure clear message, choice of channel, managing feedback, improving physical conditions).*

10. Human Resource Management

- (a) The role of the human resource management in an organisation: attracting, developing and maintaining an effective work force.
- (b) Functions of the human resources department:
 - (i) Recruitment:
 - Internal;
 - External.
 - (ii) Selection:
including: application, interviews, testing
 - (iii) Compensation:
Various types of compensation including; wages and salaries, pension fund, health insurance.
 - (iv) Training and development:
Training vs. Development (on-the-job and off-the-job training).
 - (v) Performance Management: Performance appraisal:
 - fairness;
 - participative;
 - feedback;
 - periodic.

UNIT 1

MODULE 2: THE MANAGEMENT OF PEOPLE (cont'd)

(vi) *Resistance to change: fear, disrupted habits, loss of control and confidence, poor training, redistribution of workload and lack of purpose;*

(vii) *The importance of communication in the management process.*

Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives of Module 2, teachers are advised to engage students in the teaching and learning activities listed below.

1. Lectures, tutorials and presentations by teachers and other resource persons with specialised knowledge of a wide range of content areas.
2. Engage class in research and presentations by students (individually and in groups).
3. Engage class in debates and panel discussions on topical issues, for example, strikes, salary and wages negotiations, redundancy and its impact on individual behaviour in organisations.
4. Assign experiential activities.
5. Conduct role play or simulation exercises.
6. Engage class in discussion on case studies on motivation, leadership, and decision making.
7. Students reflect and express their thoughts and perceptions by maintenance of journals which are subsequently shared with peers.

UNIT 1

MODULE 3: BUSINESS FINANCE AND ACCOUNTING

GENERAL OBJECTIVES

On completion of this Module, students should:

1. understand the roles and functions of finance and accounting in the management of business with special reference to the Caribbean;
2. understand the impact of changes in finance and accounting practices on the overall operations of business;
3. develop analytical and interpretational skills relating to problem solving in finance and accounting.

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the various need for funds;
2. differentiate among the main sources of finance;
3. explain the main criteria that businesses use when seeking short- and long- term financing;
4. discuss the roles, functioning and working of money and capital markets and international financial institutions with special reference to the Caribbean;
5. specify the importance of Accounting information for both Internal and External users;
6. appraise the different components of financial statements;
7. interpret and analyse key financial statements through the use of ratio analysis;
8. explain the purpose, nature, and usefulness of budgeting;
9. assess the various methods used by a firm in selecting the most appropriate investment option.

UNIT 1

MODULE 3: BUSINESS FINANCE AND ACCOUNTING (cont'd)

CONTENT

1. The Need for Capital

- (a) Start-up or venture capital.
- (b) Working capital.
- (c) Investment capital.

2. Sources of Finance

- (a) Equity versus debt.
- (b) Forms of equity: capital and shares.
- (c) Forms of debt: debentures and bonds.

3. Criteria for Seeking Finance

- (a) Sources of short-term finance: trade creditors and commercial banks.
- (b) Sources of long-term finance: commercial and development banks, venture capital funds, small business associations, development funds and family.
- (c) Short-term versus long-term sources of finance.

4. Money and capital markets and International Financial Institutions

- (a) Roles of Regional and International Financial Institutions, for example, CDB, IDB, IMF and World Bank:
 - (i) provide technical and managerial advice;
 - (ii) conduct feasibility studies and economic appraisal of countries.
- (b) Functioning and workings of Money and Capital Markets: working knowledge of Stock Exchange with reference to the Caribbean.

UNIT 1

MODULE 3: BUSINESS FINANCE AND ACCOUNTING (cont'd)

5. *The need for Accounting Information*

- (a) Definition of Accounting.
- (b) Users of Accounting Information (Stakeholders including financial institutions, suppliers/creditors, managers, investors).

6. *Components of Financial Statements*

- (a) *Working knowledge of components of financial statements:*
 - (i) *Income Statement: including sales, cost of sale, gross profit, net profit;*
 - (ii) *Balance sheet: including fixed assets, current assets, current liabilities, fixed liabilities, owner's equity;*
 - (iii) *Cash flow statements.*
- (b) *Relation between Statement of Financial Position and Statement of Comprehensive Income.*

7. *Financial Statements Analysis*

- (a) *Use of Accounting Ratios.*
- (b) *Advantages and disadvantages of ratio analysis.*
- (c) *Limitations of Ratio Analysis.*
- (d) *Calculation and Interpretation of Types of Ratios:*
 - (i) *Liquidity Ratios (current and acid test ratio);*
 - (ii) *Profitability Ratios: (Gross Profit Margin; Net Profit Margin; Return on Capital Employed (ROCE);*
 - (iii) *Efficiency; Activity Ratios: (Stock Turnover Ratio; Debtor Day Ratio);*
 - (iv) *Gearing Ratio: Debt/capital employed (Capital employed = fixed assets + (current assets – current liabilities); Debt = Long term Debt; or*
$$\text{Debt} = \text{Long Term Debt}$$
$$\text{Capital Exp} = (\text{FA} + \text{CA})^2$$
- (v) *Investors/shareholders Ratios: Dividend Yield and Earnings Per Share.*



UNIT 1

MODULE 3: BUSINESS FINANCE AND ACCOUNTING (cont'd)

8. **Budgets and Budgetary Control**

- (a) *Type of budgets: cash, sales, production, materials, purchases, labour.*
- (b) *Importance of budgeting (usefulness and limitations).*
- (c) *Budgetary Control (methods and reasons for variances).*

9. **Investment Appraisal**

- (a) *Need for investment Appraisal.*
- (b) *Analytical methods of Appraisal:*
 - *payback period: average rate of return, net present value (meaning, interpretation and simple calculations required).*
- (c) *Comparisons of Methods of Appraisal.*

Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives of Module 3, teachers are advised to engage students in the teaching and learning activities listed below.

1. Encourage students to participate in lectures, tutorials and presentations by teachers and other resource persons with specialised knowledge of a wide range of content areas.
2. Engage students in analysis of published financial statements.
3. Use case studies in order to reinforce learning and provide opportunities for application of techniques.
4. Assign students to participate in field trips to established institutions, for example, central banks, insurance companies and stock exchange.
5. Engage students in listening to taped materials from various sources, for example, radio and television, (C.B.U, B.B.C), podcasts, YouTube videos.
6. Assign students to read annual publications of professional journals, for example, N.Y.S.E, Financial Times.
7. Invite guest speakers from different firms to discuss issues related to business finance and accounting.

UNIT 1

MODULE 3: BUSINESS FINANCE AND ACCOUNTING (cont'd)

RESOURCES

- Barkarr, S. *Management of Business, Unit 1*, Caribbean Educational Publishers.
- Cole, G.A. *Management Practice of Theory, 6th Edition*, London: Thomson Learning, 2004.
- Hall, D., Rob J. and Raffo, C. *Business Studies*, Lancaster: Causeway Press Limited, 1993.
- Plunkett, W. R., et al *Management: Meeting and Exceeding Customer Expectations 9th Edition*, South-Western College Publisher, 2007.
- Stimpson, P. and Singh, K. *Management of Business Unit 1*, Cambridge University Press, 2007.

◆ UNIT 2: APPLICATIONS IN MANAGEMENT

MODULE 1: PRODUCTION AND OPERATIONS MANAGEMENT

GENERAL OBJECTIVES

On completion of this Module, students should:

1. understand the operations involved in the production of goods and services;
2. develop an awareness of the importance of productivity and quality in production;
3. appreciate the importance of tools and techniques required for production and operations management;
4. be aware of the impact of the external environment on the production and operations function.

SPECIFIC OBJECTIVES

Students should be able to:

1. describe the major decisions involved in the nature of the production process;
2. *explain techniques involved in forecasting;*
3. *discuss the strategies involved in product design;*
4. *explain the concept of capacity planning;*
5. *examine various strategies used in production layout process;*
6. *assess the importance of costing in production;*
7. *examine the concept of inventory management;*
8. *explain the concept of lean production and quality management;*
9. *explain methods of measuring and improving productivity;*
10. *assess the importance of project management.*

UNIT 2

MODULE 1: PRODUCTION AND OPERATIONS MANAGEMENT (cont'd)

CONTENT

1. **Nature of Production**

- (a) *Input (factors of production) throughput (production process) output (finished goods and services).*
- (b) *Production Methods: (job production, batch production, flow production and cell production).*
- (c) *Location of Production (quantitative factors including site cost, transport cost, labour cost, revenue cost, qualitative factors including infrastructure, environmental and planning consideration, management preferences).*

2. **Forecasting Techniques**

Forecasting techniques:

- (a) *sales force composite;*
- (b) *delphi method;*
- (c) *consumer surveys;*
- (d) *jury of experts;*
- (e) *moving average.*

3. **Product Design Strategies**

- (a) *Modularisation.*
- (b) *Miniaturisation.*
- (c) *Integration.*
- (d) *Value analysis.*
- (e) *CAD – Computer Aided Design, CAM – Computer Aided Manufacturing (basic principles).*

UNIT 2

MODULE 1: PRODUCTION AND OPERATIONS MANAGEMENT (cont'd)

4. **Capacity Planning**

- (a) *Definition of capacity.*
- (b) *Importance of capacity utilisation.*
- (c) *Design capacity.*
- (d) *Efficiency capacity.*
- (e) *Calculation of capacity utilisation (simple calculations).*
- (f) *Methods of improving capacity utilisation.*
- (g) *Economies and diseconomies of scale.*

5. **Layout Strategies**

- (a) *Process layout.*
- (b) *Production layout.*
- (c) *Fixed Position layout.*
- (d) *Cellular layout.*

6. **Costing**

- (a) *Cost of Production (direct/indirect variable/fixed).*
- (b) *Approaches to costing (simple calculations):*
 - (i) *absorption;*
 - (ii) *contribution/marginal.*
- (c) *Application of Marginal Costing:*
 - (i) *break-even point, (definition, uses, advantages and disadvantages, simple calculation of the following: BEP for Output and Sales, Contribution Margin Sales for a desired Profit, Output for a desired profit and Margin of safety);*
 - (ii) *draw break-even charts;*
 - (iii) *make or buy decisions.*

UNIT 2

MODULE 1: PRODUCTION AND OPERATIONS MANAGEMENT (cont'd)

7. **Inventory Management:**

- (a) *Importance of inventory (stock).*
- (b) *Inventory (stock) control management:*
 - (i) *EOQ (Simple calculations);*
 - (ii) *Just In Time.*

8. **Lean Production and Quality Management**

- (a) *Importance of quality.*
- (b) *Dimension of Quality:*
 - (i) *performance;*
 - (ii) *features;*
 - (iii) *reliability;*
 - (iv) *conformance;*
 - (v) *durability;*
 - (vi) *serviceability;*
 - (vii) *aesthetics;*
 - (viii) *perceived quality.*
- (c) *Techniques for improving quality including:*
 - (i) *difference between quality control and quality assurance;*
 - (ii) *benchmarking;*
 - (iii) *ISO Quality Standards;*
 - (iv) *outsourcing;*
 - (v) *quality circles;*
 - (vi) *TQM including Kaizen or continuous improvement.*
- (d) *Lean Production (link between inventory management, quality and capacity and employee roles).*



UNIT 2

MODULE 1: PRODUCTION AND OPERATIONS MANAGEMENT (cont'd)

9. Productivity:

- (a) Definition (*express productivity as an equation*).
- (b) Factors that impact on productivity including: (technology, training, market demand, competition, quality of labour supply, level of pricing).

10. Project Management (students are required to prepare and interpret diagrams of models)

- (a) Critical path method (CPM).
- (b) Decision trees.

NB (Students are required to prepare and interpret diagrams of the models)

Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives of Module 1, teachers are advised to engage students in the teaching and learning activities listed below.

1. Encourage students to participate in lectures, tutorials and presentations by teachers and other resource persons with specialised knowledge of a wide range of content areas.
2. Engage students in research and presentations (individually and in groups).
3. Encourage students to participate in class debates and panel discussions on topical issues related to production and operations management.
4. Conduct experiential activities related to production and operations management.
5. Encourage students to interpret issues related to production and operations management through role play or simulation exercises.
6. Engage students in online/class discussion on case studies related to production and operations management.
7. Students report to class on blog postings and YouTube videos pertaining to issues addressed.

UNIT 2

MODULE 2: FUNDAMENTALS OF MARKETING

GENERAL OBJECTIVES

On completion of this Module, students should:

1. understand the role and importance of marketing;
2. assimilate the principles of marketing management;
3. develop an awareness of the impact of the external environment forces on marketing.

SPECIFIC OBJECTIVES

Students should be able to:

1. define the term “marketing” and relate it to the concepts of “market”, “exchange” and “value added”;
2. *assess the implications of various marketing concepts;*
3. distinguish between the micro- and macro- environments in which a firm operates and their effects on the marketing strategy of the firm;
4. describe the elements of the marketing research process;
5. assess the principles of market segmentation;
6. explain the principles of product management;
7. evaluate various pricing strategies;
8. *discuss the major principles of distribution;*
9. examine the major tools of promotion *and their implications;*
10. *discuss the importance of internet marketing decisions.*

UNIT 2

MODULE 2: FUNDAMENTALS OF MARKETING (cont'd)

CONTENT

1. The Concept of Marketing

- (a) Definitions of marketing.
- (b) Related concepts:
 - (i) markets;
 - (ii) value *added*;
 - (iii) exchange transactions.

2. Implications of Different Marketing Concepts

- (a) The Marketing Concepts.
- (b) The product concept and implications.
- (c) The production concept and implications.
- (d) The selling concept and implications.
- (e) The societal marketing concept and *its* implications.

3. The Marketing Environment

- (a) Composition of the Marketing Environment:
 - (i) micro-environment;
 - (ii) macro-environment.
- (b) Forces in the micro-environment:
 - (i) company's suppliers;
 - (ii) competitors;
 - (iii) marketing intermediaries;
 - (iv) customers.

UNIT 2

MODULE 2: FUNDAMENTALS OF MARKETING (cont'd)

- (c) Forces in the macro-environment:
 - (i) demographic factors;
 - (ii) economic factors;
 - (iii) natural factors;
 - (iv) political factors;
 - (v) cultural factors.

4. Marketing Research

- (a) *Role and importance of market research.*
- (b) *Importance of developing a research plan.*
- (c) Describe the stages of Market Research:
 - (i) management problem identification;
 - (ii) research objectives;
 - (iii) sources of data - primary, secondary;
 - (iv) sampling - probability and non-probability;
 - (v) research techniques - focus groups, surveys, in-depth interviews; observation;
 - (vi) analysis and presentation of results.
- (d) *Limitations of Market Research.*

UNIT 2

MODULE 2: FUNDAMENTALS OF MARKETING (cont'd)

5. Principles of Market Segmentation

- (a) *Importance of segmentation.*
- (b) *Niche, target, mass marketing.*
- (c) Bases of segmentation:
 - (i) demographic;
 - (ii) geographic;
 - (iii) behavioural.
- (d) *Consumer buying behaviour:*
 - (i) *the buying process;*
 - (ii) *factors influencing buying behaviour.*

6. Product Management

- (a) The concept of product – core, formal *or actual*, augmented.
- (b) *Dimensions of the product mix.*
- (c) *Product line and product extension.*
- (d) *Boston Matrix.*
- (e) New product development process.
- (f) Product life cycle.
- (g) Branding and packaging.
- (h) Characteristics of services *compared to goods.*

7. Pricing Decision

- (a) *Introduction to Pricing - definition, role and importance.*
- (b) *Factors influencing pricing decisions (including elasticity of demand, demand, income, consumer preference).*



UNIT 2

MODULE 2: FUNDAMENTALS OF MARKETING (cont'd)

- (c) Pricing strategies, including:
 - (i) cost plus pricing;
 - (ii) competition pricing;
 - (iii) perceived value;
 - (iv) going rate;
 - (v) penetration pricing and price skimming.

8. Distribution Management

- (a) *Role of distribution in an organisation.*
- (b) Factors influencing distribution decisions.
- (c) Types of distribution channels (*including direct, indirect*).
- (d) *Introduction to logistics strategy.*
- (e) *Types of distribution strategies (intensive, selective, exclusive).*

9. Promotion Strategy

- (a) *Objectives of promotion.*
- (b) Tools of promotion and their relative advantages:
 - (i) advertising;
 - (ii) personal selling;
 - (iii) sales promotion;
 - (iv) publicity.

10. Internet Marketing

- (a) *Development of Internet marketing.*
- (b) *Opportunities created by Internet marketing.*
- (c) *Challenges posed by Internet marketing.*
- (d) *Importance of e-commerce to business organisations.*



UNIT 2

MODULE 2: FUNDAMENTALS OF MARKETING (cont'd)

Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives in Module 2, teachers are advised to engage students in the teaching and learning activities listed below.

1. Engage students in simulated case studies related to marketing.
2. Engage students in group projects to foster teamwork.
3. Encourage students to participate in panel discussion on marketing issues conducted by external resource persons.

UNIT 2

MODULE 3: SMALL BUSINESS MANAGEMENT

GENERAL OBJECTIVES

On completion of this Module, students should:

1. appreciate the nature of entrepreneurship;
2. develop an awareness of the characteristics of small business management.

SPECIFIC OBJECTIVES

Students should be able to:

1. explain the nature and characteristics of entrepreneurship;
2. *explain the relationship between business organisations and the economic system in which they operate;*
3. *assess the criteria for measuring size and growth of business;*
4. *assess the challenges and opportunities faced by small businesses;*
5. *describe the types of assistance agencies offer to small businesses;*
6. *develop a business plan.*

CONTENT

1. The Nature and Characteristics of Entrepreneurship

- (a) Definition of entrepreneurship.
- (b) Corporate Entrepreneurship (intrapreneurship).
- (c) Social Entrepreneurship.
- (d) Characteristics of successful entrepreneurs.

2. Business and Economic Systems

- (a) *Economic systems in which businesses operate (free economy, mixed economy, planned economy).*
- (b) *The impact of the economic system on business decision-making.*



UNIT 2

MODULE 3: SMALL BUSINESS MANAGEMENT (cont'd)

3. *Size and Growth of Business*

(a) *Criteria for measuring size and growth:*

- (i) *output;*
- (ii) *labour force;*
- (iii) *market share;*
- (iv) *capital structure.*

(b) *Advantages and disadvantages of small firms vs. large firms:*

- (i) *size and financial requirements;*
- (ii) *the economies of scale;*
- (iii) *strategies for growth;*
- (iv) *management and control;*
- (v) *lack of record keeping;*
- (vi) *working capital deficiencies;*
- (vii) *poor management skills;*
- (viii) *regulation and Legislation.*

4. **Major Challenges and Opportunities faced by Small Businesses including**

- (a) Identifying successful business opportunities.
- (b) Sourcing capital (finance).
- (c) *Selection of business types (sole trader, partnership, company).*
- (d) Determining a location.
- (e) Globalisation and trade liberalisation.
- (f) E-commerce.
- (g) *Intellectual property.*

UNIT 2

MODULE 3: SMALL BUSINESS MANAGEMENT (cont'd)

5. *Types and Nature of Assistance Available to Small Firms*

- (a) Agencies that Assist Small Businesses:
 - (i) Governmental Agencies;
 - (ii) Non-governmental Agencies;
 - (iii) Financial Institutions.
- (b) Types of Assistance Offered to Small Businesses:
 - (i) financial;
 - (ii) technical;
 - (iii) education and training.

6. *Preparation of a Business Plan for a Small Business*

- (a) *Definition of a Business Plan;*
- (b) *Executive Summary;*
- (c) *Business Description:*
 - (i) *legal establishment history;*
 - (ii) *start-up plans.*
- (c) Business Environment Analysis:
 - (i) *target market;*
 - (ii) *customer needs;*
 - (iii) *location.*
- (d) *Industry Background.*
- (e) *Competitor Analysis:*
 - who are your competitors.*

UNIT 2

MODULE 3: SMALL BUSINESS MANAGEMENT (cont'd)

- (f) *Market Analysis:*
 - (i) *customer needs;*
 - (ii) *where they are;*
 - (iii) *how to reach them.*

- (g) *Marketing Plan:*
 - (i) *pricing strategy;*
 - (ii) *promotion strategy;*
 - (iii) *distribution strategy.*

- (h) *Operations Plan:*
 - (i) *cost of production;*
 - (ii) *machinery.*

- (i) *Managerial Summary:*
 - (i) *management personnel;*
 - (ii) *staffing.*

- (j) *Financial Plan:*
 - (i) *profit and loss;*
 - (ii) *cash flows;*
 - (iii) *break-even analysis;*
 - (iv) *source of funds;*
 - (v) *business ratios;*
 - (vi) *assumptions.*

UNIT 2

MODULE 3: SMALL BUSINESS MANAGEMENT (cont'd)

Suggested Teaching and Learning Activities

To facilitate students' attainment of the objectives in Module 3, teachers are advised to engage students in the teaching and learning activities listed below.

1. Decide on a "product" or "service" company and allow students to determine what each company will produce or offer.
2. Assign students to develop a questionnaire to investigate if there is a need to start a company of their choice.
3. Develop a yearly sales estimate and a cash flow budget for their company.
4. Establish and operate a small store to sell items used by students in the school, involving the steps of: ordering, banking, inventory, cost and sales analysis, sales.
5. Create a list of costs to start the business.
6. Encourage students to work in groups to "sell" specific items to the rest of the class using the sales and marketing methods discussed in the class.
7. Students critique business plans and offer suggestions for improvement.

RESOURCES

- | | |
|---|---|
| Birchall, John and Morris, Graham | <i>Business Studies</i> , Surrey: United Kingdom: Thomas Nelson and Sons Ltd., Walton-on-Thames, 1995. |
| Good, Walter S. | <i>Building a Dream: A Comprehensive Guide to Starting a Business of Your Own</i> , Toronto: McGraw Hill Ryerson, 1993. |
| Hall, Dave, Jones, Rob and Raffo, Carlo | <i>Business Studies</i> , Lancaster: Causeway Press Limited, 1993. |
| Hammond, Susan | <i>Business Studies</i> , United Kingdom: Longman Group Ltd., 1994. |
| Hanson, Ward | <i>Principles of Internet Marketing: South Western College Publishing</i> , 2000. |

◆ OUTLINE OF ASSESSMENT

Each Unit of the syllabus will be assessed separately. The same scheme of assessment will be applied to each Module in each Unit. Grades will be awarded independently for each Unit.

The Assessment will comprise two components, one external component and one internal. Candidates must complete the School-Based Assessment for the first Unit that they write. Candidates may carry forward the School-Based Assessment mark from the first Unit written to the second Unit (irrespective of the mark earned), or opt to complete the School-Based Assessment for the second Unit as well.

EXTERNAL ASSESSMENT FOR EACH UNIT

(80 per cent)

Paper 01
(1 hour 15 minutes) This paper consists of forty-five (45) multiple-choice items. There are fifteen (15) items on each Module. 30 per cent

Paper 02
(2 hours 30 minutes) This paper consists of three sections, each corresponding to a Module in the Unit. Each section will contain two essay type questions. Students are required to attempt three questions, one from each section. 50 per cent

SCHOOL-BASED ASSESSMENT FOR EACH UNIT

(20 per cent)

Paper 03/1

A research paper of *approximately 2,500* words, based on **any** topic covered in any one, two or all three Modules of the Unit being assessed. The School-Based Assessment for each Unit requires that candidates undertake a project which must demonstrate their skills in research, analysis, evaluation and presentation of information.

Candidates who, in the same year, register for both Units of CAPE Management of Business may opt to:

- (a) submit a separate School-Based Assessment assignment for each Unit; or
- (b) submit a single School-Based Assessment assignment from either Unit 01 or Unit 02.

Candidates who opt for (b) must indicate from which Unit the School-Based Assessment assignment was selected.

Paper 03/2

Private candidates are required to write an Alternative Paper – Paper 03/2. Details are on page 43.



MODERATION OF SCHOOL-BASED ASSESSMENT

School-Based Assessment Record Sheets are available online via the CXC's website www.cxc.org.

All School-Based Assessment Record of marks *must be submitted online using the SBA data capture module of the Online Registration System (ORS)*. A sample of assignments will be requested by CXC for moderation purposes. These assignments will be re-assessed by CXC Examiners who moderate the School-Based Assessment. Teachers' marks may be adjusted as a result of moderation. The Examiners' comments will be sent to schools. *All samples must be delivered to the specified marking venues by the stipulated deadlines.*

Copies of the students' assignment that are not submitted must be retained by the school until three months after publication by CXC of the examination results.

ASSESSMENT DETAILS

External Assessment by Written Papers (80 per cent of Total Assessment)

Paper 01 (1 hour 15 minutes – 30 per cent of Total Assessment)

1. Numbers of Questions

All questions are compulsory. This paper will consist of 45 multiple-choice questions. There will be 15 questions from each Module.

2. Syllabus Coverage

- (a) Knowledge of the entire syllabus is required.
- (b) The intention of this paper is to test candidates' knowledge across the breadth of the syllabus.

3. Mark Allocation

- (a) One mark will be assigned for each question.
- (b) The total number of marks available for this paper is 45.
- (c) This paper contributes 30 per cent towards the final assessment.

4. Use of Calculators

Candidates may use silent non-programmable calculators.

Paper 02 (2 hours 30 minutes – 50 per cent of Total Assessment)

This paper will be divided into three sections, each section corresponding to a Module of the Unit.

1. Composition of Paper

- (a) This paper will consist of six essays or extended response questions.
- (b) There will be two questions in each section.
- (c) Candidates are required to attempt three questions, one from each section.
- (d) The total number of marks available for the paper is 75.
- (e) This paper contributes 50 per cent towards the final assessment.

2. Syllabus Coverage

- (a) Each question requires a greater depth of understanding than those questions in Paper 01.
- (b) The purpose of this paper is to test candidates' in-depth knowledge of the syllabus.

3. Question Type

Questions require an extended response involving reasoning, analysis and synthesis.

4. Mark Allocation

Each question is worth 25 marks.

5. Award of Marks

Marks will be awarded for:

- (a) clear logical reasoning;
- (b) evidence of ability to analyse a problem step by step and to apply principles and practices, skills and knowledge to reach a logical conclusion;
- (c) evidence of problem solving ability;
- (d) evidence of the ability to synthesise information.

Full marks will be awarded when candidates meet all criteria.

SCHOOL-BASED ASSESSMENT

The Project - Paper 03/1

School-Based Assessment is an integral part of student assessment in the course covered by this syllabus. It is intended to assist students in acquiring certain knowledge, skills and attitudes that are associated with the subject. The activities for the School-Based Assessment are linked to the syllabus and should form part of the learning activities to enable the student to achieve the objectives of the syllabus.

During the course of study for the subject, students obtain marks for the competence they develop and demonstrate in undertaking their School-Based Assessment assignments. These marks contribute to the final marks and grades that are awarded to students for their performance in the examination.

The guidelines provided in this syllabus for selecting appropriate tasks are intended to assist teachers and students in selecting assignments that are valid for the purpose of School-Based Assessment. The guidelines provided for the assessment of the assignments are intended to assist teachers in awarding marks that are reliable estimates of the achievement of students in the School-Based Assessment component of the course. In order to ensure that the scores awarded by teachers are consistent with the CXC standards, the Council undertakes the moderation of a sample of the School-Based Assessment assignments marked by each teacher.

Presentation of Project

1. The aims of the project are to:
 - (a) promote self-learning;
 - (b) allow teachers the opportunity to engage in the formative assessment of their students;
 - (c) allow students to enhance their understanding of the nature of business organisations through local studies;
 - (d) allow students to display evidence of careful observation and some degree of originality in their work;
 - (e) allow students to analyse business information gathered and make practical decisions;
 - (f) explore more fully, some areas of the Unit which may not be assessed adequately in an external examination.
2. Requirements

Students must choose a firm (or simulate a firm) on which they would do their investigative research project. The project should afford students the opportunity to pursue areas of personal interest. Students must undertake a project which embraces any one, two, or all three Modules within the Unit being assessed.



Primary Sources of Data

Candidates can use primary sources of data in their research activities. These include information gathered through questionnaires, and face to face interviews.

Secondary Sources

Secondary sources of data can also be used. These include newspapers, trade and professional journals, magazines, (such as News Week, Times) and documentation on the firm studied.

3. Management of the Project

- (a) An early start to planning project work is highly recommended.
- (b) Each candidate should know the requirements of the project and its assessment procedures, as part of the orientation to the Unit.
- (c) Teachers should guide the candidates in choosing appropriate projects that relate to the candidates' interest and the specific objectives identified.
- (d) A schedule of the dates for submitting project work (agreed by teachers and candidates) should be established.
- (e) A teacher should offer guidance in the data collection process and the preparation of the report.

4. Project Reports

A candidate's project should be presented in a soft folder or *electronically*, bearing the candidate's number, name of subject and the date submitted. The project document should comprise:

- (a) title;
- (b) table of contents;
- (c) *introduction:*
 - (i) *topic/aim of the project;*
 - (ii) *background.*
- (d) *literature review;*
- (e) *methodology;*
- (f) *presentation of data;*
- (g) *analysis of data;*
- (h) *interpretation of results;*
- (i) conclusions and recommendations;
- (j) references and citations.

The report (approximately 2500 words) should be typed double-spaced or hand-written legibly.



Skills to be assessed

1. Knowledge and Understanding: candidate's ability to demonstrate knowledge and understanding of the objectives being assessed in the Module.
2. Application: candidate's ability to collect, classify and communicate information.
3. Analysis: candidate's ability to distinguish relationships among components of the business environment.
4. Evaluation and Reasoned Judgement: candidate's ability to interpret, make judgement and recommendations appropriate to the business under investigation.
5. Presentation: candidate's ability to present the report using, where necessary, relevant charts, tables and graphs.

MARK ALLOCATION FOR THE SCHOOL-BASED ASSESSMENT

1.	Introduction	6
2.	Literature Review	10
3.	Methodology	6
4.	Presentation of Data	6
5(a)	Analysis of Data	6
5(b)	Interpretation of Results	6
6.	Conclusions and Recommendations	6
7.	Communication of information in a logical way using correct grammar	6
8.	References and Citations	3
9.	Overall Presentation of Report	5
	Total	60

DETAILED MARK SCHEME FOR THE SCHOOL-BASED ASSESSMENT

		MARKS
1.	<p>Introduction</p> <p><i>Topic Statement/Aim of the project</i></p> <ul style="list-style-type: none"> • Thesis statement is concise and gives clear direction to the project • Justification for the topic shows how the project will contribute to a better understanding of business principles <p><i>Background of the project</i></p> <ul style="list-style-type: none"> • Background makes reference to previous published related studies and bears relevance to present project 	<p>[6 marks]</p> <p>2</p> <p>2</p> <p>2</p>
2.	<p>Literature Review</p> <ul style="list-style-type: none"> • Literature review provides understanding and insights into the firm being studied • Literature review provides a thorough treatment of previously published related studies • Literature review makes reference to at least two primary/secondary sources 	<p>[10 marks]</p> <p>4</p> <p>4</p> <p>2</p>
3.	<p>Methodology</p> <ul style="list-style-type: none"> • Research design well defined • Sample adequately described • Research instrument accurately described 	<p>[6 marks]</p> <p>2</p> <p>2</p> <p>2</p>
4.	<p>Presentation of Data</p> <ul style="list-style-type: none"> • Data presented are relevant to the aims of the project • Data are accurately coded and systematically organized to facilitate data analysis • Data presented in an appropriate form using tables, charts and graphs 	<p>[6 marks]</p> <p>2</p> <p>2</p> <p>2</p>
5(a)	<p>Analysis of Data</p> <ul style="list-style-type: none"> • Data are summarized accurately using descriptive statistics • Data summary is meaningful and related to findings 	<p>[6 marks]</p> <p>3</p> <p>3</p>
5(b)	<p>Interpretation of Results</p> <ul style="list-style-type: none"> • Interpretation of results is consistent with findings • Results are interpreted in light of business theories and concepts • Discussion of results incorporates previous research 	<p>[6 marks]</p> <p>2</p> <p>2</p> <p>2</p>

DETAILED MARK SCHEME FOR THE SCHOOL-BASED ASSESSMENT		MARKS
6.	Conclusions and Recommendations <ul style="list-style-type: none"> • Conclusions are <i>logical and based on findings</i> • Recommendations are <i>realistic and informed by findings</i> • Recommendations contribute to a better understanding of the topic and to general business principles 	[6 marks] 2 2 2
7.	Communication of Information in a Logical way using Correct Grammar <ul style="list-style-type: none"> • Consistently used correct spelling • Consistently used correct grammar • Expression of ideas clear and unambiguous 	[6 marks] 2 2 2
8.	References and Citations <ul style="list-style-type: none"> • Acknowledges sources throughout the project • Bibliography for publications written in alphabetical order and includes names of authors, publishers, and dates of publication • Bibliography for internet sites includes address of website, names of authors or organization and date of access/retrieval 	[3 marks] 1 1 1
9.	Overall Presentation of Report <ul style="list-style-type: none"> • Report is within the recommended word limit • Layout of the report follows correct format, and includes a table of contents and cover page with relevant information • Report is neat, legible and coherent 	[5 marks] 1 2 2
	TOTAL	60 marks

Paper 03/2 (1 hour 30 minutes)

1. Number of Questions

This Paper is based on a case study incorporating objectives of the syllabus. The paper consists of three compulsory questions. The three questions may be divided into parts. The paper tests skills similar to those listed in the School-Based Assessment (Paper 03/1).

2. Question Type

Each question requires candidates to respond either in the form of an extended essay or a short paragraph.



3. Mark Allocation

The paper is worth 60 marks (20 marks per question) and *contributes* 20 per cent towards the final assessment.

4. Award of Marks

Marks are awarded for expression, organisation and content.

◆ REGULATIONS FOR PRIVATE CANDIDATES

Paper 03/2 (1 hour 30 minutes)

Private candidates will be required to write Papers 01, 02 and Paper 03/2.

◆ REGULATIONS FOR RE-SIT CANDIDATES

Re-sit candidates must complete Papers 01 and 02 of the examination for the year for which they re-register. Re-sit candidates may elect not to repeat the School-Based Assessment component, provided they re-write the examination no later than two years following their first attempt.

Re-sit candidates may opt to complete a School-Based Assessment for each Unit written or may opt to reuse another *SBA* score which satisfies any of the conditions listed at (a) or (b) below.

- (a) A candidate who re-writes the examination in the same Unit within two years may reuse the moderated *SBA* score earned in the previous sitting within the preceding two years. Candidates re-using *SBA* scores in this way must register as 'Re-sit candidates' and *must* provide the previous candidate number. *Candidates are no longer required to earn a moderated score that is at least 50 per cent of the maximum possible score; any moderated score may be re-used.*
- (b) Candidates who enter for Unit 1 or Unit 2, in different sittings, may re-use a moderated *SBA* score obtained in a previous sitting of either Unit within the preceding two years. The *SBA* score may be re-used in either Unit, or in both Units, irrespective of the Unit in which it was obtained. Candidates re-using *SBA* scores in this way must register as 'Transfer' candidates.

Re-sit candidates may be entered through schools, recognised educational institutions, or the Local Registrar's Office.

◆ ASSESSMENT GRID

The Assessment Grid for each Unit showing marks assigned to each paper and to each Module, and the percentage contribution of each paper to the total scores.

Papers	Module 1	Module 2	Module 3	Total	(%)
External Assessment					
Paper 01 Multiple-choice questions	30	30	30	90	(30)
Paper 02 Essay/Extended Response	50	50	50	150	(50)
School-Based Assessment					
Paper 03/1 or Paper 03/2	20	20	20	60	(20)
Total	100	100	100	300	(100)

◆ GLOSSARY

<i>WORD</i>	<i>DEFINITION/MEANING</i>
<i>Account for</i>	<i>Explain the reasons for, giving an indication of all relevant circumstances. Very different from 'Give an account of', which asks only for a detailed description.</i>
<i>Analyse</i>	<i>Study in depth, identifying and describing in detail the main characteristics.</i>
<i>Assess</i>	<i>Examine closely, with a view to measuring or 'weighing up' a particular situation. Consider in a balanced way: strengths and weaknesses, points for and against. In conclusion, state your judgement clearly.</i>
<i>Comment</i>	<i>State clearly and in a moderate fashion your opinions on the material in question. Support your views with references to suitable evidence or with explanation as appropriate.</i>
<i>Compare</i>	<i>Look for qualities or characteristics that resemble each other. Emphasise similarities but be aware also of points of differences.</i>
<i>Contrast</i>	<i>Stress the dissimilarities and differences between the items in question, but do not ignore points of similarities.</i>
<i>Criticise</i>	<i>Express your balanced judgement about the merit or truth of the material in question. Give the results of your scrutiny, establishing both strengths and weaknesses. Be specific.</i>
<i>Define</i>	<i>Give, concise, clear and authoritative meanings. Do not give too many details, but be sure to state the limits of the definition. Show how the thing you are defining differs from things in other categories.</i>
<i>Describe</i>	<i>Recount, characterize, sketch or relate in sequence or story form.</i>
<i>Discuss</i>	<i>Examine and analyse carefully, giving reasons pro and con, advantages and disadvantages. Be complete, and give details. You must consider all sides of the issue and reach a balanced conclusion.</i>
<i>Enumerate</i>	<i>State in list or outline form, giving points concisely one by one.</i>
<i>Evaluate</i>	<i>Carefully appraise the matter in hand, citing both advantages and limitations. Emphasise the views of authorities as well as your personal estimation.</i>
<i>Explain</i>	<i>Clarify, interpret and spell out the material you present. Give reasons for important features or developments, and try to analyse causes.</i>
<i>How far...</i>	<i>Similar to questions based on the "To what extent..." approach. Here you are expected to make your case or present your material in the usual way.</i>

<i>WORD</i>	<i>DEFINITION/MEANING</i>
Illustrate	Use specific examples, allusions, figures or diagrams to explain, demonstrate or clarify a problem, situation or view.
Interpret	Translate, give examples of, express in simple terms or comment on a subject, usually giving your judgement about it.
Justify	Prove, make out a case or give reasons for decisions or conclusions, taking pains to be convincing.
List	As in 'enumerate', write an itemised series of concise statements.
Outline	Provide a framework describing under main point and subordinate points, omitting minor details and stressing the arrangement or classification of the material.
Prove	Establish that something is true by citing factual evidence or giving clear reasons.
Relate	Show how things are related to or connected with each other, or how one causes another, correlates with another, or is like another.
Review	Examine a subject critically, analysing and commenting on the important points and stages of development.
State	Present the main points in brief, clear sequences.
Summarise	Give the main points or facts in condensed form, omitting details and illustrations.
Trace	Describe in narrative form, progress, development or sequence of events from some point of origin.

Western Zone Office

CARIBBEAN EXAMINATIONS COUNCIL®

Caribbean Advanced Proficiency Examination®



MANAGEMENT OF BUSINESS

Specimen Papers and Mark Schemes/Keys

Specimen Papers:

- Unit 1, Paper 01
- Unit 1, Paper 02
- Unit 1, Paper 03/2
- Unit 2, Paper 01
- Unit 2, Paper 02
- Unit 2, Paper 03/2

Mark Schemes/Keys:

- Unit 1, Paper 01
- Unit 1, Paper 02
- Unit 1, Paper 03/2
- Unit 2, Paper 01
- Unit 2, Paper 02
- Unit 2, Paper 03/2



**CARIBBEAN EXAMINATIONS COUNCIL
ADVANCED PROFICIENCY EXAMINATION**

**SPECIMEN PAPER
MULTIPLE CHOICE QUESTIONS
FOR**

MANAGEMENT OF BUSINESS

UNIT 1 - Paper 01

90 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 45 items. You will have 90 minutes to answer them.
2. Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.

Sample Item

Which of the following actions CANNOT be taken by a trade union?

- (A) Strike
- (B) Go slow
- (C) Picketing
- (D) Lock out

Sample Answer



The best answer to this item is “Lock out”, so answer space (D) has been shaded.

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1. Which of the following BEST defines the term 'privatization'?
 - (A) The selling of government assets to a private business.
 - (B) Businesses operating privately without state interference.
 - (C) The transfer of ownership from public sector to private entity.
 - (D) When a business, public or private, decides to keep decisions secret.

2. One advantage of a mixed economy is that
 - (A) the state provides public goods
 - (B) there is no wasteful competition
 - (C) the price of all goods is dictated by market forces
 - (D) the private sector provides essential services for consumers

3. The mission statement of an organization defines the organization's
 - (A) strategic objectives
 - (B) purpose and direction
 - (C) long-term goals which it hopes to achieve
 - (D) strategic, tactical and operational objectives

4. Government's payment to a domestic producer in the form of a tax relief is known as
 - (A) quota
 - (B) tariff
 - (C) subsidy
 - (D) corporate tax

5. A company which owns or controls production or service facilities outside the country in which it is based is referred to as
 - (A) international
 - (B) multi-national
 - (C) conglomerate
 - (D) export-oriented

6. Which of the following is NOT a feature of a free market economy?
 - (A) Long term planning
 - (B) Good worker motivation
 - (C) Inefficient public transportation
 - (D) No restrictions on pollution control

7. Which of the following are reasons for setting objectives?
 - I. To know what to do if things go wrong
 - II. To monitor progress as it takes place
 - III. To identify how much profit has been made
 - IV. To ensure that everything is going as planned
 - (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) II and IV only

8. The benefits which large firms enjoy over small firms is referred to as
 - (A) economies of scale
 - (B) profit maximization
 - (C) economic wellness
 - (D) goodwill of the firm

GO ON TO THE NEXT PAGE

9. Which of the following is NOT a criterion for measuring the size of a firm?
- (A) Labour force
 - (B) Market share
 - (C) Capital layout
 - (D) Capital structure
10. Which of the following are benefits of Caribbean-based multi-national companies?
- I. Reduced imports
 - II. Repatriation of profits
 - III. Creation of employment
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
11. At what managerial level of the organization's hierarchy are strategic planning decisions made?
- (A) Top
 - (B) Middle
 - (C) First Line
 - (D) Lower Level
12. Some objectives of trade unionism include
- I. collective bargaining
 - II. industrial democracy
 - III. strike action
 - IV. educating its members
- (A) I and II only
 - (B) II and IV only
 - (C) I, II and IV only
 - (D) I, III and IV only
13. Mrs Stunning, who is a heart patient, declined a job offer as a gym instructor. What key factors were likely to have influenced her decision?
- (A) Social
 - (B) Economic
 - (C) Human constraints
 - (D) Ecological considerations

Items 14–15 refer to the following Balance Sheet of General Motors Ltd.

GENERAL MOTORS LTD.			
Balance Sheet as at 31 December 2010			
<u>Liability & Owners Equity</u>		<u>Assets</u>	
Share Capital	\$ 139 600	Freehold Property	\$ 50 000
General Reserves	\$ 15 000	Plant and Machinery	\$ 75 000
Bank Overdraft	\$ 3 000	Fixtures and Fittings	\$ 5 000
Creditors	\$ 1 500	Motor Vehicles	\$ 10 000
Tax Payable	\$ 2 000	Stock	\$ 14 000
Accrued costs	\$ 900	Debtors	\$ 3 000
		Cash	\$ 4 000
		Prepayment	\$ 1 000
	<u>\$ 162 000</u>		<u>\$ 162 000</u>

14. What is the Acid Test or Quick Ratio?

- (A) 1.1:1
- (B) 1.2:1
- (C) 1.5:1
- (D) 2:1:1

15. What is the current ratio?

- (A) 2.7:1
- (B) 2.9:1
- (C) 3:1
- (D) 3.2

16. Which of the following statements BEST explains Mayo's 'Hawthorne Effect'?

- (A) Once the individual's need is satisfied it will no longer provide the impetus to action.
- (B) People only act to achieve their goals if they feel they will be successful.
- (C) If work is not interesting, challenging or rewarding, workers will not be satisfied or motivated.
- (D) When management consults with workers and takes an interest in their work then motivation is improved.

17. The human relations view of conflict states that

- (A) conflict in organizations is always dysfunctional
- (B) the best strategy to resolve conflict is avoidance
- (C) a good manager can resolve every conflict effectively
- (D) conflict is natural and inevitable and can be positive

GO ON TO THE NEXT PAGE

18. The person who is elected at the workplace to represent union members at a local level is the
- (A) shop steward
 - (B) branch officer
 - (C) executive leader
 - (D) trade union leader
19. Which of the following management functions assigns tasks and resources?
- (A) Leading
 - (B) Planning
 - (C) Controlling
 - (D) Organizing
20. A leader can BEST be described as one who
- (A) emerges from within the group
 - (B) is appointed to a position of formal authority
 - (C) organizes resources to meet the objectives of the organization
 - (D) influences others to perform beyond the actions dictated by formal authority
21. Mark, the manager of ABC Co. Ltd., has been described as an individual who was born with outstanding leadership qualities hence his effectiveness as a leader.
- Which of the following approaches to the study of leadership can be associated with the assumption of Mark's situation above?
- (A) Trait Theory
 - (B) McGregor Theory X
 - (C) McGregor Theory Y
 - (D) F.W. Taylor Scientific Management
22. Which of the following is a reason for decentralization?
- (A) The need for consistent policies throughout the organization
 - (B) Greater economies of scale would be gained
 - (C) To retain the same business identity in all markets
 - (D) The need to make more informed decisions which reflect different market conditions
23. The greatest scope for increased responsibility and recognition in the workplace is provided by job
- (A) rotation
 - (B) assessment
 - (C) enlargement
 - (D) enlargement
24. The Production Manager makes suggestions to his superior about ways to improve the efficiency of the department. Which form of communication flow does this represent?
- (A) Lateral
 - (B) Upward
 - (C) Horizontal
 - (D) Downward
25. Which of the following MUST be present if a team of workers is to achieve its desired objectives?
- (A) Interdependence
 - (B) Open communication
 - (C) Charismatic leadership
 - (D) Shared sense of purpose

26. When the marketing manager advises the production manager on a new product, what type of authority is displayed by the marketing manager?
- (A) Line
 - (B) Staff
 - (C) Functional
 - (D) Line and Staff
27. When Sonia Green, the Marketing Manager of Sonia's Shoe Stores, sets new sales targets and develops strategies to achieve them, she is demonstrating the management function of
- (A) leading
 - (B) planning
 - (C) controlling
 - (D) organizing
28. In Maslow's hierarchy of needs, in which level of needs does 'open and honest communication among employees' belong?
- (A) Safety
 - (B) Social
 - (C) Esteem
 - (D) Self actualization
29. The BCG Banking & Investment Company is planning to computerize some of its services within the next six months. How BEST should management implement this change?
- (A) 'Leak' information and await feedback and train the remaining employees.
 - (B) Offer voluntary severance and train the remaining workforce.
 - (C) Meet with key personnel and await feedback prior to implementation.
 - (D) Implement a redundancy programme with immediate effect.
30. Which of the following types of responsibilities is an organization satisfying when it makes choices and takes actions that will contribute to the welfare and interests of the society?
- (A) Legal
 - (B) Social
 - (C) Ethical
 - (D) Strategic
31. Which of the following forms of capital is another name for 'shareholders' fund'?
- (A) Equity
 - (B) Start up
 - (C) Waking
 - (D) Joint Venture
32. Which of the following is NOT a part of the money market?
- (A) Development Bank
 - (B) Commercial Bank
 - (C) Merchant Bank
 - (D) Credit Union
33. Which of the following long-term sources of finance is external?
- (A) Leasing
 - (B) Trade credit
 - (C) Share capital
 - (D) Hire purchase
34. Which of the following is NOT an investment appraisal technique?
- (A) Cost benefit
 - (B) Payback period
 - (C) Net present value
 - (D) Average rate of return

GO ON TO THE NEXT PAGE

35. If a company is highly geared, it means that a high proportion of its finance is

- (A) cash
- (B) loan
- (C) profit
- (D) equity

36. Which of the following is NOT an item on the balance sheet of a company?

- (A) Cash
- (B) Bank overdraft
- (C) Wages and salaries
- (D) Plant and machinery

37. Which of the following sources of finance is LEAST likely to be used as investment in a new product development?

- (A) Bank loan
- (B) Debentures
- (C) Share issues
- (D) Bank overdraft

38. Sunshine Limited keeps records and accounts of all of its financial transactions. Which of the following groups is the MAIN user of this financial information?

- (A) Suppliers
- (B) Employees
- (C) Government
- (D) Management

39. Managers of Atlas Ltd. have decided to purchase additional equipment using internal funds. They would MOST likely finance this through

- (A) hire purchase
- (B) retained profits
- (C) a bank overdraft
- (D) sale and lease back

40. The following information is taken from the books of Louis Thorpe's business.

	\$
Opening Stock	5 000
Wages	2 500
Purchases	12 000
Closing Stock	2 000

What is the TOTAL cost of goods sold?

- (A) \$ 10 000
- (B) \$ 12 000
- (C) \$ 15 000
- (D) \$ 16 500

41. Which of the following is the MOST appropriate source of finance for an entrepreneur who wants to expand his air conditioning and refrigeration business?

- (A) Bank loan
- (B) Debenture
- (C) Share issue
- (D) Retained earning

42. Machinery cost \$ 800 000 and is expected to last for five years and produce an annual net cash inflow of \$ 240 000. This investment has an average rate of return (ARR) of

- (A) 15%
- (B) 30%
- (C) 50%
- (D) 67%

43. The following table is an extract from the books of Booboo's Co. Ltd.

	\$
Sales	17 000
Opening Stock	2 400
Closing Stock	1 350
Purchase	12 500

The gross profit ratio is

- (A) 4%
(B) 20%
(C) 80%
(D) 96%
44. The following is an extract of a firm's balance sheet as at 31 December 2010.

EXTRACT	
Opening Capital	\$ 200 000
Net Profit	\$ 100 000
Drawings	<u>\$ 50 000</u>
	<u><u>\$ 350 000</u></u>

The return on capital invested is

- (A) 33½ %
(B) 40%
(C) 50%
(D) 80%

Item 45 refers to the following table.

Net cash inflow from operation	\$ 46 000
Taxation paid	\$ 12 000
Payment of fixed asset	\$ 19 000
Share issue	\$ 13 000

45. The closing cash balance is

- (A) \$ 2 000
(B) \$ 26 000
(C) \$ 28 000
(D) \$ 40 000

END OF TEST

CARIBBEAN EXAMINATIONS COUNCIL
ADVANCED PROFICIENCY EXAMINATION

MANAGEMENT OF BUSINESS

UNIT 1

PAPER 02

SPECIMEN PAPER

2 ½ hours

INSTRUCTIONS TO CANDIDATES

1. This paper consists of **THREE** sections.
2. Each section consists of **TWO** questions.
3. Candidates **MUST** answer **ONE** question from EACH section.
4. Each question is worth a total of **25 marks**.
5. The overall total on this Paper 02 is **75 marks**.

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SECTION A

MODULE 1: BUSINESS AND ITS ENVIRONMENT

Answer ONE question from this section.

1. AJ Engineering has recently been accused of dumping its toxic waste in a river that runs through a nearby town.
- (a)(i) Define the term 'business ethics'. **(2 marks)**
- (ii) State TWO reasons why the dumping of toxic waste in a river could be considered **unethical** behaviour. **(4 marks)**
- (b) Discuss TWO ways in which the behaviour outlined above could negatively impact the business of AJ Engineering. **(6 marks)**
- (c)(i) Explain the term 'strategic objectives'. **(3 marks)**
- (ii) Discuss THREE strategic objectives that a typical firm could pursue. **(10 marks)**
- Total 25 marks**
2. (a)(i) Explain the term 'globalization'. **(3 marks)**
- (ii) Outline THREE factors which have contributed to the growth of globalization. **(6 marks)**
- (b) Discuss, using suitable examples, FOUR ways in which globalization may impact organizations operating within the Caribbean business environment. **(16 marks)**
- Total 25 marks**

GO ON TO NEXT PAGE

SECTION B

MODULE 2: THE MANAGEMENT OF PEOPLE

Answer ONE question from this section.

3. (a)(i) State the assumption of the Trait Theory of leadership. (2 marks)
- (ii) Outline TWO shortcomings of the trait theory. (4 marks)
- (b) Sam, the manager of BBF Co. Ltd, has been described by his employees as a participative leader.
- (i) Define the term 'participative leadership'. (1 mark)
- (ii) Discuss TWO advantages and TWO disadvantages of participative leadership. (12 marks)
- (c) Outline THREE situations in which participative leadership would be useful to BBF Co. Ltd. (6 marks)

Total 25 marks

4. Change is a crucial element in an organization's ability to survive and grow.
- (a)(i) State THREE reasons for change in an organization. (3 marks)
- (ii) Outline the **main** role of the 'change agent' in the change process. (2 marks)
- (b) Outline FOUR reasons why employees may resist change. (8 marks)
- (c) Discuss THREE methods that can be used to address resistance to change. (12 marks)

Total 25 marks

SECTION C

MODULE 3: BUSINESS FINANCE AND ACCOUNTING

Answer ONE question from this section.

5. Peak Partners manufactures and sells local wine. The company wants to develop a standard cost per gallon to be used as a basis for pricing its products.

During the month of March, Peak Partners produced eight 100-litre batches of wine. They used 3 650 kilogrammes of local fruits at \$0.98 per kilogramme for the production of the wine. Direct labour costs incurred during the period amounted to \$14 775.00 at a rate of \$7.50 per hour.

The standard amount of local fruits for producing a 100-litre batch of wine is 417 kilogrammes at \$1.00 per kilogramme and the standard labour hour per 100-litre batch of local wine is 224 hours at \$7.00 per hour.

It was determined that the material price variance was \$71.20 favourable, while the material usage variance was \$224.00 adverse. In addition, the labour rate variance was \$985.00 adverse.

- (a) State THREE reasons for EACH of the THREE variances. **(9 marks)**
- (b) Outline THREE reasons why it is important to prepare a budget. **(9 marks)**
- (c) Discuss TWO reasons why some managers may NOT support the preparation of budgets. **(7 marks)**

Total 25 marks

6. (a) (i) State TWO differences between fixed assets and current assets. **(4 marks)**
- (ii) State ONE reason, other than capital employed, for an increase in capital. **(1 mark)**
- (iii) Outline ONE reason for the difference between the gross profit and net profit of a business. **(2 marks)**

Following are the financial statements of S. Bell for the year ended 30 June, 2010.

Income Statement for Year Ending 30 June, 2010

	\$	\$
Sales		40 800
Opening Stock	8 000	
Purchases	<u>32 000</u>	
	40 000	
Closing stock	<u>6 400</u>	
		33 600
Gross profit		7 200
Expenses		<u>1 850</u>
Net Profit		<u>5 350</u>

Balance Sheet as at 30 June, 2010

	\$		\$
Fixed Assets	30 000	Opening Capital	30 000
Stock	6 400	Net Profit	5 350
Debtors	8 800		<u>35 350</u>
Bank	4 750	Drawings	800
	<u>49 950</u>		<u>34 550</u>
		Loans	10 000
			<u>2 600</u>
		Creditors	
		Accrued Expenses	44 550
			2 800
			<u>49 950</u>

(b) Compute, correct to one decimal place, the following ratios for the year ended 30 June, 2010 and **explain** what EACH ratio shows about the performance of the company.

- (i) Acid test
- (ii) Return on capital or equity
- (iii) Stock turnover
- (iv) Mark-up
- (v) Gearing ratio
- (vi) Net profit margin

(18 marks)

Total 25 marks

END OF TEST

FORM – TP 02133032 SPEC/2011

CARIBBEAN EXAMINATIONS COUNCIL
ADVANCED PROFICIENCY EXAMINATION
MANAGEMENT OF BUSINESS
UNIT 1
PAPER 03/2

SPECIMEN PAPER

1 1/2 hours

INSTRUCTIONS TO CANDIDATES

1. This paper consists of a case study and **THREE** questions, **ONE** from **EACH** module.
2. Candidates **MUST** answer the **THREE** questions.
3. Each question is worth **20 marks**.

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INSTRUCTION: Read the case study and answer the questions that follow.

CASE STUDY

JEWELRY FOR HIM AND HER

In 2008 Pam and her friend Dan started a partnership business specializing in local jewelry for males and females. The name of the business was 'Jewelry for him and her'. They employed five persons: three jewelry makers, a cashier and a general staff assistant. Dan invested \$300 000 in the business, while Pam invested \$100 000. Pam insisted that they should have a Deed of Partnership drawn up.

During the first two years of operation, the business did extremely well. In 2010, the business was invited to take part in an International craft show in Miami 'Craft for All – 2010.' Dan was reluctant to get involved, however; Pam was excited.

"Hey Dan, this is our big chance to spread our wings on the international scene," said Pam.

Dan shook his head. "It is not as easy as that, dear. We would have to employ more people with the requisite skills and experience in jewelry making. In addition, we would have to consider airfare, accommodation, meals and other expenses for the five days that we are expected to stay."

"Let us call a meeting with the staff, and get their input before making a decision," replied Pam.

"I totally object to such a move," said Dan. "Our present staff dislikes work, must be coerced, controlled, directed, or threatened with punishment to get them to perform. Their main interest is job security and an increase in salary. They cannot work on their own initiative, hence it would be a waste of time to ask for their opinions.

"I do not agree with your views on our employees," replied Pam. "Given the right encouragement, our employees will be happy to participate in the decision-making of the firm," said Pam, who was well aware that when it comes to taking on new ideas and challenges, Dan was always the cautious one refusing to think outside the box.

"Well, I will leave you to think about the idea, while I examine our accounting records to assess our performance for this quarter. If we are going to accept this offer, we may need to seek finance." said Pam.

"Goodbye Pam, see you later, I hope we will be able to come to an amicable decision on the matter," replied Dan.

1. (a) (i) Identify the type of economic activity in which ‘Jewelry for him and her’ is engaged. **[1 mark]**
- (ii) Define the term ‘Deed of Partnership’. **[2 marks]**
- (iii) List THREE important components that Pam and Dan should include in their Deed of Partnership. **[3 marks]**
- (b) Explain TWO reasons why it is important for Pam and Dan to have a Deed of Partnership drawn up. **[6 marks]**
- (c) Outline TWO negative impacts that EACH of the following could have on ‘Jewelry for him and her’ should the business move into the international scene:
- (i) Human resource **[4 marks]**
- (ii) Cultural constraints **[4 marks]**

Total 20 marks

2. (a) (i) Using evidence from the case study, identify the leadership style that is BEST associated with EACH of the following persons:
- (a) Pam **[1 mark]**
- (b) Dan. **[1 mark]**
- (ii) State ONE advantage of EACH leadership style identified in 2 (a)(i) above. **[4 marks]**
- (b) (i) With reference to the case, identify TWO assumptions associated with McGregor’s Theory X. **[2 marks]**
- (ii) Outline TWO implications of McGregor’s Theory X for managers such as Dan. **[4 marks]**
- (c) Discuss TWO ways in which ‘Jewelry for him and her’ would benefit from a more team-oriented approach in the decision making process of the firm. **[8 marks]**

Total 20 marks

GO ON TO NEXT PAGE

3. (a) Outline FOUR reasons why it is important for 'Jewelry for him and her' to keep good accounting records. **[8 marks]**
- (b) Identify THREE possible sources of finance which 'Jewelry for him and her' should consider for their venture. **[3 marks]**
- (c) Pam and Dan are considering the following criteria in choosing suitable finance for the craft show:
- (i) Interest rates
 - (ii) The term of the loan
 - (iii) Amount of money required

Assess EACH of the criteria above.

[9 marks]

Total 20 marks

END OF TEST



**CARIBBEAN EXAMINATIONS COUNCIL
ADVANCED PROFICIENCY EXAMINATION**

**SPECIMEN PAPER
MULTIPLE CHOICE QUESTIONS
FOR**

MANAGEMENT OF BUSINESS

UNIT 2 - Paper 01

90 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 45 items. You will have 90 minutes to answer them.
2. Each item in this test has four suggested answers lettered (A), (B), (C), (D). Read each item you are about to answer and decide which choice is best.

Sample Item

For which ONE of the following types of production is product design of paramount importance?

- (A) Job
- (B) Mass
- (C) Flow
- (D) Batch

Sample Answer



The best answer to this item is “Job”, so answer space (A) has been shaded.

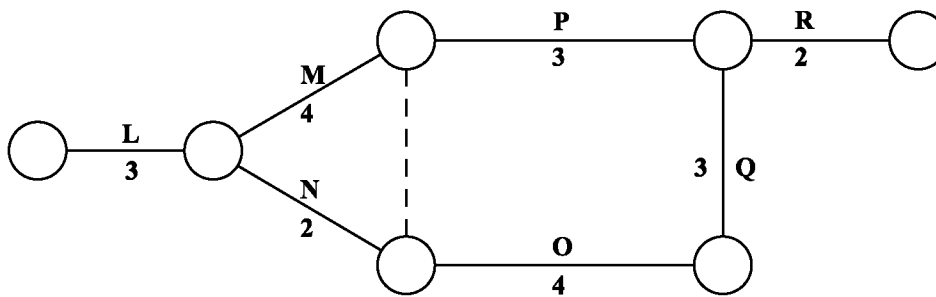
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1. At MKJ, production is organized so that different operations can be carried out, one after the other in a continuous sequence. What type of production system is MKJ using?
- (A) Job
(B) Flow
(C) Batch
(D) Project
2. Which of the following formulae represents the measurement of labour productivity?
- (A) $\frac{\text{Output}}{\text{Capital Employed}}$
(B) $\frac{\text{Output}}{\text{Labour} + \text{materials} + \text{capital}}$
(C) $\frac{\text{Output}}{\text{Number of employees (per period)}}$
(D) $\frac{\text{Output}}{\text{Total possible hours per period}}$
3. A type of costing which focuses only on variable costs and ignores fixed cost is known as
- (A) full
(B) total
(C) standard
(D) marginal
4. Which of the following is NOT a dimension of quality?
- (A) Aesthetics
(B) Integration
(C) Conformance
(D) Serviceability
5. The perceived quality of a product is measured by
- (A) the producer's standards
(B) the features of the product
(C) conformity to customers' expectations
(D) conformity to general production standards
6. Which of the following are variable costs?
- I. Rent
II. Depreciation
III. Materials
IV. Maintenance
- (A) I and II only
(B) I and III only
(C) II and IV only
(D) III and IV only
7. The features of batch production are BEST described as
- (A) regular demand, highly skilled workforce, variation in product
(B) regular demand, some variation in product, semi or unskilled workforce
(C) high steady demand, standardization, semi or unskilled workforce
(D) high steady demand, variation in product, highly skilled workforce
8. Mr Joe produces hand carved jewellery. Which type of production layout is BEST suited for his business?
- (A) Process
(B) Product
(C) Fixed-Position
(D) Cellular Position

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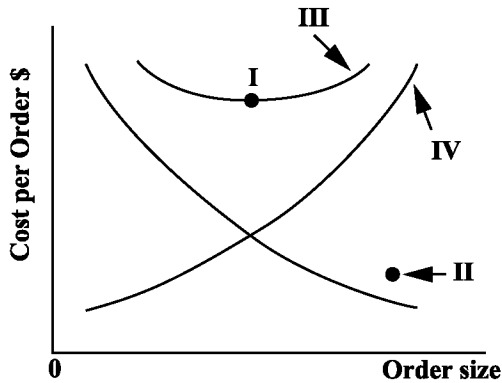
9. The layout of a workplace is very important. Which of the following is an example of a Product Layout?
- (A) Hospital ward
 - (B) Car assembly
 - (C) Seamstress
 - (D) Print shop
10. Which of the following incentive schemes can be used to increase productivity?
- (A) Promotion
 - (B) Job rotation
 - (C) Profit sharing
 - (D) Empowerment
-

Items 11–13 refer to the diagram below.



11. The critical path is
- (A) L, M, P, R
 - (B) L, N, P, R
 - (C) L, M, O, Q, R
 - (D) L, N, O, Q, R
12. The broken line on the network represents a
- (A) tail
 - (B) head
 - (C) node
 - (D) dummy
13. The duration of the critical path is
- (A) 10 days
 - (B) 12 days
 - (C) 14 days
 - (D) 16 days

Items 14–15 refer to the diagram below.



14. The re-order cost is
- (A) I
 - (B) II
 - (C) III
 - (D) IV
15. The stock-holding cost is
- (A) I
 - (B) II
 - (C) III
 - (D) IV
16. The type of sampling whereby every member of the population has a known chance of selection is called
- (A) probability sampling
 - (B) non-random sampling
 - (C) convenience sampling
 - (D) non-probability sampling
17. Which of the following is NOT a criteria used to test the effectiveness of segmentation?
- (A) Realizability
 - (B) Sustainability
 - (C) Identifiability
 - (D) Measurability
18. Which of the following may be used to describe the term 'Loss Leader'?
- (A) A product that is difficult to find.
 - (B) A product that is sold below cost.
 - (C) A manager who has no experience.
 - (D) A product that has no value to consumers.
19. Which of the following techniques may be used to collect primary data?
- I. Surveys
 - II. Observation
 - III. Trade journals
 - IV. Delphi technique
- (A) I, II and III only
 - (B) I, II and IV only
 - (C) II and IV only
 - (D) II, III and IV only
20. Which of the following groups BEST explains 'below the line' promotion?
- (A) Advertising, Publicity and Personal Selling
 - (B) Sales Promotion, Personal Selling and Advertising
 - (C) Publicity, Sales Promotion and Personal Selling
 - (D) Personal Selling, Advertising and Sales Promotion
21. Which of the following is NOT an objective of promotion?
- (A) To coerce
 - (B) To inform
 - (C) To persuade
 - (D) To make aware

GO ON TO THE NEXT PAGE

22. A manufacturing company decides to aim its promotion at the final consumer rather than at intermediaries. Which of the following promotion strategies is the company using?

- (A) Pull
- (B) Push
- (C) Direct
- (D) Customer

23. Vidal is thinking about producing cricket gear. He has been advised to conduct primary research. Which of the following methods would be MOST appropriate?

- (A) Publications
- (B) Desk research
- (C) Questionnaire
- (D) Library research

24. Mr Brown is planning to introduce a new line of clothing using an initial high pricing strategy. Mr Brown's pricing strategy is referred to as

- (A) price skimming
- (B) perceived value
- (C) cost plus pricing
- (D) penetration pricing

25. Mr Starlight is contemplating advertising his new electronic device for teenagers using internet marketing strategies.

Which of the following forms of promotion should his business use for its website on the internet?

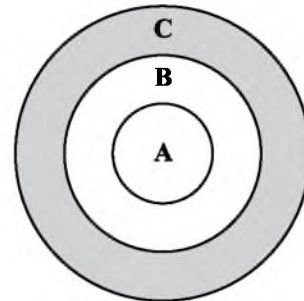
- I. Bulletin board systems
- II. Buy advertising on other sites
- III. Include site on search engines

- (A) I and II only
- (B) I and III only
- (C) II and III only
- (D) I, II and III

26. To price his product, Paul added 25% of the cost price to get his selling price. This strategy is known as

- (A) cost-plus
- (B) going rate
- (C) perceived value
- (D) competition pricing

Item 27 refers to the following diagram which shows the three dimensions or layers of a product.



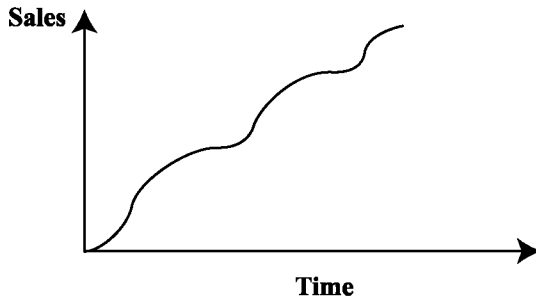
27. Which layer is represented by the region A?

- (A) Core
- (B) Future
- (C) Formal
- (D) Augmented

28. Which of the following segmentation strategies BEST describes a toy manufacturer who targets children under 12 years of age?

- (A) Niche marketing
- (B) Micro-marketing
- (C) Differentiated marketing
- (D) Undifferentiated marketing

Items 29–30 refer to the following diagram showing the life-cycle of a product.



29. Which type of product life-cycle is illustrated in the diagram above?

- (A) fad
- (B) typical
- (C) leap-frog
- (D) stair-cased

30. What is the MOST likely reason for this pattern in the product life-cycle?

- (A) Higher levels of promotion
- (B) Additional uses for the product
- (C) Reduction in level of competition
- (D) Reduction in the price of the product

31. E-commerce is BEST defined as the use of the Internet for

- (A) advertising
- (B) doing research
- (C) buying and selling
- (D) connecting with friends

32. Which legal protection pertains to an artist who operates a small business painting and selling landscapes?

- (A) Patent
- (B) Insurance
- (C) Copyright
- (D) Trademark

33. Which of the following is NOT required of a new business when applying for a bank loan?

- (A) Reason for the loan
- (B) Some form of security
- (C) Description of the business
- (D) Qualifications of board of directors

34. Which of the following is NOT a characteristics of a successful entrepreneur?

- (A) High energy level
- (B) Fear of taking risks
- (C) Tolerance for ambiguity
- (D) Internal locus of control

35. A business plan can be defined as a document which

- (A) specifies the business details
- (B) identifies the level of profitability of the business
- (C) specifies how long the business has been in operation
- (D) identifies the characteristics of the business

36. The process of removing restrictions on foreign trade is referred to as

- (A) dumping
- (B) globalization
- (C) trade liberalization
- (D) trade protectionism

37. Which of the following methods can be used by Mary, a small business owner, to improve her relationship with employees?

- (A) Have family days
- (B) Improve profitability
- (C) Reduce overtime hours
- (D) Reduce cost of production

38. One benefit of increased entrepreneurial activity to Caribbean economies is an increase in
- (A) imports
 - (B) government subsidies
 - (C) foreign exchange rate
 - (D) gross domestic product

39. When an entrepreneur taps into a business opportunity in an area that is not being tapped by competitors, it is BEST referred to as
- (A) outsourcing
 - (B) market analysis
 - (C) niche marketing
 - (D) product development

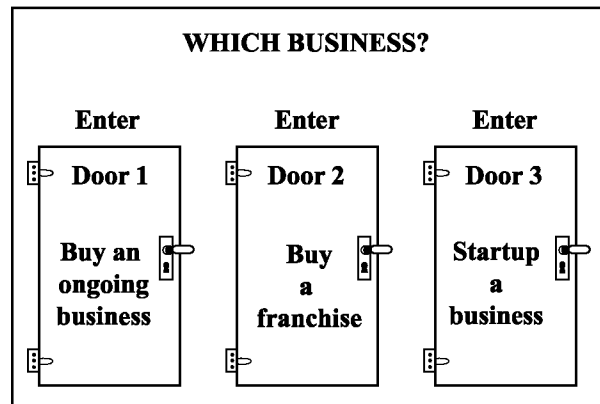
40. An entrepreneur sets up a restaurant in an area where there is an abundance of restaurants.

Which of the following approaches is the entrepreneur using to identify business opportunities?

- (A) New-old
 - (B) Old product
 - (C) New product
 - (D) Niche marketing
41. When an entrepreneur is choosing a form of business, what MAJOR factors should be considered?
- I. Who should be employed
 - II. How can liability be limited
 - III. The management and control of the business
 - IV. How much start-up capital is required
- (A) II and III only
 - (B) I, III and IV only
 - (C) II, III and IV only
 - (D) I, II and III only

42. Which of the following results is MOST likely to immediately occur from acquiring a franchise in a business with proven success elsewhere?
- (A) Positive cash flow
 - (B) Relatively high profit
 - (C) Little start up capital
 - (D) Relatively low start-up risk

Item 43 refers to the diagram below.



43. Which of the above doors should an entrepreneur open if he has a unique idea for a product not offered presently but would be in great demand?
- (A) 1 only
 - (B) 2 only
 - (C) 3 only
 - (D) 1 and 3 only

Items 44–45 refer to the following scenario.

Mrs Chang has recently opened a small restaurant. At the end of the first week of operations she realizes that she does not have sufficient cash to pay her two workers.

44. The scenario above illustrates a
- (A) high gearing position
 - (B) low rate of stock turn
 - (C) low return on investment
 - (D) working capital deficiency
45. The BEST way for Mrs Chang to improve her situation is to
- (A) seek short-term loan
 - (B) mortgage the restaurant building
 - (C) sell shares on the stock exchange
 - (D) approach a bank for a long term loan

END OF TEST

CARIBBEAN EXAMINATIONS COUNCIL
ADVANCED PROFICIENCY EXAMINATION

MANAGEMENT OF BUSINESS

UNIT 2

PAPER 02

SPECIMEN PAPER

2 ½ hours

INSTRUCTIONS TO CANDIDATES

1. This paper consists **THREE** sections.
2. Each section consists of **TWO** questions.
3. Candidates **MUST** answer **ONE** question from each section.
4. Each question is worth a total of **25 marks**.
5. The overall total for Paper 02 is **75 marks**

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

SECTION A

MODULE 1: PRODUCTION AND OPERATIONS MANAGEMENT

Answer ONE question from this section.

1. Bucky is a company which produces sugar for the local and international market. The owners of Bucky believe that it can still compete with the best sugar producers in the world, even when it loses preferential treatment in the European market. They plan to introduce Total Quality Management (TQM) in the company's operations within a month.
- (a) Define the concept of 'customer' as it relates to TQM and state TWO ways in which this concept can be used at Bucky. (4 marks)
- (b) Discuss FOUR common TQM techniques that Bucky can use to enhance its competitiveness in the international sugar market. (12 marks)
- (c) Discuss THREE ways in which poor quality can affect Bucky. (9 marks)

Total 25 marks

2. The following information relates to a firm which manufactures and sells widgets.

Selling Price	\$100 each
Variable cost	\$15 per unit
Total fixed cost	\$3400

- (a) Using the sales level of 100 units, calculate the following:
- (i) Contribution per unit (2 marks)
- (ii) Total cost (3 marks)
- (iii) Total profits using marginal costing format (3 marks)
- (b) (i) With the use of a labelled diagram, illustrate the breakeven point of the firm. (5 marks)
- (ii) Determine the
- a) number of units and (2 marks)
- b) amount of sales (2 marks)
- that are required for the firm to break even.
- (iii) On the same diagram, in (b)(i) above, indicate the margin of safety. State the importance of knowing the margin of safety (2 marks)
- (c) The firm is considering purchasing the widgets at \$30 each instead of manufacturing them but the factory will remain idle.
- (i) Advise the firm as to a course of action. (4 marks)
- (ii) State TWO non-accounting factors which the firm must take into consideration when making its decision. (2 marks)

GO ON TO NEXT PAGE

Total 25 marks

SECTION B

MODULE 2: FUNDAMENTALS OF MARKETING

Answer ONE question from this section.

3. On Birds' Isle, on account of the high duty on new motor vehicles and used motor vehicles less than five years old, most people who can afford it, buy used or refurbished vehicles aged five years or more. Trans Island Motor (TIM) is one of a few retailers of 'hard to find' spare parts for used motor vehicles. TIM has a large share of this market segment.

- (a) (i) Explain how EACH of the following concepts may be used to evaluate the marketing function:

- a) The product concept
- b) The sale concept
- c) The marketing concept

(6 marks)

- (ii) Outline TWO reasons why the marketing concept is the BEST approach for TIM.

(4 marks)

- (b) Discuss THREE factors in market conditions that the marketing manager of TIM needs to consider when seeking to secure a competitive advantage in the market place.

(9 marks)

- (c) Discuss TWO capabilities in the firm that the marketing manager of TIM needs to consider when seeking to secure a competitive advantage in the market place.

(6 marks)

Total 25 marks

4. Research Inc. is a small research agency. It wants to conduct a survey to find out peoples' views of the community on 'car pooling'. The company must complete the research in six weeks using a limited budget. It has decided to use sampling to select the respondents for the survey.

- (a) (i) Define the term 'sampling' and state TWO reasons for sampling.

(4 marks)

- (ii) Distinguish between 'probability sampling' and 'non-probability sampling'.

(4 marks)

- (b) Define the terms 'convenience sampling' and 'systematic random sampling', explaining how EACH might be used to select respondents.

(12 marks)

- (c) Indicate which of the two types of sampling in (b) above should be used by research Inc.. Justify your choice.

(5 marks)

Total 25 marks

GO ON TO NEXT PAGE

SECTION C

MODULE 3: SMALL BUSINESS MANAGEMENT

Answer ONE question from this section.

5. (a) (i) Distinguish between a sole trader and a private limited company. **(4 marks)**
- (ii) Outline TWO advantages and TWO disadvantages of a private limited company compared to a sole trader. **(8 marks)**
- (b) Discuss THREE ways in which a change in the economic system of the country from a mixed economy to a planned economy could affect a sole trader's decision to form a private limited company. **(13 marks)**

Total 25 marks

6. Ruby Lowe, an entrepreneur, has started a sole trader business specializing in janitorial services. She started the business with her own savings and she did not have a formal business plan. As her business expands, and according to the needs of her situation, she employs more persons to work for her. She does her own hiring, accounting and marketing. Her business is barely paying for itself.
- (a) Define the term 'business plan'. **(3 marks)**
- (b) Outline THREE reasons why Ruby should have a business plan. **(6 marks)**
- (c) Identify FOUR key elements that Ruby should include in her business plan, justifying the importance of EACH. **(16 marks)**

Total 25 marks

END OF TEST

CARIBBEAN EXAMINATIONS COUNCIL
ADVANCED PROFICIENCY EXAMINATION

MANAGEMENT OF BUSINESS

UNIT 2

PAPER 03/2

SPECIMEN PAPER

1 ½ hours

INSTRUCTIONS TO CANDIDATES

1. This paper consists of a case study and **THREE** questions, **ONE** from **EACH** module.
2. Candidates **MUST** answer the **THREE** questions.
3. Each question is worth **20 marks**.

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UNIT 2**Paper 03/2**

INSTRUCTIONS: Read the case study and answer the questions that follow.

CASE STUDY**Tasty Treats**

'Tasty Treats' supplies a variety of pastries and cakes to leading supermarkets and pastry shops. It is owned and operated by Kyle Niles and Kevin Sam who are qualified bakers and have been in this business for the past two years. The company has a small factory that makes the entire range of products. The main products are hard dough bread, carrot cakes and doughnuts. The demand pattern for these products is very different.

The hard dough bread is mainly bought by supermarkets on a daily basis, all year round. Carrot cakes are mainly bought on weekends, whereas doughnuts are often bought during the week for children's lunch. Recently, there has been a major fall in the demand for doughnuts, and the company is contemplating conducting market research to determine what has contributed to the decline in demand for such a well loved product.

In an effort to improve business, the company is thinking of introducing its latest product, the 'handmade wedding cake', each one to a unique design. Kyle and Kevin are thinking of different promotional strategies to capture the company's target market. They are evaluating a variety of pricing strategies in order to enter the market at the right time with the right price. Kyle has indicated to Kevin that the company needs to do a careful analysis of the micro and macro environmental factors that may have some impact on the development of the product, for instance, market demand, product quality, suppliers, location and sale forecasting. He has also stated that the company needs to take into consideration the direct cost associated with the new product and the point at which they would break-even.

Kyle, who is very enthusiastic about the idea, has worked hard to keep the business going. He knows that this new product could be a success but considering existing competition in the market, careful analysis would be required.

Kevin looks at his close friend and business partner. He suspects that over the next few weeks, Kyle would be up all night working on this new product idea.

"Hey, Kyle!" exclaims Kevin. "Let us start as young entrepreneurs would."

"How?" replies Kyle.

"With a formal business plan," replies Kevin.

- 1.(a) Outline TWO ways in which EACH of the following will impact on the potential success of the new product venture:
- (i) Location **(4 marks)**
 - (ii) Market Demand **(4 marks)**
 - (iii) Product quality **(4 marks)**
 - (iv) Sales forecasting **(4 marks)**
- (b) Explain EACH of the following terms:
- (i) Direct cost
 - (ii) Break-even point **(4 marks)**

Total 20 marks

- 2.(a) (i) Define the term ‘market research’. **(2 marks)**
- (ii) Outline THREE ways in which market research could be useful to ‘Tasty Treats’. **(6 marks)**
- (b) Suggest TWO promotional strategies that the company could use to market its new product, giving ONE reason for EACH suggestion. **(4 marks)**
- (c) Kyle is thinking of employing either the ‘cost-plus pricing’ or the ‘competition-based pricing’ as a possible pricing strategy for the new product.
- Describe these TWO strategies and determine which would be more appropriate for the business to adopt. Justify your answer. **(8 marks)**

Total 20 marks

- 3.(a) (i) Identify TWO entrepreneurial characteristics displayed by Kyle. **(2 marks)**
- (ii) Explain ONE way in which EACH characteristic in (a)(i) above might help him to succeed. **(4 marks)**
- (b) (i) Define the term ‘business plan’ **(2 marks)**
- (ii) State THREE advantages of a business plan. **(3 marks)**
- (iii) Identify THREE essential pieces of information that Kyle should include in his business plan and outline the importance of EACH to an investor. **(9 marks)**

Total 20 marks

END OF TEST

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION

MANAGEMENT OF BUSINESS

UNIT 1, PAPER 01

MARK SCHEME

CARIBBEAN EXAMINATIONS COUNCIL

**CARIBBEAN ADVANCED PROFICIENCY
EXAMINATION**

MANAGEMENT OF BUSINESS – UNIT 1

SPECIMEN PAPER 2011

Item No.	Key
1	C
2	A
3	B
4	C
5	B
6	C
7	D
8	A
9	C
10	B
11	A
12	C
13	C
14	A
15	C
16	D
17	D
18	A
19	D
20	D
21	A
22	D
23	C

Item No.	Key
24	B
25	D
26	C
27	B
28	B
29	D
30	B
31	A
32	D
33	A
34	A
35	B
36	C
37	D
38	D
39	B
40	C
41	A
42	C
43	B
44	C
45	C

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

A D V A N C E D P R O F I C I E N C Y E X A M I N A T I O N S

M A N A G E M E N T O F B U S I N E S S

U N I T 1 - P A P E R 0 2

K E Y A N D M A R K S C H E M E

S P E C I M E N 2 0 1 1

2
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
2011 KEY AND MARK SCHEMES

	<p><u>Question 1</u></p> <p>Specific objectives 4, 3</p>
(a) (i)	<p>Definition: Business ethics refers to a set of guiding principles(1)that direct the behaviour of individuals and groups.(1)</p> <p>Definition of Ethics (2 marks)</p>
(ii)	<p>Reasons why the action is unethical</p> <p>The firm could be taking advantage of loopholes in the laws of the land.(1) They may be aware that it is difficult for them to be prosecuted since evidence gathering in this case could be challenging.(1)</p> <p>In addition, this company could be guilty of improving profit levels(1) (by getting rid of toxic waste easily and cheaply) at the expense of the residents who could get ill.(1)</p> <p>From a moral-rights perspective - the contamination of the water will make it no longer safe for use by the residence, hence denying them to the right to safe drinking water.</p> <p>Stating Two reasons why the behaviour may be unethical 2 marks each (4 marks)</p>
(b)	<p>Ways in which the behaviour could impact negatively</p> <ul style="list-style-type: none">• Eventually, residents will become aware of the unethical practice and could take action against the firm.(1) This action could take the form of protest action by placarding the firm's facilities; By taking the firm to court.(1) This could be very expensive in terms of legal fees and fines etc.(1)• In addition, the negative publicity could adversely affect future sales.(1) Other potential customers could empathize with the residents and brand the company with an uncaring image.(1) They will not trust them to provide products which are safe.(1) <p>Discussing TWO ways in which the behaviour can impact negatively 3 marks each (6 marks)</p>
(c) (i)	<p>Strategic objectives are objectives that are used to operationalize the mission statement of an organization.(1) They are specific and cover a more well-defined time frame.(1) They provide guidance on how the organization can fulfil or move toward the broader goals in the mission.(1)</p> <p>Explaining the term strategic objectives (3 marks)</p>

MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
2011 KEY AND MARK SCHEMES

(c) (ii) Strategic Objectives that a firm could pursue:

- **Diversification**

There are basically two types of diversification:

Related diversification is simply to add products in the area of endeavour for example, a coffee company going into herbal tea; (1)

Unrelated diversification is probably more popular. This entails the company going into a totally new field of endeavour. (1) For, example, the coffee company entering the recording (music) business. The objective of this strategy is to spread its risks so that if one company fails, there is a possibility that the other can succeed especially if the income elasticities are different. (1) The company can achieve this objective by either starting its own company or more popularly, buying out an existing one (merger).

- **New Product Development**

This refers to the situation where the firm believes that its present product (or line of products) is entering the mature stage of the product life cycle. (1) When this occurs, profit levels could drastically fall, and sales will start to decline because people may get fed up with the present product. (1) When this happens it is important that the firm should have created another product (usually related) that could replace the old one. (1) For example, a soft drink company developing new flavours or improvements on the old one.

- **New Market Development**

This occurs when the firm believes that it has exhausted all possibilities of increasing sales from the present market. (1) It would therefore consider changing its promotional strategies, in terms of packaging, pricing, etc. and try to place the product into another segment of the existing market, (1) for example going into a younger age group. Or it could develop a product for the export market. This will result in increased sales which could result in the firm achieving economies of scale and consequently a lower unit cost, leading to higher profit levels. (1)

Identifying THREE strategic objectives	1 mark each	(3 marks)
Discussing THREE strategic objectives	2 marks each	(6 marks)
Discretionary mark for overall quality of response		(1 mark)

Total 25 marks

Question 2

Specific objective 6

- (a) (i) Globalization: is the trend towards greater interdependence(1) among nation states and their organizations and people.(1) This is evidenced by increased flow of goods, services, capital and people across national boundaries.(1)

Answer must include interdependence or equivalent (3 marks)

- (ii) Factor which contribute to the growth of globalization

- Improvements in technology(1) - including telecommunications technology and more recently the internet.(1) With the massive increase in the number of persons who are exposed to cable network and the internet,(1) large volumes of information spread quickly. The relatively low cost of telephone calls globally has also increased the ability to connect with the rest of the world.(1)
- Convergence of consumer tastes(1) - preference in taste is usually spread quickly and people are influenced via networking such as face book and other media, such as television advertisement.(1)
- Education (1)- With the increase in demand for education people have been motivated to explore educational opportunities regionally and internationally. (1)
- Increase in travel (1) - Curiosity in discovering and leaning new cultures has led to an increase in travel among countries.(1)
- Political(1) - the agreement by governments to remove or reduce trade barriers and the signing of trade treaties, as well as tax treaties have contributed to growth in trade, and hence globalization.(1)

Other factors

- One world advocacy
- Specialization in trade
- Trade liberalization

Outlining THREE factors 2 marks each (6 marks)

How globalization can impact organization in the Caribbean:

MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
2011 KEY AND MARK SCHEMES

(b)

Positive impact

- Companies that sell global products can reduce costs by standardizing various aspects of their marketing activities.(1) For instance, a company selling a global consumer good, such as shampoo, can make an identical shampoo for the global market, and then simply design different product packaging to account for the language spoken in each market.(1)

Companies that sell a global product can explore opportunities abroad when the home market becomes saturated.(1) (example Captain's Bakery in Jamaica has now established branches in Cayman and other overseas countries)(1)

Companies selling a seasonal global product can use international sales to level off their income stream. (by supplementing domestic sales with international)they can reduce cost per unit - because of increased production levels.

- Globalization of production: refers to the dispersal of production activities to locations around the world that are low-cost or high quality producers of a particular good.(1)

Globalization of production can offer several advantages to business organizations in the Caribbean. These include access to low-cost labour (1) - a very common way for many firms to reduce production costs and increase profits.(1)

- Companies can take advantage of know-how from anywhere in the world. They can access resources that are unavailable or more costly at home.(1)

Technological innovations are accelerating the process of globalization making it possible for many products to be made practically anywhere at its cheapest.(1)

The use of technology can speed up the flow of information making coordination and control easier and cheaper.(1)

Computer technologies are also increasing the competitiveness of small Caribbean firms by reducing the costs of reaching an international customer base for example, use of the internet.(1)

Negative impact

- Caribbean businesses competing on the international market may find it difficult competing with larger countries in terms of cost and quality.(1) They may not have the resources and technology to produce products of competitive price as more developed countries.(1) For example, a small country that manufactures jeans will not be able to compete with a larger country which can engage in mass production, thereby making the finished product cheaper (1)

- Brain drain (1)- it is also easy for qualified nationals to migrate to developed countries causing the Caribbean to lose its most valuable human resources (1). Quite often, the financial investment is quite high and is often not recovered. (1) For example, persons who migrate to other countries to study and who do very well are often offered jobs and may not return to their country because more often than not the remuneration is usually higher.(1)

Other ways:

- Continuous training of workforce to match-up changes may become necessary but costly

- Managers have to learn to manage cultural diversity in the new workplace

- Firms may be forced to maintain international quality standards - tied to cost

- Firms may face social/economic and political risks while operating in another country.

- Labour costs could rise because of international labour standards.

Discussing FOUR impacts of globalization 4 marks each	(16 marks)
Comprehensive discussion with suitable examples	(4 marks)
Satisfactory discussion	(2-3 marks)
Weak discussion	(1 mark)

Total 25 marks

	<p><u>Question 3</u></p> <p>Specific objectives 1, 5</p> <p>Assumption:</p>
(a) (i)	<p>The Trait Theory of Leadership is based on the assumption that certain individuals are born with or acquire(1) outstanding leadership qualities (1) which enable them to become more effective leaders.</p> <p>Stating assumption of trait theory (2 marks)</p>
(ii)	<p>Shortcoming of Assumption</p> <ul style="list-style-type: none">- Traits do not stand alone, the appropriateness of a trait, or set of traits depends on the leadership situation- The same trait does not apply to every organization; further studies have expanded the understanding of leadership beyond personal traits of the individual to focus on the dynamics of the relationship between leaders and followers. <p>Outlining TWO shortcomings of trait theory (4 marks)</p>
(b) (i)	<p>A participative leadership style is one which encourages participation in decision making (1)</p> <p>Defining participative leadership 1 mark (1 mark)</p>
(ii)	<p>Advantages of Participative Leadership</p> <ul style="list-style-type: none">• Full participation in the decision-making process is encouraged. (1) This may lead to better final decision (1) as the staff is encouraged to contribute and can offer valuable work experience.(1)• Research by Herzberg has indicated that this style of management should improve motivation of staff (1) as they are being given some responsibility (1) for the objectives and strategy of the business.(1)• Workers are usually more committed (1) to ensuring that decisions they have influenced are put into effect successfully.(1) They are more likely to embrace the decisions.(1) <p>Discussing TWO advantages 3 marks each (6 marks)</p>

8
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
2011 KEY AND MARK SCHEMES

Disadvantages of Participative leadership

- Consultation with staff can be time consuming (1)- and can often lead to lengthy arguments and no consensus (1) on some occasions, when quick decision making are required (1)
- Some issues might be too sensitive (1) for workers' involvement, (1) e.g. job losses; development of new products; and other confidential issues. (1)

N.B. Candidates are required to develop points to a comprehensive discussion using appropriate example.

Discussing TWO advantages 3 marks each (6 marks)

(c) Situations in which Participative leadership is useful/appropriate

- It is most likely to be useful in businesses that expect workers to contribute fully to the production and decision-making (1) processes, thereby satisfying their higher-order needs. (1)
- An experienced (1) and flexible workforce (1) will be likely to benefit most from this style.
- In situations that demand a new way of thinking or a new solution (1); here staff input can be very valuable. (1)

Outlining THREE situations 2 marks each (6 marks)

Total 25 marks

MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
2011 KEY AND MARK SCHEMES

	<p><u>Question 4</u></p> <p>Specific objective 8</p> <p>(a) (i) Reasons for organizational changes</p> <p style="padding-left: 40px;">External forces eg reduction in funding</p> <ul style="list-style-type: none"> • To address new markets • The need to increase productivity/services • New direction/goals based on perspectives of new management • Need for change in the structure of the organization to respond to changing needs <p>Any THREE reasons 1 mark each (3 marks)</p> <p>(ii) The main role of the change agent</p> <p>To translate the vision into a realistic plan (1) and to execute (1) the plan.</p> <p>Outlining role (2 marks)</p> <p>(b) Reasons why employees resist change:</p> <ul style="list-style-type: none"> • The fear of personal loss(1) is perhaps the biggest reason employees resist change. A proposed change in a job design, structure or technology may lead to a perceived loss of power,(1) prestige, pay or company benefits, so persons having a vested interest in maintaining the status quo,(1) often resist change. • Employees often do not understand the intended purpose (1) of a change or distrust the intentions behind it.(1) If previous working relationships with the persons championing the idea have been negative,(1) resistance may occur. • Employees may resist change if they and their managers assess the situation differently.(1) Often critics voice legitimate disagreements over the proposed benefits of a change. Managers in each department pursue different goals,(1) and an innovation may detract from performance and goal achievements for some departments and their employees.(1) • Lack of information about future events (1) can cause employees to resist change. It represents a fear of the unknown, and is especially threatening for employees who have a low tolerance for change and fear the novel and unusual. They do not know how a change will affect them (1) and worry about whether they will be able to meet the demands of a new procedure or technology.(1) <p>Outlining any FOUR reasons 2 marks each (8 marks)</p>
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**MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
2011 KEY AND MARK SCHEMES**

(c)	<p>Methods of addressing resistance to change:</p> <ul style="list-style-type: none"> • Education and communication (1) have been used when there is a lack of information or inaccurate information and analysis.(1) This method has the advantage that people, once persuaded, will often help with the implementation of the change.(1) • Participation and involvement (1) have been used when the initiators of change do not have all the information they need to design the change, and others have considerable power to resist. The advantage of this approach is that people who participate will be committed to implementing change, their ideas can be integrated into the change plan.(1) The drawback of this approach is that it can be very time consuming and costly if participants design an inappropriate change.(1) • Negotiation and agreement(1)are commonly used when someone or some group will clearly lose out in a change, and that person or group has considerable power to resist. The advantage of this method is that it can be a relatively easy way to avoid major resistance.(1) However, it can be too expensive in many cases if it alerts others to negotiate compliance.(1) • Manipulation and cooptation (1) is used when other tactics will not work or are too expensive. It has the advantage of being a relatively quick and inexpensive (1) solution to resistance problems. The drawback is that it can lead to future problems if people feel manipulated.(1) <p>Identifying THREE methods of addressing resistance to change 1 mark each (3 marks) Discussing THREE methods of addressing resistance to change 3 marks each (9 marks)</p> <p style="text-align: right;">(12 marks) Total 25 marks</p>
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Question 5

Specific objectives 8, 7

(a) Possible reasons for material price

- Seasonal prices were better than anticipated
- Lower quality of raw materials were purchased
- The person doing the purchasing was more knowledgeable of the market and was able to obtain favourable prices
- The budget was not realistic
- Discounts were received

Stating THREE reasons for variance in material price 1 mark each (3 marks)

Possible reasons for Material Usage

- The budget was not realistic
- Pilferage
- Purchase of a lower quality of raw materials hence more spoilage
- Faulty machine which resulted in more raw materials being used, could have also affected the production of the finished good

Stating THREE reasons for material usage 1 mark each (3 marks)

Possible reasons for labour rate

- Higher level of skilled labour was used
- Scarcity of the required labour on the market
- The budget was not realistic
- Effective union representation
- Increase in wage rate due to inflation

Stating THREE reasons for variance in labour rate 1 mark each (3 marks)

(b) Reason why it is important to prepare a budget

- Planning is compelled: Managers are forced to look ahead and anticipate any likely problems in the future. Without planning, the objective may become difficult to achieve.
- Performance evaluation is enhanced: Managers are able to compare like items in terms of period. It is better to compare actual performance with budgeted performance for the same period, than actual performance of a previous period. The use of a previous period for comparison would overlook the changes that may have occurred, as well as the inefficiencies of the previous period.

12
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
2011 KEY AND MARK SCHEMES

- Promotes coordination of activities of each other as this information is communicated by way of the budget. It also highlights the relationships between the various units, so that they can be brought in line with each other.
- It facilitates the effective allocation of resources so that managers know when and how to assign/reassign resources, and when to acquire more.
- It can serve to promote the commitment of most workers if they have a realistic target at which to aim.

Outlining THREE reasons for preparing a budget 3 marks each (9 marks)

(c) Reasons why some managers may not support budgeting

- It may lead to unnecessary spending, due to the manager's fear that if the budget allocation is not utilized it would be reduced the following year.
- It may lead to departmental conflicts as various units compete for scarce resources, as well as units being interested in their own concerns rather than the organization as a whole (e.g. the production department producing even though the sales department is unable to sell the products).
- In order to be effective, the standard set must facilitate the greatest motivational impact on the workforce. If there is too much slack it will defeat the purpose intended, similarly if it is too challenging persons will not attempt to achieve it. The standard therefore has to be continuously revised.

Discussing TWO reasons 3 marks each (6 marks)
Discretionary mark for well developed discussion (1 mark)

Question 6

Specific Objectives 6, 7

(a) (i) Key difference between fixed and current assets

Current Assets are short-term (1) assets that are expected to be consumed or change their form during the next accounting period. (1)
Fixed assets are those long-term (1) assets that are used to provide a service or generate income for the business. They are usually used for more than one accounting year because they are acquired to be used by the business, subsequent disposal would not affect their classification. (1)

Indicating TWO differences between current assets and fixed assets 2 marks each (4 marks)

(ii)	<p>Reason for an increase in capital</p> <p>Capital can increase due to profits earned during the period under review.</p> <p>Stating ONE reason for an increase in capital (1 mark)</p>
(iii)	<p>Reason for the difference between gross profit and net profit</p> <p>Gross profit measures the performance of a business's main economic activities.(1) However, expenses are usually incurred in generating the income.(1) The deduction of these expenses(1) will account for part of the difference between net and gross profits; other income can also account for the difference between the two figures.(1)</p> <p>Outlining ONE reason for difference in gross profit and net profit (2 marks)</p>
(b) (i)	<p>Acid Test</p> $\frac{\textit{Total Current Assets} - \textit{Inventory (Stock)}}{\textit{Total Current Liabilities}}$ $\frac{19\,950 - 6\,400}{5\,400} \textit{ or } \frac{8\,800 + 4\,750}{5\,400}$ $\frac{13\,550}{5\,400} \textit{ or } \frac{13\,550}{5\,400} \text{ (1)}$ $= 2.509 = 2.509$ $= 2.51:1 = 2.51:1 \text{ (1)}$ <p>This ratio affords a clearer picture than current ratio of the firm's ability to pay short term debts. In this instance, where the ratio is 2.51:1 ,there is the likelihood that the firm has more cash on hand than it really needs.(1) A prudent ratio is often cited as 1:1.</p>
(ii)	<p>Return on Equity</p> $\frac{\textit{Net Profit}}{\textit{Capital}}$ $\frac{5\,350}{30\,000} \times 100 \text{ (1)}$ $= 0.178 \times 100 = 17.8\%$ <p>The ROE indicates how well the firm has used the financial resources invested in it by the ordinary shareholders. In this case, returns seem high and appear to be very satisfactory.(1) However, one needs to compare with the competition to be sure.</p>

(iii)

Stock Turnover

$$\frac{\text{Cost of Sales}}{\text{Average Stock (Inventory)}}$$

$$\frac{33\ 600}{(8\ 000 + 6\ 400)/2} \text{ (1)}$$

$$\frac{33\ 600}{14\ 400/2}$$

$$\frac{33\ 600}{7\ 200}$$

$$= 4.67 \text{ times (1)}$$

This type of ratio is used to assess how effectively the assets or resources of the firm are being used. In this case, it shows that the average stock is bought and sold 4.67 times during the year.(1) This offers a measure of selling efficiency where the higher the number the more efficient the firm is selling the stocks. However, the 'normal' for this business depends very much on the industry it operates in.

(iv)

Mark-up

$$\frac{\text{Gross Profit}}{\text{Cost of Sales}}$$

$$\frac{7\ 200}{33\ 600} \times 100 \text{ (1)}$$

$$= 0.214 \times 100$$

$$= 21.4\% \text{ (1)}$$

The mark-up shows that the firm made 21 cents on each dollar as profit before expenses.(1)

(v)

Gearing ratio (debit to equity ratio)

$$\frac{\text{Long Term Debt}}{\text{Average Equity}} \times 100 \text{ or } \frac{\text{Debt}}{\text{Equity}}$$

$$\frac{10\ 000}{(30\ 000 + 34\ 550)/2} \times 100 \text{ or } \frac{10\ 000}{30\ 000} \times 100 \text{ (1)}$$

$$\frac{10\ 000}{32\ 275} = 0.3098 = 31\% \text{ (1)}$$

15
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
2011 KEY AND MARK SCHEMES

This shows the extent to which the firm's assets are financed from external long-term borrowing. In this case, the firm seems to be following a cautious business strategy where it is not overly dependent on long-term loans to finance its capital. The firm has a low gearing ratio which suggests that it might not be borrowing much to invest in or expand the business. (1)

(vi) Net Profit Margin

$$\frac{\text{Net Profit}}{\text{Sales}} \times 100 \quad (1)$$

$$\frac{5\,350}{40\,800} \times 100$$

$$=0.131 \times 100$$

$$=13.1\% \text{ or } 13\% \quad (1)$$

NPM is used to measure the performance and profitability of the firm, it shows the net profit i.e. profit after all costs have been accounted for as a percentage of sales. (1)

Showing the correct formula or selecting correct figures for each ratio 1 mark each

(6 marks)

Accurately computing each ratio 1 mark each

(6 marks)

Interpreting each result 1 mark each

(6 marks)

(Total 25 marks)

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

A D V A N C E D P R O F I C I E N C Y E X A M I N A T I O N S

M A N A G E M E N T O F B U S I N E S S

U N I T 1 - P A P E R 0 3 / 2

K E Y A N D M A R K S C H E M E

S P E C I M E N 2 0 1 1

2
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 03/2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p><u>Question 1</u> Specific Objectives 1, 2, 5</p>
(a) (i)	<p>The type of economic activity is secondary activity Identifying the type of activity (1 mark)</p>
(ii)	<p>A Deed of Partnership is a legal document (1) which governs the running of partnership the business. It sets out the conditions (1) under which the partners agree to do business. Define a partnership Deed (2 marks)</p>
(iii)	<p>Some important components to be included in the Partnership Deed are:</p> <ul style="list-style-type: none"> • Name of the business • Nature of the Business • How profit and losses are to be shared • How the business is to be managed • Rules governing the admission of new partners • How the death of a partner affects the firm • How conflicts are to be resolved <p>Listing THREE important components - 1 mark each (3 marks)</p>
(b)	<p>Why the partners should have a Deed of Partnership drawn-up:</p> <ul style="list-style-type: none"> • To determine how profits and losses are to be shared especially since Pam and Dan did not contribute capital equally. Dan contributed \$300,000 and Pam \$100,000. (1) In the absence of a Partnership Deed, if any conflict arises pertaining to the sharing of profits, under the Partnership Act rule is that profit and losses are to be shared equally. (1) • To set out how the business is to be managed, whether each partner is entitled to take an active part in the management of the business. (1) Since both partners seem to be thinking differently about taking up the offer for the international Craft Show, how the firm is managed will have great implications on the final decision regarding participation. (1) • Arbitration Clause: rules governing management of conflict need to be established. (1) Whether internally or externally. Especially in the case of differing views, there would be a procedure to follow. (1) • The rules governing the admission of new partners. (1) Especially since Pam is more open to involving other employees (salaried partners) in the decision-making process, while Dan does not really agree with the idea. (1) <p>Explaining TWO reasons - 3 marks each (6 marks)</p>

3
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 03/2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
(c)	Negative impacts that human constraints and cultural constraints could have on 'Jewelry for him and her'
(i)	Human Resource constraints: If they they should move into the international scene, the possibility exists that they may have a problem finding skilled labour to make the jewelry, this will have implications for the acceptance of the international contract.(1) In addition, poor quality workmanship will affect the quality of products hence resulting in customer's dissatisfaction.(1)
(ii)	Cultural constraints: taste in style and fashion may differ - (1) preference may be given to special pieces, demand according to season/occasion.(1)
	Stating TWO negative impacts that EACH of the following could have on 'Jewelry for him and her:
	(i) Human resource constraints 2 marks each (4 marks)
	(ii) Cultural constraints 2 marks each (4 marks)
	Total 20 marks

4
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 03/2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p><u>Question 2</u> Specific Objectives 4, 5</p>
(a) (i)	<p>a) Pam's style is a participative/democratic leadership style. (1 mark)</p> <p>b) Dan's style is directive/autocratic (1 mark)</p>
(ii)	<p>Advantages: democratic/participative-</p> <ul style="list-style-type: none"> • two ways communication (1) is used which allows feedback(1) from staff; • staff involvement (1) is allowed which can be motivating (1) to staff members <p>Directive/autocratic: facilitates quick decision (1) in times of crisis since staff involvement is not encouraged. (1)</p> <p>Stating ONE advantage associated with each leadership style - 2 marks each (4 marks)</p>
(b) (i)	<p>Assumptions of Theory X</p> <p style="padding-left: 40px;">Our present staff dislikes work, must be coerced, controlled, directed, or threatened with punishment to get them to perform.(1) They cannot work on their own initiative; hence it would be a waste of time to be asking for their contribution".(1)</p> <p>Identifying TWO Assumptions - 1 mark each (2 marks)</p>
(ii)	<p>The managerial implications are:</p> <ul style="list-style-type: none"> • Since people dislike work they have to be coerced into work.(1) On the other hand since they have limited intellectual ability and creativity they must be told what to do. (1) • In view of the fact that they have little or no ambition(1) they cannot be given responsibility and thus managers cannot delegate authority. (1) • Given that they want security at all costs,(1) money is the main incentive managers must apply to achieve motivation.(1) <p>Outlining TWO implications 2 marks each (4 marks)</p>
(c)	<p>The possible benefits that Jewelry for him and her would enjoy from a team-oriented approach include:</p> <ul style="list-style-type: none"> • Synergy: a team of employees working together develops synergy;(1) it produces more and has more creativity and energy than do the same number of individual workers alone.(1) Working in the team environment provides camaraderie and sharing, that is often absent in normal structures.(1)

5
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 03/2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<ul style="list-style-type: none"> • Increased skills and knowledge: in teams the skill and knowledge of the members increases.(1) This increase is due, in part, to training.(1) In addition to formal training, when individuals are exposed to more than their job, they naturally pick up skills and knowledge from other workers.(1) The result is their increasing worth to themselves and the company.(1) • Flexibility: As team members become more adaptable in their attitudes and capacity to perform, the organization gains flexibility.(1) The broader knowledge base of team members allows them to adjust to changes in work demands(1) and work flow and to respond positively to emergencies.(1) • Commitment: In organizations where employees are demotivated and lack commitment,(1) teams provide the opportunity for workers to "own" their work.(1) As companies empower workers, their satisfaction and commitment level increases.(1) <p style="margin-left: 40px;"> Identifying TWO benefits 1 mark each (2 marks) Discussing the benefits of each -3 marks (6 marks) Comprehensive/convincing discussion 3 marks Satisfactory discussion 2 marks Weak discussion 1 mark </p> <p style="text-align: right;">Total 20 marks</p>

6
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 03/2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p><u>Question 3</u></p> <p>Specific Objectives 2,3,5</p> <p>(a) Reasons for keeping good accounting records</p> <ul style="list-style-type: none"> • To determine profitability of the business (1) - good financial records will give the owners a picture of how much income the business is generating and how the income generate is being spent. • To determine the level of indebtedness to creditors (1) - the business owners needs to know if there is sufficient cash to met financial commitments like paying creditors and employees (1) • To provide information necessary to obtain loan (1)- if the business owners require a loan, the lender will use the information in the financial statements to determine the financial status of the business. (1) Lenders will require a business plan detailing how the loan will be used to make the business a successful venture. (1) • To satisfy legal regulations.(1)- the business owners will need to keep good accounting records so that the accurate amount of tax contribution can be determined.(1) • As a source of information to investors (1) - prospective investors will need accurate information on the financial viability of the business before determining whether to part with their money.(1) <p style="text-align: right;">Outlining FOUR reasons - 2 marks each (8 marks)</p> <p>(b) Sources of finance</p> <ul style="list-style-type: none"> • Funds from the business • Personal funds • Bank loans • Credit Unions • Government funding for small businesses <p style="text-align: right;">Identifying THREE possible sources -1 mark each (3 marks)</p> <p>(c) Criteria to consider when sourcing finance:</p> <ul style="list-style-type: none"> • Interest rates - The business owners will need to shop around for the best interest rates. They should examine the type of interest rate whether fixed or variable. (1) If they choose a variable interest rate, they will have to take a risk as the rate can fluctuate based on the economic climate.(1) A fixed interest rate will give them the advantage of planning their repayment to a greater degree of certainty, however, this tends to be higher. (1)

7
MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 03/2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p data-bbox="293 264 597 296"><u>Question 3 cont'd</u></p> <ul data-bbox="293 327 1422 772" style="list-style-type: none"><li data-bbox="293 327 1422 533">• Term of the loan - Short term loans may attract higher interest rates than long term loans. (1) However, making repayments over a shorter time period may mean that the total amount of interest paid is less despite the higher rate. (1) The business owners will need to decide whether they can afford a higher up-front repayment or whether they prefer to keep the total repayment at a minimum. <li data-bbox="293 569 1422 772">• The amount of money required - the owners of 'Jewelry for him and her' must decide on the amount of money that is required as they will determine the type of financing they will choose (1). They may be able to secure a smaller amount in a shorter period of time than a larger amount. (1) However with a smaller amount they may not be afforded much flexibility in the terms of repayment.(1) <p data-bbox="402 831 1403 863" style="text-align: right;">Assessing each criterion 3 marks each (9 marks)</p>

Total 20 marks

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION

MANAGEMENT OF BUSINESS

UNIT 2, PAPER 01

MARK SCHEME

CARIBBEAN EXAMINATIONS COUNCIL

**CARIBBEAN ADVANCED PROFICIENCY
EXAMINATION**

MANAGEMENT OF BUSINESS – UNIT 2

SPECIMEN PAPER 2011

Item No.	Key
1	B
2	A
3	D
4	B
5	C
6	D
7	B
8	C
9	B
10	C
11	D
12	D
13	C
14	B
15	D
16	A
17	A
18	B
19	B
20	C
21	A
22	C
23	C

Item No.	Key
24	A
25	D
26	A
27	A
28	B
29	D
30	B
31	C
32	C
33	D
34	B
35	A
36	C
37	A
38	D
39	C
40	B
41	B
42	D
43	C
44	D
45	A

C A R I B B E A N E X A M I N A T I O N S C O U N C I L
A D V A N C E D P R O F I C I E N C Y E X A M I N A T I O N S

M A N A G E M E N T O F B U S I N E S S

U N I T 2 - P A P E R 0 2

K E Y A N D M A R K S C H E M E

S P E C I M E N 2 0 1 1

2
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
(a)	<p><u>Question 1</u></p> <p>Specific objective 8</p> <p>The concept of 'customer' refers not only to the external customer the Company is selling the product or service to, but also to the internal customer(1) such as the next department in a production process e.g. the factory operations in the sugar production process.(1)</p> <p>Defining customer in TQM - 2 marks (2 marks)</p> <p>Ways in which the concept of customer can be useful at Bucky</p> <ul style="list-style-type: none"> • makes the point that the quality of the products and services sold to the external customer depends on the quality of products and services provided to colleagues within the company.(1) • enables the people in the company to realize the importance of what they are doing. • helps people to realize their own significance - each person is an expert and can make a unique and essential contribution.(1) <p>Stating TWO ways 1 mark each (2 marks)</p>
(b)	<p>Common TQM techniques that Bucky can use to enhance its competitiveness in the international sugar market are:-</p> <ul style="list-style-type: none"> • Benchmarking.(1) Here Bucky can measure its products and practices against the strongest competitors or those recognized as leaders in the sugar industry. The key to successful benchmarking lies in analysis. Starting with its own mission statement, Bucky must honestly analyze its current procedures and determine areas for improvement. As a second step, Bucky must carefully select competitors worthy of copying in terms of their internal procedures and processes. • Outsourcing.(1) Outsourcing refers to the farming out of a company's in-house operations to a preferred vendor with a high quality level in the particular task area. Traditional in-house operations can be farmed out to save costs on employee benefits, to reduce personnel, and to free existing personnel for other duties. In the case of Bucky, the company can contract out sugar cane work to independent cane farmers of good repute thus cutting back on field staff and on employee benefits. • Reduced Cycle Time. (1) This refers to the simplification of work cycles, including the dropping of barriers between work steps and between departments, and the removal of worthless steps in the process. Substantial improvement is possible by focussing on improved responsiveness and acceleration of activities into a

3
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p>shorter time. Reduction in cycle time improves overall company performance as well as quality.</p> <ul style="list-style-type: none"> • Continuous Improvement.(1) Continuous improvement is the implementation of a large number of small, incremental improvements in all areas of the organization on an ongoing basis. In a successful TQM programme all employees learn that they are expected to contribute by initiating changes in their own job activities. Improvements take place all the time and the resulting changes give a company significant competitive advantage. The continuous improvement concept applies to all departments, products, services and activities throughout an organization. Countless improvements require a long term approach to building quality into the very fibre of the organization. • Quality Circles.(1) This involves a group of six to twelve volunteers who meet regularly to discuss and solve problems affecting their common work activities. Time is set aside during the work week for these groups to meet, identify problems and try to find solutions. The basic idea is that people who do the job, know it better than anyone else, and can make recommendations for improved performance. Quality circles also push control decision making to a lower organizational level. Many organizations will train team members in team building, problem solving and statistical quality control. <p>Discussing FOUR contributions 3 marks each (12 marks)</p> <p>(c) Ways in which poor quality can affect Bucky include:-</p> <ul style="list-style-type: none"> • <u>Loss of Business.</u> Failure to devote adequate attention to quality can damage the organization's image and lead to decreased share of the market. Many customers may prefer to buy elsewhere. • <u>Decreased productivity.</u> Poor quality can adversely affect productivity. It may be that the sugar cane harvested is of poor quality or that there is defective equipment in the factory. This means that more time has to be spent in the field or factory to ensure that you are getting quality sugar cane or replacing defective tools and equipment. So, there is a loss of productivity. • <u>Increased costs.</u> Poor quality increases costs, such as rework costs, transportation and inspection in the field, replacement and repair costs, payment to customers or customer discount used to offset the inferior quality. <p>Discussing THREE contributions 3 marks each (9 marks)</p> <p style="text-align: right;">Total 25 marks</p>

4
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p><u>Question 2</u></p> <p>Specific objective 6</p>
(a) (i)	<p>Contribution per unit = Selling price - average variable cost per unit (1) = \$100-\$15 = \$85 (1)</p> <p>Indicating either the correct formula or the actual figures (1 mark) Correct answer (1 mark) (2 marks)</p>
(ii)	<p>Total cost = Total variable cost + Total fixed cost (1) = (\$15 x 100) (1) + \$3400 = 4900 (1)</p> <p>Indicating either the correct formula or the actual figures (1 mark) Showing the total variable cost (1 mark) Correct answer (1 mark) (3 marks)</p>
(iii)	<p>Total profits = Sales - (Variable cost + fixed cost) (1) = \$10 000 - (\$1500 + \$3400) (1) = \$5100 (1)</p> <p>Indicating either the correct formula or the actual figures (1 mark) Showing the total variable cost (1 mark) Correct answer (1 mark) (3 marks)</p>
	Total 25 marks

5
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
(b) (i)	<p style="text-align: right; margin-right: 50px;">sales</p> <p style="text-align: center;">\$10000</p> <p style="text-align: center;">Break-even</p> <p style="text-align: center;">Profits</p> <p style="text-align: right;">Variable cost</p> <p style="text-align: right;">Fixed cost</p> <p style="text-align: left;">\$3400</p> <p style="text-align: left;">Fixed Cost</p> <p style="text-align: center;">losses</p> <p style="text-align: center;">Margin of safety</p> <p style="text-align: center;">20 40 60 80 100 (units)</p> <hr/> <p>Correct labelling and axes (1 mark)</p> <p>Indicating- Breakeven point (1 mark)</p> <p>Sales (1 mark)</p> <p>Profits (1 mark)</p> <p>Losses (1 mark)</p> <p>Fixed cost variable (1 mark)</p> <p>Any five (5 marks)</p> <p>(ii) a) Breakeven (units) = fixed cost Contribution per unit (1) = \$3400 = \$85 40 Units (1)</p> <p>Indicating either the correct formula or figure of breakeven unit (1 mark)</p> <p>Correct answer (1 mark)</p> <p style="text-align: right;">(2 marks)</p> <p>(ii) b) Break-even (\$) = Units x selling price = 40 x 100 = \$4000</p> <p>Indicating either the correct formula or figure of break-even (\$) (1 mark)</p> <p>Correct answer (1 mark)</p> <p style="text-align: right;">(2 marks)</p> <p>(iii) The margin of safety shows the area where business will make a profit.</p> <p>Indicating margin of safety on diagram (1 mark)</p> <p>Stating the importance of the margin of safety (1 mark)</p>

6
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
(c) (i)	<p>At a glance, a price of \$30 seems better than an average total cost of \$49 (Total cost/Quantity = 4900/100 = \$49). (1) However, if the widgets are purchased, the factory will remain idle, hence the fixed cost will then have to be added to the \$30 purchase price. If the purchase price cannot cover the variable cost per unit, then the offer should be rejected. (1) The firm should continue to manufacture. (1)</p> <p>Indicating value of purchasing (1 mark) Indicating value of manufacturing (1 mark) Comparing and contrasting (1 mark) Advising of better option (1 mark) (4 marks)</p>
(ii)	<p>The firm must also consider its reputation, particularly its reliability. (1)</p> <p>If it discontinues manufacturing then it could be at the mercy of the vendors who can charge higher prices. (1)</p> <p>Stating TWO factors 1 mark each (2 marks)</p>

7
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p><u>Question 3</u></p> <p>Specific objective 1,2,3</p>
(a) (i)	<p>How concepts are used to evaluate the market function:</p> <p>a) <u>The Product Concept</u>. The product concept is based on the belief that consumers want products of the highest quality and it reflects what is called a "technology-push" approach to innovation. Management develops a product most compatible with the competencies and capabilities of the organization and assumes that a market exists for its output. According to conventional marketing research, markets do not exist for these products, however, by looking at the market in new and creative ways, new opportunities can be identified. Examples of products include the compact disc player, mainframe and personal computers, the photocopying machine and the video-cassette recorder.</p> <p>b) <u>The Sales Concept</u>. Here sales efforts set out to influence someone to want something that is being offered and little effort is made to identify and respond to customer needs. The sales concept is synonymous with high-pressure selling. The emphasis is on sales volume, and the quality of sales is secondary. The sales concept focuses on short-term goals where management strives to sell what is available using advertising and sales skills, instead of developing long-term customer satisfaction.</p> <p>c) <u>The Marketing Concept</u>. This concept includes a primary focus on customer needs, long-run profits through customer satisfaction, designed to meet customer needs. Firms operating under the marketing concept would start with the goal of creating customer satisfaction and then move forward in performing all activities necessary to introduce products, services or ideas to the market place.</p> <p style="text-align: right;">Explaining how concepts are used 2 marks each (6 marks)</p>
(ii)	<p>Why the marketing concept is the best approach</p> <ul style="list-style-type: none"> • since the primary focus of TIM in the competitive environment is to meet customer needs for "hard to find" spare parts. • The emphasis is not on high-pressure selling or innovation, but on giving customers what they want at competitive prices. <p style="text-align: right;">Stating TWO reasons why the marketing concept is BEST 2 marks each (4 marks)</p>

8
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
(b)	<p>Factors in market conditions that the marketing manager of TIM needs to consider when seeking to secure competitive advantage are:-</p> <ul style="list-style-type: none"> • The gathering of information on the changing attitudes and habits of buyers. Do buyers want to purchase new cars? Do buyers now have the purchasing power to buy new cars? Perhaps a sample survey can give TIM information. • Keeping abreast of developments in the area of government regulations is important. Are new regulations being contemplated by government? Are they going to lower duties on new motor vehicles? • Intelligence gathering and the forecasting of the strategy and tactics of competitors need to be addressed by the marketing manager. Here, you need to know who your competitors are, examine their strengths and weaknesses, while identifying their objectives and strategies. <p>Discussing THREE contributions 3 marks each (9 marks)</p>
(c)	<p>Capabilities in the firm that the marketing manager of TIM needs to consider when seeking competitive advantage include:-</p> <ul style="list-style-type: none"> • the capabilities of the personnel in the firm. Is the company about to lose or gain some capable staff? • the financial capabilities of the firm. Is a lot of capital available to purchase /make spare parts? • The marketing manager needs also to examine TIM's marketing resources. Are they adequate for the tasks at hand? Do they have the capability to deliver new strategies? • whether TIM has the capability to make/produce the 'hard to find' spare parts that customers need. Does TIM have the technical know-how available? <p>Discussing TWO capabilities - 3 marks each (6 marks)</p> <p style="text-align: right;">Total 25 marks</p>

9
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p><u>Question 4</u></p> <p>Specific objective 4</p>
(a) (i)	<p>Sampling is the process of selecting a subset of the members of a population in order to yield some information about the population, especially for the purpose of making predictions based on statistical inference.</p> <p>Defining sampling 2 marks (2 marks)</p> <p>Reasons for sampling</p> <ul style="list-style-type: none"> • Collecting data from the entire population of interest is usually very costly • Data collection is less time consuming using a sample • The population may be unknown • Since the data set is smaller, it is possible to ensure homogeneity and improve the accuracy and quality of the data <p>Stating Any TWO reasons - 1 mark each (2 marks)</p>
(ii)	<p>Probability and non-probability sampling</p> <p>Probability or random sampling refers to any procedure in which elements are taken by chance from the population. In probability sampling, every member of the population has an equal chance of being selected in the sample.</p> <p>Non-probability sampling procedures refer to methods of taking a set of elements from a population based on the judgement of the researcher or field operator. In non-probability sampling some members of the population have no chance of being selected. It is non-random, selection is based on assumptions regarding the population of interest.</p> <p>Distinguishing showing at least two ways in which they are different (4 marks)</p>
(b)	<p>Convenience sampling is a form of sampling in which respondents are selected because they are easiest to reach/ readily available and convenient. This form of sampling does not require a sampling frame. The sample may include persons the researcher meets while walking.</p> <p>How convenience sampling works</p> <p>The researcher decides on the number of respondents required. Next, the researcher finds a convenient point with access to a relatively large number of members of the public, e.g. a mall. Next the researcher simply selects those with whom he/she first comes into contact first until he reaches his desired number. When this is done</p>

MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p>in a shopping mall it is called "mall intercept".</p> <p>Systematic random sampling: In this type of sampling, the target population is arranged according to some ordering scheme, then selecting the elements at regular intervals through that ordered list. This method requires a sampling frame.</p> <p>How systematic random sampling works</p> <p>First each element of the sampling frame is numbered. Next, a sampling interval is determined e.g. every 10th item. Third, the first element is selected at random e.g. 3. In step four, the other elements are every ten persons within the sampling frame e.g. 13, 23, 33, etc.</p> <p>Defining convenience sampling 2 marks Explain how it works 4 marks Defining systematic random sampling 2 marks Explain how it works 4 marks (12 marks)</p> <p>(c) The candidate's recommendation must show understanding of the relative merits of each type of sampling technique and the circumstances under which it is to be used. The following may be used by the candidates to justify EITHER choice:-</p> <ul style="list-style-type: none"> • Systematic sampling has the advantage of producing a random and more representative sampling and thus may be able to give an accurate answer to the research question. • However, systematic sampling has the disadvantage of requiring a sampling frame, being more time consuming and as a result being more costly. • Convenience sampling has the advantage of being less time consuming and less technical to execute; it is therefore also less costly to administer. • However, a convenience sample has the disadvantage of not being a random sample and therefore, of not necessarily being representative of the population. Hence it might not give an accurate answer to the research question. <p>Justifying choice of sampling method - 5 marks (5 marks)</p> <p style="text-align: right;">Total 25 marks</p>

11
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p><u>Question 5</u> Specific objectives 1, 2</p>
(i)	<p>Distinction between a sole trader and a private limited company</p> <p>A sole trader type of business is one which is owned by one individual. The owner may operate the business on his own or he may employ others to help. He provides all the capital and is entitled to all profits and bears all losses. There is no legal distinction between the business and the owner.</p> <p>A private limited company is one which is owned by its share holders. The share holders have limited liability. That is, the personal assets of the shareholders are separate from the assets of the company. The shares of a private limited company cannot be offered for sale to the public.</p>
(ii)	<p>Distinguishing between a sole trade and a private limited company (4 marks)</p> <p>Advantages of a private limited company compared to a sole trader.</p> <ul style="list-style-type: none"> • Shareholders of a private limited company have the protection of limited liability. If a contract is breached, shareholders are exempted from meeting the breach from their personal resources. They are liable only for what they have invested in the company. Limited liability makes it easy to raise capital. • A private company would normally be in a position to raise more cash (by selling shares) than a sole trader. The sole trader cannot obtain loans easily from banks because of high risks and banks require security. Beyond a house, a sole trader will rarely have any security to offer. • With a private limited company, continuity is assured. The death of a shareholder does not affect the company's business. On the other hand, a sole trader's business usually dies with his or her death. • Shareholders of a private limited company do not have to put in long working hours. They may or may not assist in the running of the company. On the other hand, the sole trader has to put in long hours to make the business work, especially initially. <p>Outlining TWO advantages of a private limited company compared to a sole trader - 2 marks each (4 marks)</p> <p>Disadvantages of a private limited company compared to a sole trader.</p> <ul style="list-style-type: none"> • Private limited companies have to share out profits among shareholders while all profits belong to the sole trader.

12
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
(b)	<ul style="list-style-type: none"> • In a private limited company, decisions cannot be made quickly, while the sole trader can make decisions quickly because he/she has no one to formally consult. • Private limited companies cost more to set up. It is easy and inexpensive to become a sole trader. <p>Outlining TWO disadvantages of a private limited company compared to a sole trader - 2 marks each (4 marks)</p> <p>Ways in which a change in the economic system of a country, from mixed to planned economy, could affect a sole trader's decision to form a private limited company.</p> <ul style="list-style-type: none"> • There is no freedom of choice in terms of the sole trader making his own demand and supply decisions. Who his suppliers are and what he is supplied with, as well as prices are fixed by the state. Heavy-handed planning and control may stifle his enterprise. • Because of government interventions, there is more paper work, more red tape and bureaucracy. This could lead to the sole trader paying more taxes and customs duties. With the establishment of price controls, unofficial black markets may develop and the sole trader may not be competing on a level playing field but under conditions where there is a lot of bribery and corruption. • With a planned economy, there is an absence of the profit motive and this removes the spur to individual effort and enterprise. This would affect the sole trader's motivation and there would be a lack of incentive for his workers, resulting in low morale and efficiency thus adversely affecting his business. <p>Ways in which a change in the economic system could affect decision - 4 marks each</p> <p>For a comprehensive discussion on each point - 4 marks For a satisfactory discussion on each point - 2-3 marks For a weak discussion on each point - 1 marks Discretionary mark - 1 mark for overall coherent discussion</p> <p style="text-align: right;">(13 marks)</p> <p style="text-align: right;">Total 25 marks</p>

13
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
(a)	<p><u>Question 6</u></p> <p>Specific objective 6</p> <p>A business plan can be defined as a complete description of a business and its plans for the next one to three years. It explains what the business does (or will do if it is a new business); it suggests who will buy the product or service and why; and it provides financial forecasts demonstrating overall viability, indicates the finance available and explains the financial requirements.</p>
(b)	<p>Defining a business plan (3 marks)</p> <p>Reasons why Ruby should have a business plan:</p> <ul style="list-style-type: none"> • To attract investors - A formal business plan is the basis for financing proposals. The business plan answers investors' questions such as: Is there a need for this product/service? • To determine her financial needs - The process of creating the business plan will help her to determine how much capital is needed and how it will be used. • To judge the success of her business - A formal business plan will allow her to compare actual operational results versus the business itself. In this way, it allows her to clearly see whether she has achieved her strategic, financial and operational goals, and why she has or has not. • To better understand the competition - creating a business plan will force her to analyze the competition and to determine whether she has a competitive advantage. • To document her marketing plan - A formal business plan will help her to answer the following questions. How you are going to reach your customers? How will you retain them? What is your advertising budget? What price will you charge?
(c)	<p>Sating THREE reasons - 2 marks each (6 marks)</p> <p>Key elements that Ruby should include in her business plan include:</p> <ul style="list-style-type: none"> • The critical risk segment - This segment points out potential risks that may threaten the business. For example, it may state price cutting by competitors, sales projections not achieved and difficulties encountered in the procurement of parts or raw materials. • The financial segment - Just as entrepreneurs are likely to overestimate their income, they tend to underestimate their costs. The financial statement provides a description of the needed services

MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	<p>for funding the business and the uses intended for the money. A budget is also provided and stages of financing are created to allow evaluation by investors at various points. The entrepreneur must plan for obtaining funds to handle expenses, such as those associated with the start up phase that can't be covered by business revenues.</p> <ul style="list-style-type: none"> • The mission or vision of the company - This informs groups outside and inside the business what the central aim and vision are. It makes explicit the major targets that the organization is trying to reach. It helps define broad, but important, job areas within an organization and therefore critical jobs that must be accomplished. The mission is very important to business because it helps management increase the probability that the business will be a success. • Information about the industry and market - Entrepreneurs are often so excited about their business ideas that they assume others will feel the same way. They need to convince investors that sales projections and competition can be met, so information is provided here on this aspect. This section will reveal what market studies they have done, the target market identified, projections about their market position and market share. Information evaluating all competition will be provided, explaining why and how the business will be better than the competition. Advertising plans with cost estimates to validate the proposed strategy will be provided. • Information about the number and types of personnel needed - Here is provided the resumés of all key people in the management of the venture. Also included would be the added assistance of advisers, consultants and directors, if any. Information is provided too on how everyone is to be compensated and what their salaries and wages would be. • Information about the legal structure of the business - This is very important to investors and lending institutions since they will be very much concerned about the security of their investments. • Plans for the production of the product or service. • Information about suppliers. • The business' policy for extending credit to customers. • Legal considerations such as information about licenses, patents, taxes etc. <p>Identifying FOUR elements - 1 mark each (4 marks) Discussing FOUR key elements - 3 marks each (12 marks)</p> <p>Comprehensive discussion (3 marks) Satisfactory discussion (2 marks) Weak discussion (1 mark)</p>

15
MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 2
2011 KEY AND MARK SCHEMES

SO	Suggested Response
	Total 25 marks

C A R I B B E A N E X A M I N A T I O N S C O U N C I L

ADVANCED PROFICIENCY EXAMINATIONS

MANAGEMENT OF BUSINESS

UNIT 2

PAPER 03/2

KEY AND MARK SCHEME

SPECIMEN 2011

MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 03/2
2011 KEY AND MARK SCHEME

SO	Suggested Response
	<p><u>Specific Objectives 1, 2, 6</u></p> <p><u>Question 1</u></p> <p>(a) How the following factors impact the success of the business:</p> <p>(i) <u>Location</u></p> <ul style="list-style-type: none"> • Since the venture is a bakery with retail outlet, its location is very important. It should be located near a catchment area [1] which should be as large as possible[1]. If the catchment area is not large enough this will reduce the sales potential[1] and ultimately, the profitability of the venture.[1] <p style="text-align: right;">(4 marks)</p> <p>(ii) <u>Market demand</u></p> <ul style="list-style-type: none"> • The level of market demand is important to the feasibility of the venture. Market demand refers to the number of people who are interested in and able to purchase the product[1]. The demand has to be high enough to justify setting up the business.[1] • If the demand for the product is not high, then the business will not be able to achieve its revenue [1] and profitability targets and this can lead to its failure.[1] (4 marks) <p>(iii) <u>Product quality</u></p> <ul style="list-style-type: none"> • The quality of the brand is important to the promotion of the venture. One aspect of quality is performance. If the product does not provide the expected benefits [1] then the level of sales may not materialize.[1] • If the product quality is high [1] this fact can be used to promote the line of product. [1] <p style="text-align: right;">(4 marks)</p> <p>(iv) <u>Sales forecasting</u></p> <ul style="list-style-type: none"> • Sales forecasting is important to the financial feasibility of the venture. A forecast of the unit sales will allow the entrepreneurs to estimate[1] the revenue from which they will be able to set profit projections.[1] • In the absence of a forecast, the entrepreneurs will experience less certainty about the venture[1] and will be unable to convince potential investors of a good reason for investing in the venture.[1] <p style="text-align: right;">(4 marks)</p> <p>Outlining two ways in which each concept will impact (negative or positive) 2 marks each - 4 x 2 x 2 marks (16 marks)</p>

MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 03/2
2011 KEY AND MARK SCHEME

SO	Suggested Response
	<u>Question 1(b) continued</u>
(b) (i)	<u>Direct costs</u> are costs which can be identified with a particular product or process.[1] Examples of direct costs are raw material, packaging and direct labour.[1]
(ii)	<u>Break-even point</u> - the level of sales at which total revenue is equal to total costs [1]. The firm makes neither a loss nor a profit at this level of sales.[1]
	Explaining direct cost 2 marks Explaining break-even 2 marks (4 marks)
	<u>Question 2</u>
	Specific Objectives 4, 7, 9
(a) (i)	<u>Market research</u> refers to gathering of data [1] about the market size and trends, competitors, consumer buying habits and likely sales level.[1]
	Defining market research 2 marks (2 marks)
(ii)	Ways in which market research can be useful
	<ul style="list-style-type: none"> • To reduce the risks associated with new product launches:[1] by investigating potential demand for the new product that is, the 'hand-made wedding cake', the business should be able to assess [1] with some degree of accuracy, the likely chance of a new product achieving satisfactory sales.[1] • To predict future changes:[1] Tasty Treats may wish to investigate social and other changes to see how these might affect the demand for the wedding cake.[1] For instance the increase in the number of marriages/weddings may result in demand for the cakes.[1] • To explain patterns in sales of existing products and market demand:[1] market research is not just undertaken for new or planned products. Tasty Treats may need to conduct research as suggested in the case for existing products,[1] especially the doughnuts. The company has to be aware of any significant fall in the demand for this product. Therefore the research may equip them with reasons for the fall in demand, then they will be able to take remedial action.[1] • To assess the most favoured designs,[1] flavours, promotions and packages [1] for the new product and for existing products[1] (for example the doughnuts)
	Outlining THREE ways 3 marks each (6 marks)

SO	Suggested Response
(b)	<p>Promotional strategy to market new product</p> <ul style="list-style-type: none"> • <u>Point of sale display</u>: develop eye-catching display of their products in retail shops, [1] for example the supermarkets and other retail outlets that carry their existing products. [1] <p><u>Reason for this choice</u> - Since Tasty Treats would be targeting customers who already know and love their products. This method would be less costly than advertising. In addition, prospective customers would get a chance to not only see the product but also taste the product.</p> <ul style="list-style-type: none"> • Promotional Sampling - offer samples of product to customers and potential customers [1] with the intention of increasing the customer base [1]. <p><u>Reason for this choice</u> - customers who purchase the product will be encouraged to continue doing so. In addition potential customers will get an opportunity to taste before trying and by doing so if the product is good they will become regular customer. [1]</p> <p>Suggesting TWO promotional strategies 2 marks each</p> <p>Giving ONE reason for EACH suggestion 2 marks</p> <p style="text-align: right;">(4 marks)</p>
(c)	<p>Cost plus pricing vs competition-based pricing</p> <p><u>Cost-plus pricing</u>: The basic idea is that firms will assess their cost per unit and then add an amount to the calculated cost. [1] There are a number of different methods of cost-based pricing that may be adopted:</p> <ul style="list-style-type: none"> • Mark-up pricing: usually carried out by retailers, who take the price that they pay the producer or wholesaler for the product in question, and then add a percentage mark-up. [1] • Target pricing: Where a company decides upon a price that will give a required rate of return at certain level of output/sales. [1] • Full cost (or absorption cost) pricing is where the company attempts to calculate a unit cost for the product and then adds an agreed margin. [1] However, it is not always easy to allocate all the costs of a firm to specific product, especially if the firm makes a range of products. It is especially difficult to allocate the fixed cost. [1]

**MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 03/2
2011 KEY AND MARK SCHEME**

SO	Suggested Response
	<p><u>Competition based pricing</u>: this is the situation that exists where a firm will base its price on the price set by its competitors.[1] In an extremely competitive situation, cost has to be treated as a secondary consideration in short term price determination. This is particularly true in markets where:</p> <ul style="list-style-type: none"> - Competing products are almost identical - Customers are well informed - There are a few suppliers <p>The nature and the extent of competition is often an important influence on price. If a product is faced by direct competition it will compete against other similar products in the marketplace.[1] This will constrain pricing decisions so that price-setting will need to be kept closely in line with rivals' actions.[1] In contrast, when a product is faced by indirect competition (i.e. competition with products in different sectors of the market), there will be more scope to vary price.[1]</p> <p>NB: Candidates must justify their choice of strategy with appropriate reason.</p> <p>Describing cost plus pricing 3 marks Describing competition-based pricing 3 marks Justifying strategy 2 marks (8 marks)</p> <p style="text-align: right;">Total 20 marks</p> <p><u>Question 3</u></p> <p>Specific Objectives 1,6</p> <p>(a) (i) Entrepreneurial characteristics displayed by Kyle include</p> <ul style="list-style-type: none"> - Enthusiasm - Analysis - Persistence <p>(ii) Enthusiasm - Entrepreneurs must maintain a spirit of enthusiasm; this helps to motivate others especially those on whom the entrepreneur must call upon for help.[1] Enthusiasm also acts as an antidote to disappointment which is often experienced by entrepreneurs.[1]</p> <p>Analysis - Kyle has displayed some level of analysis in that he has recognized the need to budget for the start up of the business. This is also evident by his recognition that he needs more information on the market.[1] Analysis helps the entrepreneur to assess what he has and what he needs. Analytical skills are a necessary component of planning which details predicting and attempting to influence the future.[1]</p>

**MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 03/2
2011 KEY AND MARK SCHEME**

SO	Suggested Response
	<p>Persistence - This characteristic has also been demonstrated by Kyle. The case indicates that Kyle has been looking for a business opportunity for quite some time. That he could persevere to the point he has reached demonstrates his possession of a degree of persistence.[1] Persistence helps entrepreneurs to overcome frustration which arises when the path to goals becomes blocked or difficult to negotiate.[1]</p> <p>Identifying TWO characteristic 1 mark each (2 marks) Explaining how each can help Kyle 2 marks each (4 marks)</p>
(b) (i)	<p>Business Plan - A guide[1] for the business decisions and activities over a period of time [1].</p> <p>Definition of a business plan (2 marks)</p>
(ii)	<p>Advantages of a business plan</p> <ul style="list-style-type: none"> • It enables the entrepreneur to be more future oriented. He is compelled to look beyond the day to day problems, project what situations may confront him in the future and work out how to deal with them. • Writing the plan brings previously 'hidden' assumptions to the foreground • It enables the entrepreneur to record important ideas about the business which can sometimes be forgotten. • It gives the entrepreneur an image of seriousness which ideas in the head cannot give. • It forces the entrepreneur to think through all the important aspects of the business rather than dwell on a few. • It gives essential information to the people whose support he needs, especially those lending money. • It can be used to attract investor. • It reminds the entrepreneur, by his organizational objectives, of exactly what he is trying to accomplish. <p>Stating THREE advantages 1 mark each (3 marks)</p>

**MANAGEMENT OF BUSINESS
UNIT 2 - PAPER 03/2
2011 KEY AND MARK SCHEME**

SO	Suggested Response
(iii)	<p>Essential information to be included in Kyle's business plan</p> <ul style="list-style-type: none"> • <u>Description of the Product</u> [1] A description of the product is essential because it helps investors decide whether or not they are interested in the business [1] or to decide whether they are willing to take the risks associated with such products.[1] • <u>Description of Market</u> [1] A description of the market helps potential investors and lenders assess the viability of the business.[1] It also helps owners to focus on a specific target group to shape the research they will invariably need to do. Suppliers may also want to know whether the target market aimed at is suitable so that they can advise the owners accordingly.[1] • <u>The amount of financing required</u> [1] A description of how the venture is to be financed is vital to all parties concerned. It helps owners assess the adequacy of their resources.[1] It helps lenders decide whether to lend or not or the kind of conditions, for example, interest rate they will attach to the loan. It helps potential investors decide whether they can fund the venture and what kind of return they would want as a reward.[1] • <u>The location</u> [1] The location of the venture is very important to lenders and potential investors because it is one of the factors they will use to help them assess the venture's viability.[1] Businesses that are located in close proximity to this market (customers) and is easily accessible are more likely to remain viable.[1] • <u>The mission or vision of the company</u> • <u>Information about the legal structure of the business</u> • <u>Information about the number and type of personnel needed</u> • <u>A critical risk segment</u> This segment will point out risks that may threaten the business <p>Identifying THREE essential pieces of information 1 mark each (3 marks)</p> <p>Outlining the importance of each piece of information 2 marks each (6 marks)</p> <p style="text-align: right;">Total 20 marks</p>

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN ADVANCED PROFICIENCY EXAMINATIONS**

MAY/JUNE 2004

MANAGEMENT OF BUSINESS

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MANAGEMENT OF BUSINESS
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION
MAY/JUNE 2004

GENERAL COMMENTS

Unit 1 of the Management of Business syllabus was offered to school candidates for the first time in 2000. It was first offered to private candidates in 2003. Unit 2 was offered to school candidates for the first time in 2003, and to private candidates in 2004.

The registration of candidates for Unit 1 increased from 1176 in 2003 to 1562 in 2004. Registration for Unit 2 increased from 607 in 2003 to 987 in 2004.

Each Unit comprises three Modules. The assessment takes the form of two written external examinations and an Internal Assessment (IA) in the case of school candidates. Paper 03/2, a third external examination is offered to private candidates.

Paper 01 is designed to test the breadth of candidates' knowledge, whereas Paper 02 is designed to test the depth of candidates' knowledge. Paper 03 is designed to test the application of knowledge.

Overall, the performance of candidates in the 2004 Management of Business examination can be considered satisfactory. Performance on Unit 1, Module 3 (Finance and Accounting) continues to be below that of the other Modules. Candidates scored 51 per cent of the total available marks for the examination; however, they scored 40 per cent on Module 3 compared to 55 per cent in Module 1 and 59 per cent in Module 2. A similar pattern was evident in 2003.

The picture in Unit 2 is much brighter. Candidates scored 60 per cent of the total marks available for the examination. The highest mean performance was recorded in Module 3, Small Business Management where candidates scored approximately 71 per cent of the available marks. Production and Operations Management and Fundamentals of Marketing recorded 57 per cent and 52 per cent respectively.

Paper 02 continues to provide a challenge to the majority of candidates. This seems to be stemming from a "compartmentalization" of knowledge; candidates seem unable to apply knowledge from one domain to another. It

must be recognized that although the Management of Business Examinations are divided into modules for convenience of testing, management is fundamentally an eclectic discipline, that is, it borrows form several other “primary” fields of learning, like, accounting, psychology and marketing to name a few.

Consequently, it is recommended that schools engage in case study analysis as a means of developing the kind of integrative approach that is necessary to respond to the essay papers in this examination.

UNIT 1

Management Principles and Processes

Unit 1 comprises three Modules:

Module 1: Business and its Environment

Module 2: Management of People

Module 3: Business Finance and Accounting

Paper 01

Paper 01 comprises 15 compulsory questions, five on each Module.

Paper 02

Paper 02 comprises six optional questions, two on each Module. Candidates are required to choose one question from each Module.

Paper 03/1

Paper 03/1 is the Internal Assessment. Candidates are required to undertake an investigation form which they produce a written report.

Paper 03/2

Paper 03/2 is the alternative to the Internal Assessment. It comprises a case study spanning the three Modules. Candidates are required to answer three question based on the case study, one from each Module.

DETAILED COMMENTS

UNIT 1

PAPER 01

Module 1: Business and Its Environment

This Module tests candidates' understanding of business and its relationship to the environment. There was a high 'turnout' of candidates for this Module except for Question 2 which was attempted by about 80 per cent of the candidates only. The five short-answer questions in Module 1 of this paper sought to test specific objectives two, eight, seven, four and five respectively. Overall the performance on this Module was fair. However, the performance on Questions 2 was unsatisfactory.

Question 1

This question tested candidates' knowledge of franchises and joint ventures as forms of business organization. Generally, the responses here were satisfactory however, some candidates confused a franchise with a subsidiary of a multinational corporation. Moreover, candidates failed to make use of the terms associated with a franchise such as *franchisee* and *franchisor*. This indicates a very superficial level of knowledge of the topic.

Question 2

This question sought a definition of ROI (Return on Investment) and an explanation of how it might be used in choosing between two business ventures. As indicated above, there was a low turnout of candidates for this question (80 per cent). For the Part (a) candidates were generally unable to offer a satisfactory definition of ROI. In Part (b) candidates confused it with various forms of investment appraisal techniques such as payback period, ARR and NPV. It must be stressed that ROI is a legitimate element for this module under Content 8 (ii) (c). Here candidates are expected to be exposed to decision-making criteria such as ROI, profit and cash flow.

Question 3

This question required candidates to distinguish between a mixed and a planned economy. Performance here was less than satisfactory with a majority of candidates scoring only one of the two marks available. In their presentations, candidates tended to equate the term "planned economy" with "public sector" or discuss them as if they were forms of business organization.

Question 4

This question comprised three sub parts which dealt respectively with tariff barriers, protectionism and trade liberalization. Candidates performed well on Part (a) but poorly on Parts (b) and (c). Because they are relatively new to this level of education, terms such as protectionism and trade liberalization, need to be thoroughly researched by both teachers and candidates to ensure a crystalized understanding. The use of a good dictionary of contemporary business terms would be an asset to teachers and students.

Question 5

The performance of candidates on this question was above average and this was to be expected given the familiar nature of this topic, viz. “multinationals”. However, candidates did not perform as well on Parts (b) which required candidates to comment on a hypothetical case giving two reasons why a defined multinational company would not find it feasible to set up in a Caribbean country. Part (c), which asked for an advantage of having a multinational in the Caribbean territory, attracted appropriate responses.

Module 2: Management of People

Questions in this Module sought to test specific objectives 1,3,5,6, 7 & 10. In general, the performance of candidates on this Module ranged from satisfactory to poor.

Question 6

This question tested candidates’ knowledge of Fayol’s management principles namely unity of direction, unity of command and specialization. Overall, performance on this question was moderate. Candidates were able to give acceptable definitions of *unity of direction* and *unity of command*. However, they had difficulty defining specialization. Candidates’ simply tried to define the term by using the root of the word, that is, specialize.

Question 7

This question tested candidates’ understanding of the ‘span of control’. Candidates were able to define span of control but experienced difficulty both in pairing the concept with the correct management function as well as explaining its influence on communication in the organization.

Question 8

Part (a) of this question required candidates to identify key features of autocratic and participative styles of leadership. Candidates were able to identify a key feature of both styles but performed poorly in response to the Part (b) which required them to define coercive power.

Question 9

This question required candidates to define a team, describe the role of the initiator and define one characteristic of an effective team, namely, synergy. Performance on the question was less than satisfactory; most candidates were unable to define the term synergy.

Question 10

This question dealt with conflict and change in an organization. Candidates' performance on this question was satisfactory.

Module 3: Business Finance and Accounting

Candidates continue to show less than satisfactory performance on this Module. The five questions in this Module collectively tested objectives 2, 3, 4, 7, 8 and 9. Only two questions, 11 and 12 recorded fair to satisfactory performance.

These questions were based on a scenario presented in Question 11 and developed in Question 12.

Question 11

The three parts of the question sought to test candidates' knowledge of working capital and equity capital. Whereas candidates were able to define working capital they were less able to define equity capital and consequently, unable to distinguish between the two concepts which was the thrust of the question.

Question 12

This question dealt with the stock market and the role of the stockbroker. Generally, the question was done well although some candidates were unable to distinguish between equity stock and inventory.

Question 13

This question tested two concepts; depreciation and adjustments for Doubtful Debts. About 90 per cent of the candidates attempted this question.

Performance on this question was very poor primarily, because candidates were unable to distinguish between book value and residual value.

Question 14

This question tested candidates' knowledge of income statement preparation and the Net Profit Margin ratio. The question required basic knowledge of the structure of the income statement. Nevertheless, it attracted a poor performance because too many candidates were unable to compute the Gross and Net profits from the available data.

Question 15

The question tested candidates' knowledge of the cash flow statement. Candidates demonstrated a lack of understanding of the concepts of inflow and outflow. They failed to see the cash flow statement as an equation and so were unable to deduce the total outflows for the year from the data given.

PAPER 02

Module 1: Business and Its Environment

This paper is designed to test candidates' depth of knowledge. Candidates were required to answer either Question 1 or Question 2.

Question 1

This question dealt with three forms of business organization, viz. sole proprietorships and limited companies. About 90 per cent of the candidates attempted this question. Part (b) of this question asked for two advantages and two disadvantages of a limited company vis-à-vis a partnership. The performance on this part of the question was unsatisfactory. Candidates did not appear to have a comprehensive understanding of limited liability and consequentially they were unable to effectively compare the partnership and the limited company along this dimension.

Question 2

This question tested candidates' knowledge of insurance and the operation of insurance companies. It was attempted by approximately 10 per cent of the candidates. Part (a) was done well. Candidates were able to show how legislation, information technology and trade liberalization can facilitate the operations of an insurance company. However they failed to adequately

discuss the impact of competition, the natural environment and globalization on the organization. Some of the difficulties revolved around candidates' confusion of liberalization with globalization. They also had difficulty relating the natural environment to the operations of an insurance company.

Schools need to adopt a more balanced approach in the preparation of candidates for this Module bearing in mind its scope. The subject of this Module is the interaction between the business and its environment; therefore its scope entails both the impact of the organization on the environment as well as the environment's effect on the business (see General Objectives 3 and 4). The analysis, case studies is, therefore, a highly recommended strategy for the preparation of candidates for this module.

Module 2: Management of People

Candidates were required to answer either Question 3 or Question 4.

Question 3

This question dealt with Herzberg's theory of motivation. The question was attempted by approximately 45 per cent of the candidates. Overall, the performance on this question was fair. Candidates were able to answer Part (a) satisfactorily. However they were unable to adequately outline a three-phase plan of action based on Herzberg's motivation theory. This three-phase plan entailed, firstly, surveying employees to find out their level of satisfaction and what they wanted from their job, secondly, analyzing the data to determine the level of satisfaction and the causes of satisfaction and thirdly, supplying more of the factors which respondents deemed important to their job satisfaction.

Question 4

This question tested candidates' knowledge of the function of human resource management. It was attempted by approximately 55 per cent of the candidates. However, many of the responses were too general and unrelated to the scenario.

Module 3: Business Finance and Accounting

Question 5

Candidates were required to answer either Question 5 or Question 6. Question 5 was attempted by about 40 per cent of the candidates. The question dealt with a ratio analysis. On average, candidates scored only 9 of the available 25 marks. Some of the relatively poor performances on this

question can be attributed to the inability of candidates to recall formulae and apply them. But the greatest source of poor performance appears to be the failure of candidates to understand the use of ratio analysis in assessing the performance of the company.

Question 6

Question 6 was attempted by approximately 60 per cent of the candidates. Part (a) of the question required candidates to draft journal entries using the general journal format. Part (b) dealt with the LIFO and FIFO. In Part (a), candidates showed limited knowledge of the correct journal entries. In part (b), they were unable to give clear numerical examples to illustrate LIFO and FIFO.

PAPER 03/1

Internal Assessment

Overall performance on this internal assessment paper was satisfactory. The responses were good with marks ranging from 46 to 60, which was the maximum mark.

There was some improvement in the area of referencing. The efforts must be strengthened. While conversations can be referenced, teachers' notes are not considered an acceptable reference source!

Again we recommend that candidates be introduced to the fundamentals of an international citation scheme such as APA (American Psychological Association). Their website is www.apa.org. The reference work, *Prentice Hall Handbook for Writers* by M. Kramer, G. Leggett and C. Mead published by Prentice Hall, New Jersey is also recommended.

UNIT 2

PAPER 01

Module 1: Production and Operations Management

The five questions in this module tested specific objectives 1, 4, 5, 6 and 4 respectively. Candidates were required to answer either Question 1 or Question 2.

Question 1

This question required candidates to list three factors that will influence the location of a production facility. This question was well done and most candidates gained full marks.

Question 2

This question required candidates to give three reasons why a firm may hold stock or inventory. Performance on this question was unsatisfactory, only about half the candidates were able to give reasonable responses.

Question 3

Question 3 required candidates to describe three types of facility layout. The responses were fairly good; too many candidates, however, failed to “describe” and simply listed three types of layout.

Question 4

This question tested candidates’ ability to describe two meanings of quality. The question was done well. Candidates appeared to have been well prepared for this topic.

Question 5

Candidates’ performance was at its lowest in this question. Candidates were required to distinguish between the product design strategies of miniaturization and modularization. Candidates were able to make educated guesses concerning the meaning of miniaturization but displayed a lack of understanding of the second concept. The definitions which were offered for this concept were inadequate. Rather than defining modularization, candidates attempted to define a module.

This approach is not acceptable. Candidates must give a response which shows not only that they know a synonym for the concept in question but that they understand the context in which it is used. Thus modularization ought to have been defined as the process of designing products or services in sections or components that can be easily replaced or used in other versions of the product. A computer is a good example of a modularized product. The monitor, CPU, hard drive and disk drives can be easily installed in different versions of the product or replaced without changes to the other modules.

Module 2: Fundamentals of Marketing

The five questions of this module tested specific objectives 1, 6, 7, 9, 12 and 8 respectively.

Question 6

This question dealt with the concept of market. In Part (a), candidates were asked to distinguish between a consumer market and an organizational market whereas Part (b) asked for a definition of a market segment. Candidates performed well on this question especially Part (b). Some candidates, however, were unable to distinguish clearly between the consumer and organizational market.

Question 7

This question sought to test candidates' knowledge of the of three levels of product as espoused by Philip Kotler. This question was poorly done. Generally candidates were unable to identify the three product levels. They tended to discuss the product life cycle instead.

Question 8

Part (a) of this question addressed the topic of channels while Part (b) dealt with intermediaries. Overall, candidates performed fairly well on this question. Candidates showed a clear understanding of the difference between wholesalers and retailers but seemed unfamiliar with the term "zero level channel". The results here indicate that schools need to expose candidates to different terms for the same concept. A zero level channel is also called a direct channel.

Question 9

This question asked candidates to list three forces in the company's micro-environment. Overall, candidates did fairly well on this question. Those who did poorly were unsure of which forces were attributed to the micro-environment and the macro-environment.

Question 10

Question 10 tested candidates' knowledge of mark-up pricing. Although most candidates were unable to give a clear description of mark-up pricing, they were able to give one advantage and one disadvantage.

Module 3: Small Business Management

The five questions in this Module tested specific objectives 1, 2 and 3. With the exception of Question 14, the questions in this module were handled satisfactorily by most candidates.

Question 11

This question dealt with the characteristics of a successful entrepreneur. The question was done well by most candidates.

Question 12

This question asked candidates to identify two advantages of registering a business name. This question was satisfactorily done by most candidates.

Question 13

In this question, candidates were required to list two advantages and two disadvantages of a business plan. Most candidates were able to list the advantages but had difficulty with the disadvantages. Candidates need to have a more balanced preparation for topics. It is equally important to consider the advantages as well as disadvantages associated with any topic.

Question 14

The poorest performance in this Module was registered for this question. Candidates were required to outline two types of feasibility. Many candidates did not attempt the question. The concept of feasibility is an underlying concept in both specific objectives 2 and 3. "Identifying successful business opportunities", "determining location", "market research", "forecasting of sales" are all dimensions of the concept of feasibility. Hence, one can speak of conceptual feasibility (whether the business idea itself is feasible), production feasibility, marketing feasibility, managerial feasibility and of course, financial feasibility.

Question 15

Candidates gave a very good performance on this question. It asked candidates for one advantage and one disadvantage of promotion direct mail and by word-of-mouth respectively. However, candidates performed better on Part (b) partly because it lent itself to general knowledge. As evidenced by

their answers, candidates seemed to have had difficulty in understanding what is meant by direct mail, a form of promotion that is being used increasingly especially via the internet. Teachers would be well advised to research and expose candidates to this topic since it is of particular importance to small businesses which need to utilize inexpensive methods of promotion

PAPER 02

Module 1: Production and Operations Management

Candidates were required to answer either Question 1 or Question 2.

Question 1

This question was attempted by about 10 per cent of the candidates. The question dealt with two themes, (a) the factors that influence the products that will be manufactured and (b) product design briefs.

Part (a) attracted a fair performance; the factors to be discussed were given. Even so, some candidates attempted to score points by restating what the question in essence proposed, namely, that the given factors do influence what is produced! Part (b) was poorly done; candidates seem unfamiliar with the concept of a product design brief. Clearly they need to be exposed to this concept in preparing for this module.

Question 2

This question was attempted by about 90 per cent of the candidates. Part (a) of the question dealt with flow production whereas Part (b) required candidates to draw a network diagram.

Part (a) was well done. However, Part (b) was poorly done. Candidates were unable to draw the network diagram correctly, especially with the respect to the insertion of the dummy activity. Candidates also experienced problems with the accurate labeling of the activities.

Module 2: Fundamentals of Marketing

Candidates were required to answer either Question 3 or Question 4.

Question 3

About 40 per cent of the candidates attempted this question. The question required candidates to identify the four factors which would influence an airline to choose between television and newspapers as a means of advertising a new destination and, subsequently, to explain how each factor would influence the choice.

Most candidates performed well on the question with at least one obtaining full marks. Some candidates exhibited weaknesses in explaining the impact of the factors on the choice of media thus demonstrating limitations in synthesizing ideas.

Question 4

This question was attempted by about 60 per cent of the candidates. Part (a) of the question required candidates to define the channel of distribution and describe two major types. However, when describing two types of distribution channels, candidates frequently omitted the beginning (manufacturer) and end of the channel (consumer) and some confused modes of transportation with distribution channels.

Part (b) asked candidates to discuss the impact of three factors on the choice of a distribution channel. The overall performance on this question was satisfactory. Candidates were unable to link the factors to aspects of channel choice such as length or number of choice; more frequently, candidates tried to link the factors to one element of a channel such as a retailer.

It is necessary for teachers to explain to candidates that a channel is viewed as a single entity and is not equivalent to one of its elements; for example, a two level channel is not equivalent to a retailer or for that matter, a wholesaler.

Module 3: Small Business Management

Candidates were required to answer either Question 5 or Question 6.

Question 5

This question was attempted by most candidates. The question had six sub parts which tested candidates' knowledge of small business. Three of these questions (c), (d) and (e) were related to marketing. The market feasibility

and promotional parts of the question were well answered but candidates had some difficulty in identifying with factors which might influence the pricing of the product. Candidates also experienced some trouble in distinguishing between the characteristics of a successful entrepreneur and management skills.

Question 6

This question was attempted by a small number of candidates. The question tested candidates' knowledge of a business plan. Candidates who attempted this question were able to answer most parts of the question well. The exception to this was Part (c) which asked for the steps in preparing a business plan. Here, a lack of knowledge of the basic steps in preparing a plan was evident. Candidates need to be exposed to the preparation of a business plan either through analysis of a sample of plans or preferably through the actual development of such a plan.

PAPER 03

Internal Assessment

In general the responses for this paper can be described as good. Most candidates scored between 46 and 60 marks, 60 being the maximum mark. They did equally well on the three modules. Candidates demonstrated a fairly good understanding of the concepts and principles of management.

However, many candidates were unable to derive adequate conclusions and recommendations. More importantly, they were unable to link these to the research findings. Teachers need to use the exemplars in this unit as one strategy in helping future candidates remedy this weakness.

GENERAL COMMENTS

Overall there has been steady improvement in the performance of candidates in most areas on the Management of Business examinations. However, major work needs to be done in Unit 1 Module 3: Business Finance and Accounting. In general, teachers must help students develop an adequate conceptual base in each module. Moreover, such a base must be seen as a pre-requisite for accessing the higher order skills such as analysis, synthesis and evaluation.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION
MAY/JUNE 2005**

MANAGEMENT OF BUSINESS

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MANAGEMENT OF BUSINESS
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION
MAY/JUNE 2005

GENERAL COMMENTS

Unit 1 of Management of Business syllabus was offered to school candidates for the first time in 2000. It was first offered to private candidates in 2003. Unit 2 was offered to school candidates for the first time in 2003, and to private candidates in 2004.

The registration of candidates for Unit 1 increased from 1562 in 2004 to 2561 in 2005. Registration for Unit 2 increased from 987 in 2004 to 1020 in 2005.

Each Unit comprises three Modules. The assessment takes the form of two written external examinations and an Internal Assessment (IA) in the case of school candidates. Paper 03/2, a third external examination, is offered to private candidates.

Paper 01 is designed to test the breadth of candidates' knowledge, where as, Paper 02 is designed to test the depth of candidates' knowledge. Paper 03 is designed to test the application of knowledge.

Overall, the performance of candidates in the 2005 Management of Business examination can be considered satisfactory. In Unit 1, the highest mean performance was recorded in Module 2, (Management of People), where candidates scored approximately 57 per cent of the overall marks. In contrast to previous years, there has been an improvement in Module 3: (Business Finance and Accounting). In Unit 2, regrettably, candidates did not perform as well in 2005 as they did in previous years.

Paper 02 for both Units continues to provide a challenge to many candidates. Candidates are finding difficulty in addressing questions which require them to 'explain'. This appears to be due to a level of shallowness of knowledge of topics and an inability to relate and link concepts.

It is strongly recommended that schools adopt case study analysis as a means of developing the kind of integrated knowledge and skills that are necessary for satisfactory performance on the essay papers in this examination.

UNIT 01**Management Principles and Processes**

Unit 01 comprises three Modules:

Module 1: Business and its Environment

Module 2: Management of People

Module 3: Business Finance and Accounting

Paper 01

Paper 01 comprises 15 compulsory questions, five on each Module.

Paper 02

Paper 02 comprises six optional questions, two on each Module. Candidates are required to choose one question from each Module pair.

Paper 03/1

Paper 03/1 is the Internal Assessment. Candidates are required to undertake an investigation from which they are to produce a written report.

Paper 03/2

Paper 03/2 is the alternative to Internal Assessment. It comprises a case study spanning the three Modules. Candidates are required to answer three questions based on the case study, one from each Module.

DETAILED COMMENTS**UNIT 01****PAPER 01****Module 1: Business and Its Environment**

The five short-answer questions in Module 1 of this paper sought to test specific objectives two, eight, seven, four and five respectively.

Question 1

This question required candidates to define the phrase “primary sector of the economy”. It is a popular theme for a question and candidates performed well on it.

Question 2

Part (a) of the question required candidates to give two examples of government intervention in the housing industry which might influence construction companies. Part (b) required candidates to outline one form of assistance a Small Business Association might be able to give to the construction companies. The responses to both parts of the question were very good.

Question 3

This question required candidates to define the term "legal personality". The performance on this question was poor. Legal personality is the idea that some entity, for example, a company has a separate existence from the people who may own it. This is a key distinction between the limited company and other forms of business ownership hence it ought to be familiar to candidates even from Principles of Business.

Question 4

This question was a three part question dealing with multinationals and franchising. The first two parts of the question required candidates to give definitions of multinationals and franchising whereas part (c), required candidates give one reason why an individual would prefer to buy into a franchise rather than to start his/her own business. The answers to the entire question were generally good.

Question 5

This question required candidates to state one difference between a mixed and a planned economy. Performance here was less than satisfactory with the majority of

the candidates scoring only one of the two available marks. In their presentations, candidates tended to equate the term “planned economy” with “public sector” or to discuss them as if they were forms of business organizations.

Module 2: Management of People

The five short-answer questions in Module 2 of this paper sought to test specific objectives 8, 9, 11, 4,3 and 5 respectively.

Question 6

This question dealt with the theme formal and informal groups. It was divided into two parts; Part (a) required candidates to state one difference between formal and informal groups whereas part (b) required candidates to give one reason why informal groups might be of concern to a manager. Part (b) was well done but candidates experienced difficulty in stating one difference between a formal and an informal group as required in part (a).

Question 7

In this question, candidates were required to state two ways, other than through strike action, that workers could bring pressure to bear on management of an organization. In general, the responses to this question were good. However, candidates encountered difficulty in using terms such as "conciliation" and "arbitration" although they were able to describe these activities. This underscores the need for schools to stress the learning of the specific vocabulary relevant to a topic.

Question 8

Maslow's hierarchy of needs was the theme of this question. Specifically, candidates were required to define self-actualization in part (a) and in part (b), to state two conditions that might prevent "Ms. Success" from achieving self-actualization. Candidates' performance overall was satisfactory, but too many candidates were unable to apply Maslow's Theory in part (b) which was required to produce a reasonable answer.

Question 9

Performance on this question was generally good. It was a one part question which required candidates to outline two factors that influence span of control within an organization. Most candidates were able to offer appropriate responses.

Question 10

The final question in this module was worth two marks and revolved around the participative style of leadership. Candidates were presented with a scenario and were asked to suggest two benefits that might arise to the named organization from employing that style of leadership. The responses to this question were generally good. Some candidates did not know what was a participative style of leadership and in some cases, for part (b) they focused on the results of adopting such a style rather than the benefits.

Module 3: Business Finance and Accounting

The five short-answer questions in Module 3 of this paper sought to test Objectives 1, 2&3, 4, 6, and 9 respectively.

Question 11

About 99 per cent of the candidates attempted this question which required them to define working capital and to state two components of the same. The responses were satisfactory.

Question 12

This question asked for a distinction between debt and equity and one consequence of increasing the debt to equity ratio. The answers given here were fairly good although some candidates did not quite understand the nature of equity.

Question 13

This question asked for a definition of stock exchange and then sought to determine whether candidates understood what type of companies traded on the stock exchange. The first part of the question was well done. However, candidates were somewhat confused between a public limited company and a public sector company. To overcome problems of this nature schools must make comparing and contrasting related concepts part and parcel of the instructional design.

Question 14

Adjustment for doubtful debt was the subject of this question. Part (a) required the computation of an adjustment whereas part (b) required an appropriate journal entry. The responses to part (a) were moderate. However, the responses to part (b) were poor; candidates appear to be challenged in the area of writing journal entries. Schools need to pay greater attention to this topic which is a major element of this module.

Question 15

Approximately 90 per cent of the candidates attempted this question, the subject of which was cash flow analysis. Candidates were given some transaction data and were required to compute cash inflow from sales for a specified month. Performance here was fair but some candidates experienced difficulty distinguishing between concepts such as cash sales versus credit sales, and in understanding how cash flow related to these two.

PAPER 02**Module 1: Business and Its Environment**

This paper is designed to test candidates' depth of knowledge rather than breadth. Candidates have the option of answering one of two essay type questions from each Module pair.

Question 1

This question tested specific objective 8.

The theme of this question was the rational decision-making process. Part (a) required candidates to outline the five steps in the rational decision-making process whereas for part (b) candidates were required to apply the process to a hypothetical computer store. Approximately 25 per cent of the candidates attempted this question. Overall, the performance was less than satisfactory with many candidates scoring less than half the available marks. Part (a) of the question was well done. This required mainly the recall of facts. In part (b), candidates were required to show how Ms. Butcher, manager of a computer store, might apply the rational decision-making process in addressing the decline in her company's performance. This part of the question was poorly done. Candidates were unable to go beyond regurgitating definitions and providing examples.

Question 2

This question tested specific objective 3.

This question dealt with establishing business objectives as a pre-requisite to starting an enterprise. It was divided into two parts. Part (a) required candidates to identify three objectives which Ms. Smart, the entrepreneur, should strive to achieve. In attempting to answer this question too many candidates stated increase in market share as an objective. A start-up business has no market share and so setting an objective of "increasing market share" is not appropriate. Candidates need to pay attention to the stimulus material presented when answering questions. They might have done better to indicate that specific market share should be set as an objective.

With respect to Part (b), candidates seemed unable to distinguish between establishing and periodically reviewing the company's objectives. Most candidates were only able to deal effectively with reviewing the objectives. Overall, the weak performance in this question is due partly to candidates' failure to pay attention to the details in the question presented to them.

Module 2: Management of People**Question 3**

This question tested specific objectives 1 and 10.

This question dealt with the theme of change. It was divided into two parts. In part (a) candidates were required to give two reasons why subordinates might resist change whereas part (b) required candidates to discuss FIVE approaches that might increase the probability that subordinates might co-operate with planned changes.

About 40 per cent of the candidates attempted the question. A few candidates performed above average but the majority turned in an average performance. Part (a) of the question was well answered. However, in part (b) most candidates were unable to give the full complement of approaches and others were unable to engage in meaningful discussion of those approaches which they posited. The inability to discuss is a major weakness which schools must help candidates to overcome.

Question 4

This question tested specific objective 6.

The topic of this question was teamwork. The question was divided into two parts, both of which required higher order thinking skills. Sixty per cent of the candidates attempted this question and their performance was moderate. Part (a), which required a list of factors, was well done. However, most candidates who attempted this question could not adequately “explain”. Candidates showed a lack of analytical skills in that they were not able to show how one teamwork factor can influence another in a chain leading to effectiveness or lack thereof. To earn marks here, candidates needed to clearly show a chain of cause and effect in relation to the concepts posed.

Module 3: Management of People

Question 5

This question tested specific objective 8.

The two optional questions in this module dealt with ratio analysis and discounted cash flow respectively. This question was chosen by about 50 per cent of the candidates. Performance on this question can be described as moderate with most candidates scoring between 7 and 13 marks. Many candidates were able to recall formulae and undertake computations. However, analysis of the ratios was poor. Candidates seemed to have encountered major difficulty with the mark up ratio. Although the question specified the computation of average capital for the return on capital ratio, the majority of candidates failed to do the computation.

UNIT 02

Application of Management

Unit 02 comprises three Modules:

- Module 1: Production and Operations Management
- Module 2: Fundamentals of Marketing
- Module 3: Small Business Management

Paper 01

Paper 01 comprises 15 compulsory questions, five on each Module.

Paper 02

Paper 02 comprises six optional questions, two on each Module. Candidates are required to choose one question from each Module pair.

Paper 03/1

Paper 03/1 is the Internal Assessment. Candidates are required to undertake an investigation from which they are to produce a written report.

Paper 03/2

Paper 03/2 is the alternative to Internal Assessment. It comprises a case study spanning the three Modules. Candidates are required to answer three questions based on the case study, one from each Module.

Question 6

This question tested specific objective 9.

Candidates were asked to appraise three projects using the NPV (Net Present Value) criterion. Most candidates were able to compute the present values but many were unable to use it as an investment decision technique.

PAPER 03

Internal Assessment

Overall performance on this internal assessment was satisfactory. The responses were good with marks ranging between 0 and 60 which was the maximum mark. Candidates used a variety of data collection methods as well as tables and charts. Some further improvement in presentation can be achieved if candidates use a full justification format rather than the left justified format which reduces the visual quality of the presentation.

The ratio analyses presented were too shallow in some cases: the "analysis" was simply a statement describing what was obvious from the computations. Candidates need to draw conclusions regarding the performance of the company based on the ratios.

Some improvements were noted in the area of referencing. However, the efforts to make candidates indicate the source of their information must not be slackened. For reference we suggest that candidates use the APA (American Psychological Association) citation system. The APA website is www.apa.org. The reference work, *Prentice Hall Handbook for Writers* by M. Kramer, G. Leggett and C. Mead published by Prentice Hall, New Jersey is also recommended.

UNIT 02

PAPER 01

Module 1: Production and Operations Management

The five short-answer questions in this module sought to test specific objectives 1&2, 3, 5 and 6 respectively.

Question 1

This question sought to test candidates' understanding of the factors that influence location, a major production decision. The question was attempted by all candidates. Overall, the question was well answered although some candidates adduced criteria which did not apply to the medical centre.

Question 2

This question comprised two parts both of which dealt with forecasting. With respect to distinguishing between forecasting and planning, candidates were able to define the former but experienced difficulties with the latter concept.

Question 3

Candidates experienced great difficulties in identifying one type of inventory requested in part (a). However, candidates responded well to part (b) which required them to give two reasons why good inventory management was important.

Question 4

This was another two part question, which addressed the concepts of modularization and miniaturization in their relation to product design. A reasonable number of candidates were able to offer a definition for miniaturization. However, they were not so successful with modularization. Modularization is the process of designing products or services in sections or components that can be easily replaced or used in

other versions of the product. A computer is a good example of a modularized product. The monitor, CPU, hard drive and disk drives can be easily installed in different versions of the product or replaced without changes to the other modules. A dress on the other hand is not an acceptable example of modularization!

Question 5

The final question in this module dealt with conformance, a dimension of quality. Candidates performed satisfactorily on part (a) which requested a definition of conformance. Candidates did rather poorly, however, in responding to part (b) which asked for two ways in which conformance could be applied to motor vehicles. Here candidates could have used the necessity to have seat belts, the need for yellow indicators or the need to carry a horn as non-technical examples of conformance.

Module 2: Fundamentals of Marketing

The five short-answer questions in this module sought to test specific objectives 2&3, 5, 9, 8 and 7 respectively.

Question 6

In part (a) of this question, candidates were required to distinguish between the marketing concept and the product concept, while in part (b) they were required to give one negative impact of marketing on society. Both parts were worth two marks each. Overall, a satisfactory performance was recorded by the 95 per cent of candidates who attempted this question.

However, in part (b) candidates found some difficulty in relating marketing to society; instead they focused more on business entities.

Question 7

Most candidates attempted this question, the theme of which was research methodology. Specific concepts tested were "census" and "sampling". Performance here was good; candidates were able to give one distinction between the sample survey and the census. On the other hand, candidates found difficulty in outlining one advantage of sampling which reveals a superficial knowledge of this topic.

Question 8

Part (a) of this question required candidates to distinguish between a direct channel and indirect channels of distributions, whereas part (b) asked for one benefit to a manufacturer of using an intermediary. Part (a) was fairly well done but there were some inadequacies in explaining how a manufacturer might benefit from using an intermediary. The concept of transactional economy needs to be taught as an organizing framework for discussing the benefits of intermediaries to the manufacturer.

Question 9

This question departed from the trend in the module in that it dealt with a quantitative concept, namely, pricing. Part (a) asked for a definition of cost-plus pricing and it was well answered. On the other hand, candidates experienced substantial difficulty in computing the selling price of an item given the mark-up, which was the task in part (b).

Question 10

For two marks, this question required candidates to outline two benefits of branding. Most candidates attempted the question and provided good answers.

Module 3: Small Business Management

The five short-answer questions in this module sought to test specific objectives 2, 2.1, 3&5 and 2 respectively.

Question 11

The first question in this module required candidates to outline two reasons why the owner of a small business might not wish to expand. Most candidates attempted the question. The answers were good although some candidates' responses were too lengthy. They were required to "state" and not "discuss".

Question 12

About 96 per cent of candidates attempted this question. Part (a) required candidates to outline two difficulties which Ms. Brown, the owner of a small firm, might experience in attempting to export her product for the first time and Part (b), one way of overcoming one of those difficulties. Candidates performed well on Part (a) but experienced some difficulty in coming up with a solution to one of the difficulties identified.

Question 13

This question required candidates to suggest two ways in which the growth of small firms may be beneficial to a country. The answers were good but again, too lengthy for the marks allotted.

Question 14

This question dealt with two concepts. Part (a) dealt with the components of a business plan and part (b), loan institutions. Candidates were able to suggest, quite easily, three items that should be included in a business plan. In part (b) however, candidates gave the specific names of organizations without stating the type of organization such as "credit union" or "commercial bank".

Question 15

The final question in this paper required candidates to outline two ways in which information technology might impact positively on a small business. It was answered satisfactorily for the most part although some candidates tended to confuse “information technology” and “technology”.

PAPER 02

Module 1: Production and Operations Management

Candidates were required to answer either Question 1 or Question 2. About 55 per cent of the candidates attempted Question 1 which dealt with productivity. Question 2 dealt with TQM (Total Quality Management).

Question 1

This question tested specific objectives 9, 10 and 11.

The responses to this question were moderate. Candidates failed to give deep enough explanations in their responses thus demonstrating superficial knowledge of the topic. Candidates needed to show by a chain of reasoning, the importance of each factor to productivity. In discussing the importance of the business to productivity, the candidates could have based this on factors such as scarcity of resources, costs and competition. For example, candidates might have pointed out that because resources were scarce, businesses found it necessary to extract the most they could from available resources. A similar approach might have been used with the concept of costs and competition. Candidates could, therefore, have easily scored the six marks allocated here.

Question 2

This question tested specific objectives 7, 8 and 12.

In addition to conceptual difficulties with the terms “technology” and “benchmarking”, other problems were experienced by candidates in answering this question. Here the task was to show the role of customers, suppliers, workers, technology and benchmarking in developing any TQM system. Candidates needed to approach this via a chain of cause and effect but this calls for a deeper understanding of business processes, which is evidently lacking.

Module 2: Fundamentals of Marketing

Question 3

This question tested specific objectives 1, 4, 6, 7 and 10.

This question required candidates to discuss the impact of market demand, segmentation, product features and promotion on the marketing of cellphone services in a fictitious Caribbean country. Responses here were fair. Connecting and relating concepts posed the major problem here. Marketing is not a module where the topics can be taught in isolation. Teachers must make a concerted effort to carefully sequence and connect topics. Short case studies are very strongly recommended as teaching and learning tools for this module.

Question 4

This question tested specific objective 7.

This question required candidates to outline the nature of the four characteristics of services and explain how they relate to the marketing of tourism. Scores for this question ranged from 1 to 11. Of the four characteristics, candidates experienced the greatest challenges in explaining variability because they sometimes chose examples which did not illustrate the concept they were explaining. To their credit is the fact that they were able to discern that variability refers to both the fluctuation in the quality of a service from occasion to occasion with the same service provider as well as from one provider to the next.

Module 3: Small Business Management

Question 5

This question tested specific objectives 1, 2, 3 and 4.

The majority of the candidates attempted Question 5 which asked a battery of six questions relating to the setting up of a small business. Three of these questions (a), (b) and (c) revolved around entrepreneurship. The answers to these were fairly satisfactory as they were basically comprehension questions. Parts (d) and (e), application questions, were not well answered. The main problem here appears to be conceptual; in the case of part (d) candidates did not have a clear understanding of the terms "micro-environment" and "macro-environment".

Question 6 This question tested specific objective 3.

A minority of candidates attempted this question which dealt with forecasting demand for an exclusive line of women's dresses which the proprietor contemplated adding to her boutique's portfolio. Part (a) of the question asked for five pieces of information which would be required to forecast the demand for this product. This part of the question was well done. So also was part (b) which asked for three ways of obtaining the information in part (a). However, part (c) was not well done; candidates were unable to state three difficulties that may be encountered when forecasting in this type of market. Candidates' knowledge in the area of forecasting appears to be very limited. Schools need to make a greater effort to prepare and present this topic. Major aspects that should be covered include: definition of forecasting, importance of forecasting, methods of forecasting and of course difficulties in developing forecasts.

PAPER 03

Internal assessment

In general, the responses for Paper 03 can be described as ranging from satisfactory to good. The marks ranged from 8 to 60, 60 being the maximum mark. The three modules were covered more or less evenly and candidates were able to demonstrate their ability to apply the concepts and principles of the three modules to the organizations studied.

GENERAL COMMENTS

Candidates need to be exposed to more practice in the application of higher level skills in several areas and in elaborating and organizing concepts. "Elaborating" and "organizing" are here being used in the Gagnean sense. More importantly, the exploration of topics is being limited to those aspects (often narrowly defined) in the syllabus.

Too often candidates are unable to give relevant examples of concepts. On other occasions, candidates give examples but cannot produce appropriate definitions. Candidates need to be challenged to think beyond what is required for responding to simple everyday questions.

Finally, while it is acknowledged that the time available to cover the syllabus is limited, this cannot be used as an excuse for conceptual shallowness. Teachers perhaps need to change from the "expert" teaching style to a more facilitative style. This, combined with a strong homework and individual learning programme can reduce some of the student dependence on classroom contact time as the primary means of acquiring knowledge.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION
MAY/JUNE 2007**

MANAGEMENT OF BUSINESS

MANAGEMENT OF BUSINESS
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION

MAY/JUNE 2007

GENERAL COMMENTS

Unit 1 of Management of Business syllabus was offered to school candidates for the first time in 2000. It was first offered to private candidates in 2003. Unit 2 was offered to school candidates for the first time in 2003, and to private candidates in 2004.

The registration of candidates for Unit 1 increased from 3884 in 2006 to 4257 in 2007. Registration for Unit 2 decreased from 2771 in 2006 to 2708 in 2006.

Each Unit comprises three Modules. The assessment takes the form of two written external examinations and an Internal Assessment (IA) in the case of school candidates. Paper 03/2, a third external examination, is offered to private candidates.

The format of Paper 01 was changed from structured questions to multiple-choice for the first time in 2007.

Paper 01 is designed to test the breadth of candidates' knowledge, where as, Paper 02 is designed to test the depth of candidates' knowledge. Paper 03 is designed to test the application of knowledge.

The overall mean for Unit 1 was 52 per cent compared with 55 per cent in 2005 and 49 per cent in 2006. Eighty-three per cent of the candidates achieved Grades I – V. This is an increase of 13 per cent over 2006, but is consistent with 2005.

The overall mean for Unit 2 was 58 per cent compared with 45 per cent in 2006 and 57 per cent in 2005. Ninety-five per cent of the candidates achieved Grades I – V. This represents an increase of 8 per cent over 2006, but is consistent with 2005.

UNIT 01

Management Principles and Processes

Unit 01 comprises three Modules:

- Module 1: Business and its Environment
- Module 2: Management of People
- Module 3: Business Finance and Accounting

Paper 01

Paper 01 comprised 45 multiple choice items, 15 on each Module. The mean on Paper 01 was 23.3. In 2006 the mean was 24.13 and 30.10 in 2005.

Paper 02

Paper 02 comprised six optional questions, two on each Module. Candidates were required to choose one question from each Module pair. The mean on Paper 02 was 34.47. In 2006 the mean was 34.10 and 33.50 in 2005.

Paper 03/1

In Paper 03/1, the Internal Assessment, candidates were required to undertake an investigation from which they were to produce a written report. The mean on Paper 03/1 was 39.70. In 2006 the mean was 39.11 and 42.34 in 2005.

Paper 03/2

Paper 03/2, the alternative to Internal Assessment, comprised a case study spanning the three Modules. Candidates were required to answer three questions based on the case study, one from each Module. The mean on Paper 03/2 was 18.75. In 2006 the mean was 37.29 and 48.32 in 2005.

DETAILED COMMENTS**UNIT 01****PAPER 02****Module 1: Business and Its Environment****Question 1**

Fifty-six per cent of the candidates attempted Question 1. This question assessed candidates knowledge of globalization. Part (a) required a definition of globalization whereas Part (b) required candidates to give three positive and two negative impacts of globalization on Caribbean business organizations. The mean on the question was 9.98. The quality of performance seems to be due primarily to a misinterpretation of the question. In Part (b), candidates tended to focus on the impact of globalization on society rather than on business organizations. They also found difficulty in defining globalization.

Teachers need to expose students to a wide understanding of globalization so that they can respond to any question posed on the theme. The following website may be useful:
<http://www.sociology.emory.edu/globalization/issues01.html>.

Question 2

Fifty-four per cent of the candidates attempted Question 2. The Question was divided into three Parts. Parts (a) and (b) dealt with the theme of small business and the economy. Part (a) required candidates to give two main contributions of small business to the economy. Candidates were able to provide acceptable responses to this Part of the question. Part (b), which required three challenges facing Caribbean small businesses, was well done. However, Part (c) was not done as well. It required candidates to outline three criteria which may be used to measure the size of a business. Some candidates did not understand the term 'criteria'. Moreover, some candidates proffered 'profit' as a criterion for measuring the size of the business. This is unacceptable; the size of the profit, which is a function of the magnitude of the difference between the revenue and total expenses, is material to the number of employees, or assets held by the business.

Module 2: Management of People**Question 3**

Approximately 60 per cent of the candidates attempted this question. The question addressed the theme of communication in the organization. Part (a) required candidates to evaluate four major methods of communication whereas Part (b) required them to suggest four major causes of poor communication between management and staff. The performance of candidates on Part (a) maybe described as fair. However, candidates confused communication methods with communication networks suggesting some terminological problems with this topic. Moreover, some difficulty was exhibited in evaluating the methods of communication.

It appears that candidates are not prepared to address the higher levels of Bloom's taxonomy such as evaluation. A deliberate effort must be made to have students practice responding to questions of this type. In addition, students must be made to understand that any question that requires "evaluation", of necessity requires the use of criteria upon which to base the evaluation. In this question, candidates were expected to identify methods of communication such as staff meetings, notice boards, newsletters and staff manuals. They were then expected to evaluate these methods of communication on such criteria as effectiveness, degree of two-way Participation, flexibility and/or any other appropriate criteria.

Question 4

Approximately 40 per cent of candidates attempted Question 4 which sought to test their knowledge of the Human Resource Department. Thus Part (a) required the candidate to identify and describe the functions of the Human Resource Department whereas Part (b) required candidates to discuss the importance of the Human Resource Department identified in Part (a). Candidates performed very well on Part (a) although some candidates confused the functions of management with the functions of the Human Resource Department. Part (b) was not done as well as Part (a) because, too often, candidates described theories of motivation instead of the importance of the Human Resource functions.

Module 3: Accounting and Finance

Question 5

This question was attempted by approximately 48 per cent of the candidates. The question dealt with project appraisal using the payback period and the Internal Rate of Return (IRR). The question comprised five Parts, four of which were devoted to the payback period. The overall performance might be rated as poor. However, Parts (c) and (d) were well done. Candidates understood the concept of payback and they were able to give satisfactory answers to the request for advantages and disadvantages. In Part (b) candidates showed difficulty in reporting the payback period to one decimal place, opting instead to convert to years and months. It must be impressed on students the need to follow instructions irrespective of how particular schools may teach certain topics.

The concepts of cumulative cash flow and IRR do not appear to be well understood. The former is a mainstream technique used in finance and therefore, should be understood by all candidates. The latter concept, that is IRR, while more difficult than payback, should be tackled more aggressively by schools since it relates to the concept of interest rate and rates of return, topics which are crucial in modern finance. Although this does not explicitly appear on the syllabus, the cost of capital should be used as a backdrop for understanding IRR without becoming too technical, of course.

Question 6

Question 6 was attempted by approximately 52 per cent of the candidates. This question was divided into three Parts. Part (a) presented candidates with some data on purchases and sales and required them to compute the stock valuation at the end of each month. This was satisfactorily done suggesting that candidates were familiar with the basic stock valuation calculations. However, Part (b) which required a computation of Cost of Goods sold for each month, was not done as well. Some candidates demonstrated difficulty in understanding this concept. Thus they attempted to compute the Cost of Goods Sold for months when they were no sales and therefore, the Cost of Goods Sold would have been zero. Some candidates also experienced difficulty distinguishing between Sales and Cost of Goods Sold. Greater preparation of candidates for the accounting aspect of the module must be undertaken by schools.

Internal Assessment

The projects presented for the Internal Assessment were generally satisfactory. Eighty-seven per cent of the candidates scored at least 50 per cent of the maximum available mark. Overall, the topics chosen were very relevant to the unit and marks fell into the 45 - 60 range. Most projects were written in a clear logical manner.

UNIT 2

Application of Management

Unit 02 comprises three Modules:

Modules 1: Production and Operations Management

Modules 2: Fundamentals of Marketing

Modules 3: Small Business Management

Paper 01

Paper 01 comprised 45 multiple choice items, 15 on each Module. The mean on paper 01 was 28.06. In 2006 the mean was 29.85 and 29.71 in 2005.

Paper 02

Paper 02 comprised six optional questions, two on each Module. Candidates were required to choose one question from each Module pair. The mean on Paper 02 was 38.09. In 2006 the mean was 36.17 and 34.79 in 2005.

Paper 03/1

In Paper 03/1, the Internal Assessment, candidates were required to undertake an investigation form which they were to produce a written report. The mean for Paper 03/1 was 40.40. The mean in 2006 was 40.78 and 43.13 in 2005.

Paper 03/2

Paper 03/2, the alternative to the Internal Assessment, comprised a case study spanning the three Modules. Candidates were required to answer three questions based on the case study, one from each Module. The mean on Paper 03/2 was 36.83. In 2006 the mean was 28.06 and 41.14 in 2005.

Module 1: Production & Operations Management

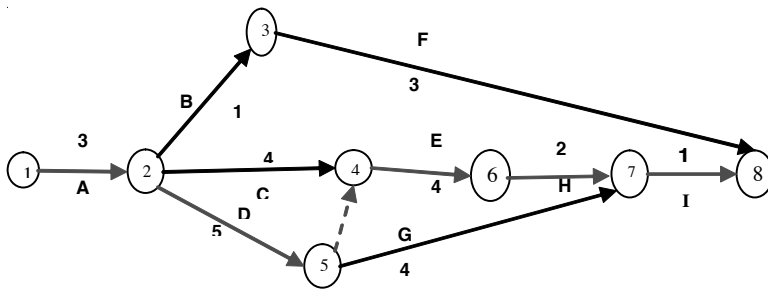
Question 1

Question 1 was attempted by 58 per cent of the candidates. The focus of this question was quality. It presented four dimensions of quality and required candidates first, to define each dimension and then relate each dimension to the design and production of a blender. Candidates were able to provide adequate definitions for the four dimensions of quality, in Particular durability and reliability. There were however, some issues with serviceability as well as features, although to a lesser extent. Candidates tended to equate features with aesthetics whereas serviceability was interpreted as the actual services (features) provided by the product. Generally, candidates found difficulty in relating these to the design and production of a blender which was the scenario given. Schools should note that serviceability is the ease with which a product can be serviced. This includes availability of Parts as well as lead time to carry out repairs. For an article on the subject that includes Garvin's eight dimensions of quality see the following website: http://www.shsu.edu/%7Emgt_ves/mgt481/Chapter1.pdf.

Question 2

Question 2 was attempted by 42 per cent of the candidates. The question was based on network diagrams. It provided the candidate with a list of activities and their durations. Part (a) required candidates to draw a network diagram for the list of activities. Parts (b) and (c) dealt with the project duration and critical path respectively, whereas Part (d) dealt with definitions relating to network diagrams such as early finish time. Candidates experienced some difficulties with Part (a); for example, they failed to number the nodes on the diagram, to indicate direction by arrow heads and to correctly insert the dummy.

Candidates performed moderately on Parts (b) and (c) and well on Part (d). One version of the diagram is shown below:



Module 2: Fundamentals of Marketing

Question 3

Question 3 was attempted by 54 per cent of the candidates. The question was designed assess candidates knowledge of marketing. The question spanned both lower order and higher order cognitive skills with respect to the marketing mix. Thus candidates were first required to define four marketing concepts viz. branding, pricing, distribution channels and advertising. Subsequently they were required to suggest two strategies by which each might be operationalized as well as to state which of the two strategies was better.

Candidates demonstrated proficiency in defining the distribution and pricing concepts. However, some candidates experienced difficulty in defining advertising and branding. In fact, some of the definitions given were for promotion instead of advertising and for price rather than pricing. A suggested definition for advertising is “the non-personal presentation of commercial messages in a medium by a clearly defined sponsor”. The rationale for the term “non-personal” is to distinguish advertising from personal selling. The term “sponsor” refers to the company or organization for whose benefit the advertising has been raised. For the purposes of this level, branding can be defined as “the process of giving a product an identity by using a brand name and visual elements such as a brand mark, logo and colours.”

Additionally, candidates experienced difficulty in outlining appropriate branding strategies. Two feasible branding strategies that candidates might have suggested would have been (a) using the existing company name on the new product or (b) using a new name brand name. The company is already marketing its products under its corporate name and so it can choose whether to use this name or create another for the line of cornflakes. Candidates need to make use of the concepts in the scenarios given since marks are invariably allocated for so doing.

Question 4

Question 4 was attempted by 46 per cent of the candidates. Marketing research was the theme of this question. It presented three pairs of options dealing with sources of data, sampling and data collection respectively. Candidates were required to differentiate between each pair, for example, between “probability” and “non-probability sampling”, as well as to outline one advantage and one disadvantage of each of the pairs. In addition, candidates were required to indicate with justification, which option in each pair the company should choose for the purposes outlined in the scenario presented in the question.

Candidates performed satisfactorily on Part (b) which simply required them to select and justify one of the options. Primary and secondary sources of data as well as surveys were handled satisfactorily. However, challenges were encountered in addressing probability and non-probability sampling as well as focus groups. The essential distinction between probability and non-probability sampling is that in the former, respondents are selected by chance whereas in the latter, respondents are selected by judgment or convenience or by some other “non-probability” method. Good sources of material for these concepts can be obtained online and schools should make effective use of these sources in preparing students for the examination. The need to have students practice answering questions aimed at higher order cognitive skills such as synthesis and evaluation cannot be over emphasized.

Module 3: Small Business Management

Question 5

Question 5 was attempted by 45 per cent of the candidates. This was a battery of questions based on a mini-case. Parts (a) through (c) addressed the theme of Partnerships and the other three Parts dealt with entrepreneurship, market demand and market research respectively. Overall the responses were satisfactory; Parts (b) through (d) were answered competently. However, the performance on Part (a), a definition for Partnership, left much to be desired. Part (e) was misinterpreted and the answers were not related to the case. Candidates did not provide sufficient explanation in Part (f) which required three reasons why the market research should be conducted. Candidates seemed unable to distinguish between a company and a Partnership and experienced difficulty in identifying some of the main provisions of a Partnership deed. Additionally candidates appeared unable to accurately interpret the terms “outline”, “discuss” and “describe”. It is evident that schools need to spend more time in training students how to answer questions especially those that require higher order cognitive skills.

Question 6

Question 6 was attempted by 55 per cent of the candidates. Performance on this question can be deemed satisfactory. The question comprised two Parts; Part (a) required candidates to give three advantages of updating a business plan whereas Part (b) presented a business start-up scenario and required candidates to address issues of location, business format and finance. Candidates were able to competently answer (b)(i); this dealt with the issue of location of a new business. However, candidates did not appear to understand the benefits of updating a business plan. They attempted to relate the business plan to the concept of profitability only and did not relate it to issues such as business objectives and environmental changes. Schools need to emphasize the fact that a business plan is not a static document but must be updated as it is implemented. Students must also be trained to justify their answers; this they failed to do in Parts (b)(ii) and (b)(iv). Schools appear to be restricting their preparation of students to the prima facie issues in the syllabus; however, since knowledge is relativistic, it is important for students to examine topics in different contexts so that a broader understanding can be developed.

Internal Assessment

The projects presented for Unit 2 were generally good. Ninety-one per cent of the candidates scored at least 50 per cent of the maximum available mark. Overall the topics chosen were very relevant to the unit and marks fell into the 45 - 60 range. Most projects were written in a clear logical manner and candidates used a variety of graphic tools in their presentations.

General Comments

Overall the performance in 2007 could be deemed satisfactory. However, one issue that stands out is the inability of candidates to satisfactorily respond to question assessing require higher order cognitive skills for example those that require analysis, synthesis and evaluation. I reiterate that candidates must be made to understand that a question that requires them to “evaluate” cannot be addressed in the absence of criteria. Such criteria may be given in the question, be requested of the candidate as Part of the answer or may be required of the candidate by implication.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION
MAY/JUNE 2009**

MANAGEMENT OF BUSINESS

MANAGEMENT OF BUSINESS
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION

JUNE 2009

GENERAL COMMENTS

The Caribbean Advanced Proficiency Examination in Management of Business seeks to provide candidates with the basic skills required to address managerial problems and challenges faced by businesses. These skills enable candidates to function not only in existing business organizations, but also as independent entrepreneurs. The subject comprises two units, each examined by three papers.

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 03 – 03/1: The Internal Assessment (IA) done by school candidates

03/2: The Alternative to the IA done by private candidates.

Unit 1 was written by 4,376 candidates while 2,907 candidates wrote Unit 2.

DETAILED COMMENTS

UNIT 1

Unit 1 focuses on Management Principles and Processes. It comprises three modules:

- Business and its Environment;
- The Management of People
- Business Finance and Accounting.

The mean for Unit 1 was 53 per cent.

PAPER 01

Paper 01 consisted of 45 multiple choice items, fifteen on each module. The items span knowledge, comprehension and application.

The mean for Paper 01 was 62 per cent.

MODULE 1

BUSINESS AND THE ENVIRONMENT

Question 1

Question 1 assessed candidates' knowledge of business organization. The question was divided into two parts.

In Part (a) of the question candidates were required to explain the advantages and disadvantages of a private limited company compared to the sole trader, whereas in Part (b) candidates were required to

discuss three ways in which a change in the economic system of the country from a mixed economy to a planned economy could affect Kevin's decision to form a private limited company.

Approximately 32 per cent of the candidates attempted this question.

Overall, the performance of candidates on this question was unsatisfactory. The quality of the performance seemed to be due primarily to a lack of understanding of Part (b) of the question, which required application and evaluation of information. While the candidates were able to outline features of the mixed and planned economic systems, they failed to discuss the possible implications of Kevin's decision to form a private limited company. The mean was 8 out of 25.

Candidates need to practise answering questions aimed at higher order cognitive skills such as synthesis and evaluation.

Question 2

Question 2 assessed candidates' knowledge of multinationals. It required the candidates to discuss three benefits and three drawbacks that Caribbean countries could experience with multinationals operating in their territories.

Approximately 68 per cent of candidates attempted this question, 45 per cent of whom provided acceptable responses.

The majority of the candidates were able to define the term, 'multinational' and to cite examples of multinationals operating in their country. However, the benefits of multinationals to Caribbean countries were more clearly explained than the drawbacks. While the majority of the candidates identified the drawbacks, they failed to elaborate on the points identified. The mean for this question was 12 out of 25.

During instruction, the pros and cons of concepts need to be explored. This will help candidates to get a broader and more in depth understanding of the concepts.

MODULE 2

MANAGEMENT OF PEOPLE

Question 3

The theme of question 3 was "Weber Bureaucratic Organization". The question comprised two parts. Part (a) required candidates to outline four characteristics of a bureaucracy and Part (b) required them to discuss four implications of Weber's bureaucracy on today's business organizations.

Approximately 3 per cent of the candidates attempted this question.

The overall performance of candidates on both Part (a) and Part (b) may be described as fair. However, candidates experienced difficulty in applying Weber's theories to the workings of present-day organizations. The mean was 11 out of 25.

A deliberate effort must be made to have candidates practise writing responses to questions of this type. In addition, the theories should be taught in a more practical manner, so that the candidates are able to see the connection between the evolution of management theories and their importance to present-day managers.

Question 4

Question 4 assessed candidates' knowledge of change management within organizations. The question comprised two parts. Part (a) required candidates to explain four reasons why employees resist change while Part (b) required them to discuss three methods that can be used to address resistance to change.

Approximately 96 per cent of the candidates attempted Question 4. The performance was generally good.

Candidates performed very well on Part (a). For the most part they were able to cite reasons why employees resist change. Part (b) was not handled as well as Part (a). Candidates were able to list some methods that could be used to address resistance to change; however, the discussion of these methods was weak. The mean was 12 out of 25.

Candidates need to pay more attention to current world news and the impact of the changes on business organizations, as well as the different strategies used to overcome some of these challenges. As part of class assignments candidates may be asked to create business journals with current newspaper clippings of news items relating to their field of study.

MODULE 3**BUSINESS FINANCE AND ACCOUNTING**Question 5

Question 5 tested candidates' knowledge of business finance. Part (a) of the question required candidates to define working capital and to identify components of working capital. Part (b) required candidates to identify the most suitable source of finance for financing given business activities.

The question was attempted by approximately 49 per cent of the candidates. The overall performance on this question was poor. Candidates performed relatively well on Part (a) of the question. They were able to give a clear definition of working capital and to identify components of working capital. However, some candidates had difficulty identifying three components of working capital. In a number of cases candidates named current assets and current liabilities, without any further break down of these two concepts; hence they had difficulty naming a third component.

In Part (b) of the question, the majority of the candidates were able to identify the sources of finance. However, they were challenged in explaining why each source would be most suitable for a particular project. The mean for this question was 9 out of 25.

Candidates need to pay more attention to differentiating between the sources of finance and the appropriateness of each source, using learning techniques such as discussions and practice exercises.

Question 6

Question 6 assessed candidates' knowledge of accounting conventions and financial statements. The question comprised three parts. Part (a) of the question required candidates to identify the appropriate sub-headings under which omitted items would appear on a balance sheet. Part (b) required the candidates to outline the main difference between performance ratio and liquidity ratio identifying a stakeholder who would be interested in each type of ratio. Part (c) required the candidates to calculate specific ratios and explain the implication of each.

This question was attempted by approximately 51 per cent of the candidates. The overall performance on this question was fair. The majority of the candidates did very well on Part (a) of the question. In Part (b), some candidates had difficulty differentiating between performance ratio and liquidity ratio. However, the majority of them were able to identify the stakeholders who would be interested in both types of ratios. The majority of the candidates who attempted Part (c) of the question were able to correctly calculate the current and acid test ratios. However, they had difficulty calculating the gearing ratios as well as explaining the implications of these ratios. Some candidates also found interpreting the current and acid test ratios to be challenging. The mean was 12 out of 25.

Although there was an overall improvement in the performance in Module 3 in comparison to previous years, it is still highly recommended that greater preparation of candidates for the accounting aspect of the module be undertaken by schools.

UNIT 2

MODULE 1

PRODUCTION AND OPERATIONS MANAGEMENT

Question 1

Question 1 tested candidates' knowledge of Total Quality Management (TQM). The question comprised two parts. Part (a) of the question required candidates to give a definition of Total Quality Management (TQM) and to discuss one implications for the given stakeholders. Part (b) of the question required candidates to outline three circumstances under which TQM programmes may fail to achieve overall organizational objectives.

This question was attempted by approximately 86 per cent of the candidates. The overall performance on this question was satisfactory.

The majority of the candidates were able to give a clear definition of TQM as well as explain the implications of TQM. In quite a number of cases, candidates received very high scores for this part of the question. One drawback was that a few candidates interpreted "implication" of TQM to mean only negative consequences. Part (b) of the question required higher-order thinking skills. The majority of the candidates rose to the challenge and provided acceptable responses. Candidates were able to "think out of the box" using practical examples and making reference to the scenario given in the question. The mean was 12 out of 25.

Candidates should be cautioned that all parts of a question should be read before making a response in order to avoid repeating answers, as was evident in some cases.

Question 2

Question 2 tested candidates' knowledge of production planning. The question comprised two parts. Part (a) of the question required the candidates to outline three advantages and three disadvantages of the Delphi Method of forecasting. In Part (b), candidates were required to study a given decision tree and analyze the alternatives.

This question was attempted by approximately 14 per cent of the candidates. The overall performance on this question was poor with approximately 66 per cent of the candidates who attempted the questions scoring below a passing grade.

It was evident that a number of the candidates were not adequately prepared, and were uncertain as to a clear definition of the Delphi Method; consequently they were unable to clearly explain the

advantages and disadvantages of this method of forecasting. The majority of the candidates were able to adequately analyse the decisions Mr. Opportunity needed to make as well as to calculate the highest expected value for building a large or small factory. The responses given by some candidates to Part (b) (ii) indicated that they may have misinterpreted the question. The mean was 9 out of 25.

Candidates need to read the questions carefully and ensure that they understand what is required. In addition, candidates should practise answering past examination questions to get a sense of the formatting of questions. Simulation exercises should be encouraged, where theoretical principles can be related to the external business environment.

MODULE 2

FUNDAMENTALS OF MARKETING

Question 3

Question 3 tested candidates' knowledge of advertising. The question comprised two parts.

Part (a) of the question required the candidates to differentiate between "informative advertising" and "persuasive advertising" and state a situation in which each would be most effective.

In Part (b) of the question candidates were required to discuss four factors that may influence the choice of media.

This question was attempted by approximately 74 per cent of the candidates. The overall performance on this question was fairly good. Candidates were able to differentiate between the two terms and in most cases they were able to state situations where each type of advertising would be most effective. In their response to Part (b) it was evident that majority of the candidates had the requisite knowledge, however, one of the major challenges noted was their inability to identify four factors as required. Most of them gave only three factors. Very few candidates were able to comprehensively discuss the factors as required to gain the maximum marks allocated. The mean was 13 out of 25.

Teachers need to utilize more case studies in the teaching of this module.

Question 4

Question 4 tested candidates' knowledge of marketing. The question comprised three parts.

Part (a) required the candidates to differentiate between direct and indirect distribution channels.

Part (b) required candidates to outline two factors that influence the choice of a distribution channel.

In Part (c) candidates were required to discuss benefits of an intermediary to a manufacturer.

This question was attempted by approximately 26 per cent of the candidates. The overall performance on this question was good. Approximately 85 per cent of the candidates were able to provide clear answers using information from other areas of the syllabus, thus attaining close to full marks. The majority of the candidates were knowledgeable about the factors that may influence the choice of a distribution channel. However, some had difficulty providing the comprehensive response required. This was also evident in Part (c) of the question. In a few cases candidates duplicated their responses for Part (b) and Part (c). In addition some candidates confused direct distribution with personal selling. In some cases the responses were too lengthy for the marks allocated whilst some responses

were too brief for candidates to earn full marks. The mean was 14 out of 25.

Candidates need to practise developing their responses in a logical manner, so as not to omit important details and also to align their responses with the marks allocated.

MODULE 3

SMALL BUSINESS MANAGEMENT

Question 5

Question 5 tested candidates' knowledge of entrepreneurship. The question consisted of two parts.

Part (a) of the question required the candidates to outline the advantages and disadvantages that Ruth experiences as a sole trader.

Part (b) required candidates to discuss three characteristics that Ruth should display in order to be a successful entrepreneur.

This question was attempted by approximately 77 per cent of the candidates. The overall performance on the question was good. It was evident that majority of the candidates found this section quite interesting. This was shown by the quality of the responses. For Part (b) of the question, the majority of the candidates provided acceptable responses, however, some candidates were unsure of what constitutes "characteristics" of a sole trader as opposed to skills, hence, they did not provide satisfactory responses. In a few instances, some candidates identified the correct characteristics but failed to comprehensively discuss them, hence producing less satisfactory or weak responses. The mean was 15 out of 25.

Although the overall performance on this question was good, it is still recommended that a more practical approach be adopted for the delivery of this aspect of the module. For instance, encouraging candidates to identify entrepreneurs in their local towns and communities then list and discuss characteristics of these entrepreneurs. Also set up simulation exercises as well as invite successful entrepreneurs to make presentations to the candidates.

Question 6

Question 6 tested candidates' knowledge of a business plan. The question consisted of three parts.

Part (a) of the question required the candidates to define the term 'business plan'.

In Part (b) they were required to state three reasons why Ruth should have a business plan and in Part (c) to discuss the key elements that Ruth should include in her business plan.

This question was attempted by approximately 23 per cent of the candidates.

The overall performance on this question was fair, but disappointing considering that this objective has been tested on a number of occasions, and this area is an essential part of the module. The majority of the candidates failed to give a clear definition of a business plan. However, most candidates provided acceptable responses to Part (b), giving clear reasons with examples. Part (c) was not well done, as the majority of the candidates failed to provide satisfactory responses. They did not appear to know the key elements of a business plan. The mean was 12 out of 25.

Although a business plan is not a static document, there are some basic elements that should form part of all business plans. Candidates need to be familiar with these.

PAPER 03/1

INTERNAL ASSESSMENT (IA)

The Internal Assessment projects presented for both units were generally satisfactory. Most of the topics chosen were appropriate for the CAPE level and relevant to the respective unit. The projects were generally written in a clear, logical manner, and adhered to the prescribed length. Candidates used a variety of graphic tools in their presentations.

The marks for the better projects ranged from 46 to 60. However, for the weaker submissions, candidates failed to demonstrate adequate knowledge of the objectives being assessed and were unable to show the relationship between findings and recommendations. Some of the weaker projects did not have a clearly stated topic and some of the teachers' assessment of these samples was too lenient. The means for both Unit 1 and Unit 2 was 68 per cent.

PAPER 03/2

ALTERNATIVE TO THE INTERNAL ASSESSMENT

For each Unit, Paper 03/2 comprised a case study from which candidates were required to answer three questions, one on each module. For Unit 1, the performance of candidates was consistent across modules. The mean was 45 per cent. There was an improvement in the performance in Unit 2 over 2008. The performance on Unit 2 was also consistent across the three modules.

There has been a general improvement in the performance of candidates on the Paper 03/2. However, in some cases the responses were written in a general way and not supported by information from the case. In order to gain marks for application of knowledge, candidates need to interact with and relate their responses to the information presented in the case.

CONCLUSION

Overall, the performance in 2009 could be deemed satisfactory. However, one issue that stands out is the inability of candidates to engage in higher-order cognitive skills such as analysis, synthesis and evaluation. Candidates need to be afforded multiple opportunities to practise responding to questions that require this level of skills.

Good sources of material for certain management concepts can be obtained online and schools should make effective use of these sources in preparing candidates for the examination. It is important for candidates to examine topics in different contexts so that a broader understanding of key concepts of the systems can be developed.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
ADVANCED PROFICIENCY EXAMINATION
MAY/JUNE 2010**

MANAGEMENT OF BUSINESS

GENERAL COMMENTS

The Caribbean Advanced Proficiency Examination (CAPE) in Management of Business seeks to provide students with the basic skills required to address managerial problems and challenges faced by businesses. These skills enable students to function not only in existing business organizations, but also as independent entrepreneurs. The subject is divided into two units, each examined by three papers.

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 03 – 03/1: Internal Assessment (done by school candidates)

03/2: Alternative to Internal Assessment (done by private candidates)

UNIT 1

Unit 1 focuses on Management Principles and Processes. It comprises three modules:

- Business and its Environment
- The Management of People
- Business Finance and Accounting

This year, 4,585 candidates wrote Unit 1. The mean mark was 49.03 per cent.

UNIT 2

Unit 2 focuses on Applications in Management. It comprises three modules:

- Production and Operations Management
- Fundamentals of Marketing
- Small Business Management

Unit 2 was written by 3,321 candidates. The mean mark was 56.29 per cent.

Overall, the performance in 2010 was satisfactory. However, there was notable decrease in the performance in the Finance and Accounting Module when compared to previous years. In order to develop and maintain a satisfactory performance in this module, students need practice in working questions requiring knowledge of accounting. These concepts are better understood by frequent practice.

The inability of candidates to engage in higher order cognitive thinking, for example, analysis, synthesis and evaluation continue to hamper their performances. Students need to practice writing more essay type questions to gain exposure to these types of questions. The writing of Essay questions will challenge students to organise their thoughts in a logical manner and express them in their own words which is required of students sitting examinations at this level.

Students and teachers need to make use of online materials on management concepts in preparing for the examination. In addition, students should be encouraged to use prescribed text books as well as those recommended for reading.

DETAILED COMMENTS

UNIT 1

Paper 01 – Multiple Choice

Paper 01 consisted of 45 multiple choice items, 15 on each module. The items spanned knowledge, comprehension and application. The mean mark for this paper was 60.91 per cent.

Paper 02 – Essay Questions

Paper 02 comprised six questions, two on each module. Candidates were required to answer one question from each module. The mean mark for this paper was 37.69 per cent.

Module 1: Business and the Environment

Question 1

Question 1 assessed candidates' knowledge of business organizations and the importance of setting business objectives. The question was divided into two parts. In Part (a), candidates were required to define the term 'mission statement' and outline three reasons why a mission statement is important to business. Part (b) required candidates to identify four criteria for measuring the size and growth of business and to evaluate the effectiveness of three of the criteria identified.

Approximately 67 per cent of the candidates attempted this question, 25 per cent of whom achieved 50 per cent or more of the available marks. The mean mark was 10.41 out of 25.

Overall, the performance of candidates on this question was unsatisfactory. The quality of performance seemed to be primarily due to a lack of understanding of Part (b) (ii) of the question which required the application and evaluation of information. While candidates were able to identify at least three criteria, they failed to evaluate the effectiveness of the criteria identified. Failure to answer the latter part of the question resulted in low overall marks since most of the marks were allocated to this section of the question.

Candidates need to practise answering questions aimed at higher order cognitive skills such as synthesis and evaluation.

Question 2

This question assessed candidates' knowledge of business objectives. It was divided into three parts. Part (a) required candidates to discuss three objectives of a business. Part (b) required them to define the term 'social responsibility', while Part (c) required that they outline three reasons why firms should practise social responsibility.

Approximately 33 per cent of the candidates attempted this question, 39 per cent of whom achieved at least 50 per cent of the available marks. The mean mark was 11.03 out of 25.

The majority of candidates were able to identify the main objectives of a business, thereby achieving the maximum mark for this section of the question. However, they failed to adequately discuss the objectives. While the majority of candidates were able to give an acceptable definition for social responsibility, they failed to provide appropriate examples or outline reasons why practising social responsibility is important in business.

The objectives tested in this module have not been tested over the last three years. This may be partly responsible for the poor performance on these questions. However, students need to be prepared on the entire syllabus as questions can be asked on any section at any time. Students should be discouraged from trying to 'spot' questions based on trends.

Module 2: Management of People

Question 3

Question 3 tested candidates' knowledge of leadership styles. It was divided into three parts. Part (a) required candidates to define the term 'participative leadership'; Part (b) required them to discuss two advantages and two disadvantages of the participative style of leadership, while Part (c) required that they outline three situations in which the participative style would be useful to a firm.

Approximately 59 per cent of candidates attempted the question, 34 per cent of whom achieved at least 50 per cent of the available marks. The mean mark was 10.35 out of 25.

Candidates who performed well on this question gave clear definitions for participative leadership. In addition to identifying the advantages and disadvantages, they also presented comprehensive discussions. Clear outlines of situations in which participative leadership is useful were also illustrated. These included some very creative ideas.

Question 4

Question 4 tested candidates' knowledge of human resource management in organizations. It was divided into two parts. Part (a) required candidates to define the term 'training' and state three reasons why training is important to an organization. Part (b) required that candidates evaluate two conditions under which internally based and externally based training programmes are best suited.

Approximately 23 of the candidates attempted this question. The performance was generally good, 35 per cent of the candidates achieved at least 50 per cent of the available marks. The mean mark was 10.84 out of 25.

Candidates performed very well on Part (a). For the most part, they were able to give clear definitions of training and outline reasons why training is important to an organization. Part (b) was not as well done as Part (a). Candidates generally had difficulty evaluating the situations requiring internal and external training.

Candidates who scored well included in their evaluation, situations such as technical facilities, duration of training, cost and frequency as factors which determine whether training is done internally or externally.

Module 3: Business Finance and Accounting

Question 5

This question tested candidates' knowledge of business finance. Part (a) required candidates to compute the cumulative cash flow for each of the given projects; Part (b) required them to compute payback period and Part (c) required candidates to indicate which project the company should accept. Part (d) required candidates to use the concept of internal rate of return to select the project that the company should accept based on the measure.

This question was attempted by approximately 59 per cent of the candidates, 20 per cent of whom received at least 50 per cent of the available marks. The mean mark was 8.02 out of 25.

Part (a) of the question was the most challenging for candidates. The majority of candidates seemed to have ignored the instruction to calculate cumulative cash flow; instead, they proceeded to calculate the payback which required a different operation. Part (c) was well known by most candidates.

Teachers need to emphasize the differences among key concepts such as cash flow, discount flow and cumulative cash flow. Students should be reminded of the need to read and follow instructions carefully.

Question 6

This question tested candidates' knowledge of accounting conventions and financial statements. It was divided into two parts. Part (a) required candidates to explain the term 'cash flow statement' and identify two other financial statements used by the firm whereas Part (b) required an analysis of the cash flow statement of the firm under given headings.

This question was attempted by approximately 24 per cent of the candidates. Four per cent of them scored at least 50 per cent of the available marks. The mean mark was 5.70 out of 25.

Part (a) of the question was very well done. Most candidates achieved the maximum available mark. Part (b) presented the most challenge for candidates; it required them to engage in higher order thinking. Generally candidates appeared to lack knowledge of the particular content and resorted to a common sense approach to answering the question.

Teachers need to engage students in classroom discussion on cash flow statements, focusing on the origin of line items and their implications. The point that cash flow statements do not necessarily indicate profitability of a firm should be emphasized. Students also need to be better prepared in the accounting aspect of the module.

Paper 03/1 – Internal Assessment (IA)

The Internal Assessment projects presented for Unit 1 were generally satisfactory. The majority of topics chosen were appropriate for the CAPE level and relevant to the unit. The projects were generally written in a clear, logical manner and adhered to the prescribed length. Many of the students' marks ranged from 46 to 60. However, the weaker projects did not demonstrate adequate knowledge of the project requirements and did not establish a relationship between findings and

recommendations. Some of them did not have a clearly stated topic and some of the teachers' assessments of these samples were too lenient. The mean mark was 38.92 out of 60.

Paper 03/2 – Alternative to Internal Assessment

Paper 03/2 comprised a case study from which candidates were required to answer three questions, one on each module. The quality of responses presented by candidates suggests that they were not adequately prepared for the examination. The means were 7.75, 8.53 and 8.14 out of 20 for Modules 1, 2 and 3 respectively. There was a general decline in the performance on this paper over the past two years. The mean for the paper was 24.42 out of 60 compared with 27.23 in 2009 and 32.61 in 2008.

UNIT 2

Paper 01 – Multiple Choice

Paper 01 consisted of 45 multiple choice items, fifteen on each module. The items span knowledge, comprehension and application. The mean for this paper was 62.74 per cent.

Paper 02 – Essay Questions

Module 1: Production and Operations Management

Question 1

Question 1 tested candidates' knowledge of production in business. It was divided into two parts. Part (a) required candidates to define the term 'just-in-time (JIT) operations' and discuss three elements of approach to quality used by JIT Systems. Part (b) required candidates to identify three requirements for effective inventory management and state four reasons why firms hold inventories.

The question was attempted by approximately 23 per cent of the candidates, 30 per cent of whom scored at least 50 per cent of the available marks. The mean mark was 9.74 out of 25.

Part (a) presented some challenge for candidates. The majority to them seemed to have misinterpreted the term 'elements of approach to quality' thereby confusing it with dimensions of quality. This resulted in durability and serviceability being presented instead of the requirements for standardization, high quality raw materials, vendor certification and workers' responsibility for quality products.

Part (b) (i) was well done by the majority of candidates. Most of them correctly identified the three requirements for effective inventory management.

It is recommended that teachers provide guidance in the interpretation of questions and the identification of key terms.

Question 2

Question 2 tested candidates' knowledge of productivity. It was attempted by approximately 58 per cent of the candidates. Overall performance on this question was fair.

Approximately 50 per cent of the candidates who did this question scored more than 50 per cent of the available marks. Nine candidates received perfect scores while 36 scored 24 of the 25 marks. The mean mark was 11.70 out of 25.

Part (a) of the question required candidates to compute labour productivity using output/worker/hour as the targeted measure and to explain the significance of the results for the company. Part (b) required candidates to suggest three steps for improving the productivity of the company.

Part (a) presented the most challenge for candidates. They generally had difficulty computing labour productivity. They were also challenged in interpreting the results. Part (b) was widely known to the majority of candidates. They were generally able to provide detailed discussions on steps that can be taken to improve productivity.

It is recommended that candidates carefully read the question and note what is required before attempting the question. In addition, candidates should practice answering past examination questions.

Module 2: Fundamentals of MarketingQuestion 3

Question 3 tested candidates' knowledge of marketing research and was attempted by approximately 80 per cent of the candidates. Overall performance on this question was satisfactory.

Part (a) required candidates to differentiate between 'primary research' and 'secondary research', giving one advantage of each. Part (b) required candidates to list four ways in which marketing research can be beneficial to the company. Sixty-seven per cent of the candidates scored more than 12 of the 25 marks for this question while 59 candidates achieved perfect scores. The mean mark was 14.90 out of 25.

In Part (a), the majority of candidates were able to define the two terms and give suitable examples. Part (b) presented some challenge for candidates. Many of them were able to identify the benefits of market research but failed to adequately develop their responses. There was a lot of repetition in the development of their discussions.

It is recommended that candidates practise answering questions aimed at developing higher order cognitive skills such as analysis, synthesis and evaluation.

Question 4

Question 4 tested candidates' knowledge of market segmentation. It was attempted by approximately 14 per cent of the candidates. Performance on this question was less than satisfactory. The mean mark was 9.34 out of 25. The question was divided into three parts. Part (a) required candidates to

differentiate between ‘market segmentation’ and ‘niche marketing’; Part (b) required them to outline the benefits of niche marketing and Part (c) required that they discuss the benefits and drawbacks of market segmentation.

Twenty five per cent of the candidates scored at least 13 of the 25 available marks. The overall performance on this question was disappointing especially given the fact that this concept is tested regularly.

Defining niche marketing and outlining its benefits presented a major challenge for many candidates. Market segmentation issues were, however, adequately addressed.

Candidates’ responses suggested insufficient knowledge of the term ‘niche marketing’. In Part (c), candidates correctly identified the issues but failed to develop the arguments necessary to score higher grades in this area.

It is recommended that candidates practise developing their responses in a logical manner so as not to omit important details and that they align their responses with the marks allocated.

Module 3: Small Business Management

Question 5

Question 5 tested candidates’ knowledge of entrepreneurs. It was attempted by approximately 76 per cent of the candidates, 69 per cent of whom scored at least 50 per cent of the available marks. Overall performance on this question was good. The mean mark was 14.70 out of 25.

Part (a) required candidates to outline three difficulties faced by small businesses in their country; Part (b) required them to discuss four main contributions that small businesses make to the development of a country’s economy. The majority of candidates provided acceptable responses. They were able to outline difficulties faced by small businesses in addition to identifying the contribution of small businesses to the economy. However, some did not adequately develop the points identified.

Question 6

Question 6 tested candidates’ knowledge of small business. The question was attempted by approximately 17 per cent of the candidates; 50 per cent of whom scored at least 50 per cent of the available marks. The mean mark was 12.56 out of 25.

Overall performance on this question was fair but somewhat disappointing given that the objectives tested have been tested in the recent past as it is an integral component of Module 3.

Candidates were presented with a scenario and were required to discuss five factors that would impact the success of a given business.

The majority of candidates provided acceptable responses, identifying factors that impacted the success of the business. Candidates who scored low marks on this question generally did not adequately develop their responses. Candidates who performed well on this question identified factors such as market demand, type of business organization, buy or start a new business, pricing

strategy and location, among others. In addition to identifying the factors, they also provided a comprehensive discussion of each factor outlining reasons and in some instances, providing examples.

It is recommended that candidates align their answers with the marks allocated to determine the level of discussion required. Teachers should consider business simulations and also encourage students to set up small businesses to gain practical experience.

Paper 03/1 – Internal Assessment

The projects presented for Unit 2 were generally good. Overall, the topics chosen were relevant to the modules in Unit 2. The marks ranged from 46 to 60. Most projects were written in a clear, logical manner and candidates used a variety of graphic tools in their presentations.

Paper 03/2 – Alternative to Internal Assessment

Performance on Paper 03/2 was good although there was an overall decline. The mean mark was 35.27 out of 60. Performance was satisfactory across modules. The means were 10.73, 12.77 and 11.77 for Modules 1, 2, and 3 respectively.

In order to improve their performance on this paper, candidates need to interpret the case in the framework of business concepts and theories, applying the principles to real-life experiences.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
ADVANCED PROFICIENCY EXAMINATION
MAY/JUNE 2011**

MANAGEMENT OF BUSINESS

GENERAL COMMENTS

The Caribbean Advanced Proficiency Examination (CAPE) in Management of Business seeks to provide candidates with the basic skills required to address managerial problems and challenges faced by businesses. These skills enable candidates to function not only in existing business organizations, but also as independent entrepreneurs. The subject is divided into two units, each examined by three papers.

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 03 – 031: School-Based Assessment (done by school candidates)

–032: Alternative to School-Based Assessment (done by private candidates)

Unit 1 focuses on Management Principles and Processes. It comprises three modules:

- Business and its Environment
- The Management of People
- Business Finance and Accounting

This year, 5,596 candidates wrote Unit 1. The mean mark was 163.62 out of 300 (54.54 per cent). The standard deviation was 35.97. Eighty-eight per cent of the candidates achieved acceptable grades (Grades I-V).

Unit 2 focuses on Applications in Management. It comprises three modules:

- Production and Operations Management
- Fundamentals of Marketing
- Small Business Management

Unit 2 was written by 3,727 candidates. The mean mark was 189.88 out of 300 (63.29 per cent). The standard deviation was 35.90. There was notable improvement in the performance of candidates in both units over 2010. The improved performance was evident across modules. Overall the performance in 2011 Management of Business examination was good. There was marked improvement in the performance on Unit 1, particularly Module 3 – Business Finance and Accounting. Ninety-three per cent of the candidates achieved acceptable grades (Grades I-V).

DETAILED COMMENTS

UNIT 1

Paper 01 – Multiple Choice

Paper 01 consisted of 45 multiple choice items, 15 on each module. The items spanned knowledge, comprehension and application. The mean mark for this paper was 56.14 out of 90 (62.38 per cent). The standard deviation was 12.03.

Paper 02 – Essay Questions

Paper 02 comprised six questions, two on each module. Candidates were required to answer one question from each module. The mean mark for this paper was 367.996 out of 150. (45.31 per cent). The standard deviation was 21.95.

Module 1: Business and its Environment

Question 1

Approximately 36 per cent of the total candidates attempted this question. Approximately 25 per cent of the candidates scored at least 12 of the 25 marks. No candidate achieved the maximum available mark for this question. The highest mark was 22 out of 25. The question tested candidates' knowledge of the decision-making process. Candidates were presented with a scenario where a business person was faced with a situation requiring him to make a decision. The candidates were also given four steps in the decision-making process. In Part (a), candidates were required to discuss how the steps presented would help the business person to choose one of two given options. In Part (b), candidates were required to explain how given environmental factors may impact the business.

The overall performance on this question was affected by the less than satisfactory performance on Part (a). Some candidates spent a lot of time explaining the meaning of franchise and sole trader instead of focusing on the steps in the decision-making process. However, the majority of them performed well in Part (b). They were able to clearly explain how the environmental factors impact the business both negatively and positively. The mean mark was 9.97 out of 25. The standard deviation was 3.64.

Question 2

This question was attempted by approximately 64 per cent of the candidates. Approximately 45 per cent of them scored at least 12 of the 25 available marks. Six candidates achieved the maximum available mark.

The question was divided into three parts. Part (a) required candidates to define the term *business objective*, Part (b) required candidates to discuss three reasons why it is important for an entrepreneur to establish objectives for her business, and in Part (c) candidates were required to identify two objectives that the entrepreneur should aim to achieve, giving reasons.

The overall performance of candidates on this question was satisfactory. The majority of candidates were able to define the term *business objective* as well as to identify two objectives that the entrepreneur should aim to achieve. However Part (c) was not well done, candidates failed to discuss the importance of achieving the objectives in detail as required. The mean mark was 12.20. The standard deviation was 4.71.

Module 2: Management of People

Question 3

Approximately 15 per cent of the candidates attempted this question. Approximately 42 per cent of them scored at least 12 of the 25 available marks. One candidate achieved the maximum available mark.

The question tested candidates' knowledge of the concept of motivation with specific reference to Herzberg's *Two Factor Theory*. The question was divided into three parts. Part (a) required candidates to outline the two factors identified by Herzberg, and to give examples of each. Part (b) required them to explain how the two factors lead to job satisfaction or dissatisfaction and Part (c) asked for a practical application of the theory.

Candidates performed credibly on Part (a). They were able to identify both factors. Many of them gained full marks for identification. However, some candidates were unable to identify the examples. Parts (b) and (c) were challenging for many candidates. Some candidates failed to explain how the factors identified lead to job satisfaction or dissatisfaction in an organization. In addition, they were unable to adequately outline the steps that can be taken to increase job satisfaction. Some candidates identified methods such as job enrichment and job rotation but were unable to give a clear explanation of these methods. The mean mark was 11.20 out of 25. The standard deviation was 4.91.

Question 4

This question was attempted by approximately 85 per cent of the candidates. Approximately 43 per cent to them scored at least 12 of the 25 marks. Two candidates achieved the maximum available mark.

The question was divided into three parts. Part (a) required candidates to define the term *communication*. Part (b) required them to discuss three possible barriers to communication and Part (c) required candidates to outline two features of formal and informal communication networks.

Candidates performed very well on Part (a); for the most part, they were able to give a clear definition of communication and to identify barriers to communication. However, in Part (b), candidates failed to elaborate on ways in which each barrier may be overcome, hence losing valuable marks for that part of the discussion.

Part (c) was not well done. The majority of Candidates had difficulty adequately outlining features of formal and informal communication networks. Candidates who performed well were able to clearly link the barriers identified to ways of overcoming them. The mean mark was 11.72 out of 25. The standard deviation was 4.25.

Module 3: Business Finance and Accounting

Question 5

This question was attempted by approximately 30 per cent of the candidates. Approximately 42 per cent of them scored at least 12 of the 25 marks. Three candidates achieved the maximum available mark.

The question tested candidates' knowledge of accounting ratios. The overall performance on this question was satisfactory. The question was divided into two parts. Part (a) required candidates to compute gross profit margin, net profit margin and return on capital employed (ROCE). Part (b) required them to explain limitations of using ratio analysis.

The majority of candidates were able to calculate the ratios correctly; however, the weakness was mainly manifested in the incorrect calculation of the ROCE. Part (b) presented some challenge to most candidates. They generally failed to adequately state how limitations of ratio analysis could be overcome. The mean mark was 10.85. The standard deviation was 5.65.

Question 6

This question was attempted by approximately 70 per cent of the candidates. Forty-two per cent of them scored at least 12 of the 25 marks. One candidate achieved the maximum available mark.

The question tested candidates' knowledge of final accounts. It was divided into three parts. Part (a) required candidates to state one way in which the final accounts of a business serve as a major source of information for investors, suppliers, government and business managers. Part (b) required them to define the term *cash flow statements* and to outline two advantages of a cash flow statement to a business. In Part (c), candidates were required to construct a Trading and Profit & Loss Account.

The majority of candidates performed well on Part (a). They were able to clearly state the way in which relevant stakeholders use the final accounts as a major source of information. Part (b) presented some challenge for many candidates. Candidates failed to adequately define *cash flow statement* and to outline advantages of the cash flow statement. However, candidates performed well in Part (c). Approximately 85 per cent of the candidates were able to construct the income statement with some level of competence. The mean mark was 11.12 out of 25. The standard deviation was 5.05.

Paper 031 – School-Based Assessment (SBA)

Projects were submitted by 4,101 students. Overall the projects presented for the SBA were satisfactory. Most of the topics chosen were appropriate for the CAPE level and relevant to the unit. Most projects were written in a clear, logical manner and adhered to the prescribed length. Eighteen students achieved the maximum available mark. Eighty-five per cent of the students scored at least 50 per cent of the available marks. However, for the weaker submissions, the students failed to demonstrate adequate knowledge of the objectives being assessed and were unable to show relationships between findings and recommendations. Some of these weaker projects did not have a clearly stated topic and some of the teacher assessments of these samples were too lenient. The mean was 38.51 out of 60. The standard deviation was 9.76. The module means and standard deviations were 12.41 (3.25); 12.89 (3.35) and 13.20 (3.39) for Modules 1, 2 and 3 respectively.

UNIT 2

Module 1: Production and Operations Management

Question 1

This question was attempted by approximately 60 per cent of the candidates. Sixty-three per cent of them scored at least 12 out of 25. Seventeen candidates achieved the maximum available mark.

The question tested candidates' knowledge of quality control measures for improving business operations. The question was divided into two parts. Part (a) required candidates to define the term *Total Quality Management* (TQM) and discuss the benefits and one drawback of using the TQM approach. Part (b) required them to state two features of *Just-in-time operations* and explain how it is related to TQM. Candidates were also required to state two benefits of implementing an efficient inventory control system

The majority of candidates were able to provide a good and clear definition of TQM. Candidates also provided reasonable discussions of potential benefits and drawbacks of implementing the TQM Approach.

About 40 per cent of the candidates were able to state two likely benefits of implementing an efficient inventory control system.

Part (b) was not well done by most candidates. Candidates were generally unable to effectively differentiate between a 'feature' and a 'benefit' of *Just-in-time operations*. The mean mark was 13.97 out of 25. The standard deviation was 5.07.

Question 2

This question was attempted by approximately 40 per cent of the candidates. Seventy-five per cent of them scored at least 12 of the 25 available marks. Five candidates achieved the maximum mark.

The question tested candidates' knowledge of productivity. It was divided into three parts. Part (a) required candidates to calculate the labour productivity of a garment factory. Part (b) required them to identify five factors that may impact negatively on the productivity of the garment factory. Part (c) required candidates to discuss four methods of improving productivity at the factory.

Part (a) was poorly done. In Part (b), the majority of candidates were able to identify factors that impact productivity, but in many cases, they were not the factors that impacted the factory in a negative way. Part (c) was generally well done. The mean was 15.26 out of 25. The standard deviation was 4.73.

Module 2: Fundamentals of Marketing

Question 3

This question was attempted by approximately 89 per cent of the candidates. Sixty-four per cent of them scored at least 12 of the 25 marks. Three candidates achieved the maximum available mark.

The question tested candidates' knowledge of market research. It was divided into three parts. Part (a) required candidates to define the term *market research* in addition to discussing three reasons why it is important for a company to conduct market research. Part (b) required candidates to distinguish between primary and secondary data and to state the most appropriate source of primary data for the project. Part (c) required candidates to state two advantages and two disadvantages of using the personal interview and telephone interview methods for conducting market research.

In Part (a), the majority of candidates were able to define the term market research. Many of them were also able to identify reasons for market research and develop an in depth discussion on each reason identified, thereby gaining majority of the marks allocated for this part of the question. The responses to Part (c) were very weak. Many candidates failed to give advantages and disadvantages of the methods of conducting market research. The mean was 13.97 out of 25. The standard deviation was 3.96.

Question 4

This question was attempted by approximately 11 per cent of the candidates. Seventy-five per cent of them scored at least 12 of the 25 marks. Five candidates achieved the maximum available mark.

The question tested candidates' knowledge of market segmentation. It was divided into three parts. Part (a) required candidates to state three features of the focus group methodology; Part (b) required them to discuss three advantages that a business could realize from segmenting the market; and Part (c) required candidates to identify three primary bases on which the business could segment its consumer market and to describe any two of the bases of market segmentation identified.

Parts (a) and (b) presented some challenge to the majority of candidates. They failed to clearly state the features of focus group methodology and to give detailed discussions on market segmentation taking into consideration the scenario given. However, Part (c) was well done. Candidates were able to identify and describe primary bases of market segmentation. They also gave suitable examples and hence scored very well on this section of the question. The mean was 11.72 out of 25. The standard deviation was 4.25.

Module 3: Small Business Management

Question 5

This question was attempted by approximately 90 per cent of the candidates. Ninety per cent of them scored at least 12 of the 25 marks. Forty-one candidates achieved the maximum available mark.

The question tested candidates' knowledge of the characteristics of effective entrepreneurs, challenges and skills required for the management of small businesses.

Candidates were presented with a scenario on which five subparts questions were based. Part (a) required candidates to outline three characteristics which the named entrepreneur should possess. Part (b) required them to identify three challenges which the entrepreneur is likely to face. Part (c) required candidates to outline three reasons why the entrepreneur may need to conduct market research. Part (d) required them to identify two factors that may influence the price of his product and Part (e) required them to discuss two factors that may influence the location of his business. The majority of candidates performed well on all parts of the question. With regard to Part (e), most candidates identified the factors that influence location but failed to provide adequate discussion on the concept. The mean was 17.68 out of 25 marks. The standard deviation was 3.82.

Question 6

This question was attempted by approximately 10 per cent of the candidates. Fifty-eight per cent of them scored at least 12 out of the 25. One candidate achieved the maximum available mark.

The question tested candidates' knowledge of business plans. Candidates were presented with a scenario on which five subparts of the question were based. Part (a) required candidates to explain what is meant by the term *business plan*. Part (b) required them to state two purposes of a business plan. Part (c) required candidates to outline five important steps in the preparation of a business plan. Part (d) required them to outline one legal requirement in setting up a pharmaceutical business and Part (e) required candidates to suggest three ways in which information technology could assist the pharmacist in operating her business.

Part (a) was generally well done. The majority of candidates gave acceptable explanations for the term *business plan*. The majority of candidates also stated two acceptable purposes of a business plan. However, some of the candidates experienced some challenges with Part (c). They were unable to outline five important steps in the preparation of a business plan. Some of them were able to identify up to three steps. Overall, performance on Parts (d) and (e) was satisfactory. Candidates were able to clearly outline one legal requirement necessary for the setting up of a pharmacy and to suggest three ways in which information technology could assist in efficiently operating a pharmacy. The mean was 13.97 out of 25. The standard deviation was 5.23.

Paper 031 – Internal Assessment

Six hundred and sixty students submitted projects. The projects presented for Unit 2 were generally good. Overall, the topics chosen were very relevant to the unit. Most projects were written in a clear, logical manner and students used a variety of graphic tools in their presentations. The mean was 39.58 out of 60 and the standard deviation was 9.46. Three students achieved the maximum available mark. Eighty-seven per cent of candidates scored at least 50 per cent of the marks. The module means and standard deviations were 12.88 (3.20); 13.17 (3.16) and 13.50 (3.17) for Modules 1, 2 and 3 respectively.

RECOMMENDATIONS

In order to maintain the improvements in performance on the examinations, candidates need to continue to prepare adequately for the examination by familiarizing themselves with the requirements of the exam.

Candidates should read the questions carefully paying attention to the instructions. They should also practice answering past examination questions aimed at higher order cognitive skills such as application and evaluation, so that they will be able to apply the theoretical principles to practical situations, for instance in the scenario given in Question 1.

Candidates also need to align their answers with the key verbs as well as the marks allocated to determine where more comprehensive discussion is required.

Teachers should consider business simulations as part of teaching activities, they should also encourage students to actually set up small businesses to gain practical experience.

Although there was also significant improvement in the quality of the essay-type responses, there is still the problem of the inability of some candidates to address higher order cognitive skill, such as analysis, synthesis and evaluation.

It was also evident that a number of candidates were making effective use of online material as well as other texts as recommended and this practice should be encouraged by teachers.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®
MAY/JUNE 2012**

MANAGEMENT OF BUSINESS

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GENERAL COMMENTS

The Caribbean Advanced Proficiency Examination (CAPE) in Management of Business seeks to provide candidates with the basic skills required to address managerial problems and challenges faced by businesses. These skills enable candidates to function not only in existing business organizations, but also as independent entrepreneurs.

The subject is divided into two units, each examined by three papers.

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 03 – 031: School-Based Assessment (done by school candidates)

– 032: Alternative to School-Based Assessment (done by private candidates)

Unit 1 focuses on Management Principles and Processes. It comprises three modules:

- Business and its Environment
- The Management of People
- Business Finance and Accounting

This year, 4 651 candidates wrote Unit 1. The mean mark was 170.29 out of 300 (56.76 per cent). The standard deviation was 43.5. Eighty-seven per cent of the candidates achieved acceptable grades (Grades I–V).

Unit 2 focuses on Applications in Management. It comprises three modules:

- Production and Operations Management
- Fundamentals of Marketing
- Small Business Management

Unit 2 was written by 3 529 candidates. The mean mark was 187.05 out of 310 (62.35 per cent). The standard deviation was 36.74. Ninety-seven per cent of the candidates achieved acceptable grades (Grades I–V).

DETAILED COMMENTS

UNIT 1

Paper 01 – Multiple Choice

Paper 01 consisted of 45 multiple choice items, 15 on each module. The items spanned knowledge, comprehension and application. The mean mark for this paper was 60.39 out of 90 (67.10 per cent). The standard deviation was 13.42.

Paper 02 – Essay Questions

Paper 02 comprised six questions, two on each module. Candidates were required to answer one question from each module. The mean mark for this paper was 69.82 out of 150 (46.55 per cent). The standard deviation was 28.32.

Module 1: Business and the Environment

Question 1

Approximately 56 per cent of candidates attempted this question. The question tested candidates' knowledge of multinationals. Part (a) required candidates to define the term *multinational corporation* and outline reasons why firms become multinationals. Part (b) required candidates to discuss potential benefits and drawbacks of multinationals to the host country. Overall, the performance of candidates was fair. The mean was 11.04 out of 25. The standard deviation was 4.56. Approximately 30 per cent of candidates scored at least 13 marks out of 25. Two candidates achieved the maximum available mark.

The majority of candidates were able to clearly define the term multinational corporation, hence, they were awarded the maximum mark for the definition. However, candidates did not perform as well on the other part of the question because they failed to clearly outline the reasons firms become multinationals. They were also unable to provide detailed discussions of the benefits and drawbacks of multinationals.

There is the need for candidates to practise answering questions aimed at higher order cognitive skills such as discussion and evaluation.

Question 2

Approximately 44 per cent of candidates attempted this question. The question tested candidates' knowledge of partnerships. It was divided into three parts. Part (a) (i) required candidates to define the term *partnership*. Part (a) (ii) required them to outline three advantages that a person would enjoy by operating as a sole trader rather than a partnership. Part (b) required candidates to discuss two advantages and two disadvantages that the sole trader may experience if she decides to convert her business to a limited liability company rather than a partnership. Performance on this question was less than satisfactory. The mean mark was 9.06 out of 25. The standard deviation was 4.63. Approximately 18

per cent of the candidates scored at least 13 of the 25 available marks. Two candidates achieved the maximum available mark.

The majority of candidates was able to define the term *partnership* as well as outline the advantages of operating a sole trader business. However, the majority of candidates failed to discuss in detail the advantages and disadvantages of a limited liability company as required by Part (b) of the question.

It is recommended that candidates give a more detailed treatment to questions requiring discussion rather than just identifying advantages and disadvantages, as was the case with this question.

Module 2: Management of People

Question 3

Approximately 15 per cent of the candidates attempted this question. The question tested candidates' knowledge of human resource management in organizations and was divided into three parts. Part (a) required candidates to distinguish between *training* and *development*. Part (b) required them to outline two conditions under which internally and externally based training programmes are best suited. Part (c) required candidates to discuss three reasons why training is important to organizations.

Part (a) was not well done. For this part of the question, most candidates were able to define the concepts but had difficulty making a clear distinction between the two. Part (b) was not well done either. The majority of candidates had difficulty outlining the conditions under which externally and internally-based training are best suited. Some of them indicated that internally-based training was that which takes place inside the building while externally-based training takes place outside the building. With regard to Part (c), the majority of candidates were able to identify reasons why training is important to organizations; however, they failed to elaborate on each point as required by the question. The mean mark was 9.82 out of 25. The standard deviation was 4.42. Approximately 20 per cent of the candidates scored at least 13 of the 25 available marks. Two candidates achieved the maximum available mark.

Question 4

Approximately 85 per cent of the candidates attempted this question which tested their knowledge of the concepts of leadership styles and conflict in organizations. Part (a) required candidates to define the terms *leadership* and *conflict*. Part (b) required them to distinguish between directive leadership style and participative leadership style. Part (c) required candidates to outline two advantages and two disadvantages of the participative style of leadership and Part (d) required them to discuss two strategies for managing conflict in an organization.

Overall, performance on this question was satisfactory. Candidates who performed very well gave a clear distinction between participative and directive leadership in addition to clearly outlining the advantages and disadvantages of participative leadership. With regard to Part (c), while the majority of candidates were able to identify strategies to manage conflict, they did not adequately discuss the strategies.

The mean mark was 14.82 out of 25. The standard deviation was 4.86. Approximately 60 per cent of the candidates scored at least 13 of the 25 available marks for this question. Ten candidates scored the maximum available mark.

Module 3: Accounting and Finance

Question 5

This question was attempted by approximately 66 per cent of the candidates. It tested candidates' knowledge of the conventions of accounting. Part (a) required candidates to compute the payback period. Part (b) required them to compute NPV and identify the project that the company should invest in giving one reason for the choice. Part (c) required candidates to state two advantages and two disadvantages of the payback and NPV methods. Part (d) required candidates to identify one investment appraisal method other than the NPV and payback methods.

Overall, performance on this question was satisfactory. The majority of candidates was able to correctly calculate both payback methods. In addition, they were able to apply the discount factor to the cash inflows and arrive at the correct present value as well as calculate the correct cumulative cash flow.

However, identifying clear advantages and disadvantages of the payback and NPV methods, as well as identifying an alternative investment appraisal method presented some challenge to the majority.

The mean mark was 14.30 out of 25. The standard deviation was 6.95. Approximately 57 per cent of the candidates scored at least 13 of the 25 available marks. One hundred and five candidates achieved the maximum available mark.

Question 6

This question was attempted by approximately 34 per cent of the candidates. The objectives tested candidates' knowledge of financial statements. This question was divided into three parts. Part (a) required candidates to outline two advantages and one limitation of ratio analysis. Part (b) required them to distinguish between a cash flow statement and a fund flow statement and Part (c) required them to identify three methods of improving a firm's cash flow position, and outline one advantage and one disadvantage of each method identified.

Performance on this question was poor. The mean mark was 3.98. The standard deviation was 4.22. No candidate achieved the maximum mark. The highest mark was 23 out of 25. This was achieved by two candidates. Approximately 14 per cent of the candidates scored at least 13 of the 25 marks available.

The majority of candidates performed well on Part (a). They were able to clearly outline the advantages and limitation of ratio analysis. Part (b) and Part (c) presented some challenges for many candidates. In Part (b), candidates failed to adequately define the funds flow statement and distinguish between a funds flow statement and a cash flow statement. In Part (c), candidates encountered some challenges in (i) identifying methods of improving cash flow as well as (ii) outlining advantages and disadvantages of the methods identified.

Paper 031 – School–Based Assessment (SBA)

Overall, the projects presented for the SBA for both units were satisfactory. Most of the topics chosen were appropriate for the CAPE level and relevant to the unit. The projects were generally written in a clear logical manner, and adhered to prescribed length. The mean mark for Unit 1 was 39.84 out of 60. The standard deviation was 9.63. Approximately 87 per cent of the students scored at least 50 per cent of the maximum mark.

The students who received high scores produced superior reports showing a high level of congruence among topics, objectives and data. These were supported by good analysis and a clear relationship between findings and recommendations. However, for the weak submissions, students failed to demonstrate adequate knowledge of the objectives being assessed and were unable to show the relationship between findings and recommendations. Some of these weak projects did not have clearly stated topics. Teachers' assessment of some of these samples was too lenient.

For the weak submissions, it is recommended that students choose objectives that relate to their topics, and these objectives should guide the entire project. Topic should be clearly stated. In the discussion of the findings, reference should be made to relevant management theories and principles, with appropriate referencing and citation from various sources. All recommendations should be aligned with problems and challenges identified in the area being researched.

Further Comments

Overall, performance in 2012 could be deemed satisfactory. There was marked improvement on the performance in the Unit 1, Module 3 – Business Finance and Accounting, over previous years. Overall, there was an increase in the number of students achieving acceptable grades in Unit 1. Performance on Unit 2 was consistent with that of 2011.

There was notable improvement in students' ability to address higher order cognitive skills such as analysis, synthesis and evaluation. However, the majority of students still need to work on developing these skills; one such way is to practise writing essay-type questions. In addition, students need to be more engaged in research both online and with the use of other management related articles including journals. The use of the prescribed management text and other recommended readings outlined in the syllabus should be encouraged by teachers. This approach will assist students in citing examples and elaborating on certain points when this is required by questions.

UNIT 2

Paper 01 – Multiple Choice

Paper 01 consisted of 45 multiple choice items, 15 on each module. The items spanned knowledge, comprehension and application. The mean mark was 62.70 out of 90 (69.66 per cent). The standard deviation was 12.41.

Paper 02 – Essay Questions

Paper 02 comprised six questions, two on each module. Candidates were required to answer one question from each module. The mean mark for this paper was 83.46 out of 150 (55.64 per cent). The standard deviation was 23.13.

Module 1: Production and Operations Management

Question 1

This question was attempted by approximately 31 per cent of the candidates. It tested candidates' knowledge of production; in particular, critical path analysis. Part (a) required candidates to draw a network diagram depicting major project activities and their sequential relationships. Part (b) required them to state length, in weeks, of each path; the expected length of project and the amount of slack time. Part (c) required candidates to outline two advantages and two limitations of using project evaluation and review technique (PERT) and critical path method (CPM) for planning and coordinating large-scale projects.

Overall performance on this question was satisfactory. The mean mark was 14.31. The standard deviation was 5.07. Approximately 54 per cent of the candidates scored at least 13 of the 25 available marks. Four candidates achieved the maximum available mark for this question.

Part (a) was well done by the majority of candidates. They were able to draw the diagram correctly with the nodes correctly numbered and clearly state earliest start time and latest finish times. Most of the candidates also demonstrated some competence in outlining the different activities and the path required for these. Additionally, they were able to correctly identify and calculate the critical path in the diagram. With regard to Part (b), even though the majority of candidates were able to calculate the length of the paths, they exhibited some weakness in calculating the slack time for each path. Part (c) proved to be challenging for some candidates. They were unable to clearly outline the advantages and limitations of the two techniques outlined in the question.

Question 2

This question was attempted by approximately 69 per cent of the candidates. It tested candidates' knowledge of decision making in production. Part (a) required candidates to define the concept of customer as it relates to total quality management (TQM) in addition to stating two ways in which TQM

is important in business. Part (b) required candidates to describe three TQM techniques and Part (c) required them to discuss three factors influencing the location of a manufacturing company.

Overall, performance on this question was fair. The mean mark was 13.15. The standard deviation was 4.97. Approximately 47 per cent of the candidates scored at least 13 of the 25 available marks. Four candidates achieved the maximum mark.

In Part (a), the majority of candidates was able to state the importance of TQM to a business, however, they exhibited some weakness in defining *customer* from a TQM perspective. For this part of the question, candidates were expected to focus on the internal customer but most of their definitions focused on the customer from the perspective of the one purchasing the product.

The majority of candidates exhibited some difficulty in describing three TQM techniques as required by Part (b). For the most part, they failed to describe strategies such as *benchmarking*, *outsourcing*, *continuous improvement* and *quality circles* as expected. Candidates performed satisfactorily on Part (c), clearly identifying and discussing factors that are likely to influence the location of the company.

Module 2: Fundamentals of Marketing

Question 3

This question was attempted by approximately 84 per cent of candidates. It tested candidates' knowledge of promotional tools.

Part (a) required candidates to differentiate between *informative advertising* and *persuasive advertising* and describe one situation in which each would be more effective. Part (b) required them to discuss two factors that may influence media choice. Part (c) required candidates to identify three promotional tools other than advertising and outline one relative advantage of each tool.

Overall performance on this question was fair. The mean was 12.62. The standard deviation was 4.91. Approximately 45 per cent of candidates scored at least 13 of the 25 available marks. The highest mark on this question was 24 out of 25. This was achieved by six candidates.

In Part (a), the majority of candidates were able to define *persuasive* and *informative advertising*, however, they experienced difficulty in describing one situation in which each type of advertising would be effective. Part (b) presented some challenge to the candidates. While they were able to identify two factors influencing media choice, they did not elaborate on each as required by the question. With regard to Part (c), while candidates were able to identify three promotional tools, the majority of them was unable to clearly outline one advantage of each promotional tool.

Question 4

This question was attempted by approximately 16 per cent of the candidates. It tested candidates' knowledge of *distribution*. The question was divided into three parts. Part (a) required candidates to define the concept *distribution*. Part (b) required them to identify three factors that may influence the

choice of distribution channel and explain the importance of each distribution channel. Part (c) required candidates to outline three advantages and two disadvantages, to a manufacturer, of using intermediary channels.

Overall, performance on this question was not fair. The mean was 11.24 out of 25. The standard deviation was 5.07. Two candidates achieved the maximum mark. Approximately 31 per cent of the candidates scored at least 13 of the 25 available marks.

In Part (a), the majority of candidates was able to explain the concept of *distribution*. In Part (b), most candidates were able to identify factors that might influence the choice of a media but failed to elaborate on each factor in determining such choice. In Part (c), the majority of candidates was unable to clearly outline three advantages and two disadvantages of using intermediary channels.

Module 3: Small Business Management

Question 5

This question was attempted by approximately 36 per cent of the candidates. It tested candidates' knowledge of entrepreneurship. Part (a) required candidates to discuss four ways in which a small business can contribute to the development of the country in which it is located. Part (b) required them to describe three possible difficulties faced by small businesses.

The majority of candidates provided acceptable responses. They were able to outline difficulties faced by small businesses in addition to identifying the contribution of small businesses to the economy. However, some candidates were challenged in developing some of the points identified.

Overall performance on this question was fairly good. The mean was 16.60. The standard deviation was 4.43. Approximately 77 per cent of the candidates scored at least 13 of the 25 available marks. Sixteen candidates achieved the maximum mark.

Question 6

This question was attempted by approximately 64 per cent of the candidates. The question tested candidates' knowledge of managing a small business. Part (a) required candidates to define the term *entrepreneurship* and outline three characteristics of a successful entrepreneur. Part (b) required them to discuss four factors that an entrepreneur must take into consideration if her business is to succeed and to discuss the importance of each factor.

The majority of the candidates performed well on Part (a). In Part (b), the majority of candidates provided acceptable responses, identifying factors that the entrepreneur must take into consideration if her business is to succeed. Candidates had difficulty developing their points clearly. Candidates who performed well on this part of the question identified factors such as *market demand, buying or starting a new business, finance, setting measurable objectives, availability of labour, pricing strategy and location*. In addition to identifying these factors they also provided a comprehensive discussion of each factor identified outlining reasons, and in some instances, providing examples.

Overall, performance on this question was satisfactory. The mean was 15.41. The standard deviation was 3.97. Approximately 71 per cent of the candidates scored at least 13 of the 25 available marks. Nine candidates achieved the maximum available mark.

It is recommended that candidates align their answers with the marks allocated to determine where more comprehensive discussion is required.

Paper 031 – School-Based Assessment (SBA)

Overall, the projects presented for the SBA for both units were satisfactory. Most of the topics chosen were appropriate for the CAPE level and relevant to the unit. The projects were generally written in a clear logical manner, and adhered to prescribed length. The mean mark for Unit 2 was 37.77. The standard deviation was 10.42. Approximately 80 per cent of the students scored at least 50 per cent of the maximum available mark.

The students who received high scores produced superior reports showing a high level of congruence among topics, objectives and data. These were supported by good analysis and a clear relationship between findings and recommendations. However, for the weak submissions, students failed to demonstrate adequate knowledge of the objectives being assessed and were unable to show the relationship between findings and recommendations. Some of these weak projects did not have clearly stated topics. Teachers' assessment of some of these samples was too lenient.

For the weak submissions, it is recommended that students choose objectives that relate to their topics, these objectives should guide the entire project. Topics should be clearly stated. In the discussion of the findings, reference should be made to relevant management theories and principles, with appropriate referencing and citation from various sources. All recommendations should be aligned with problems and challenges identified in the area being researched.

Further Comments

Overall, performance in 2012 could be deemed satisfactory. Performance on Unit 2 was consistent with that of 2011.

There was notable improvement in students' ability to address higher order cognitive skills such as analysis, synthesis and evaluation. However, the majority of students still need to work on developing these skills; one such way is to practise writing essay-type questions. In addition, students need to be more engaged in research both online and with the use of other management related articles including journals. The use of the prescribed management text and other recommended readings outlined in the syllabus should be encouraged by teachers. This approach will assist students in citing examples and elaborating on certain points when this is required by questions.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®
MAY/JUNE 2013**

MANAGEMENT OF BUSINESS

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GENERAL COMMENTS

The Caribbean Advanced Proficiency Examination (CAPE) in Management of Business seeks to provide candidates with the basic skills required to address managerial problems and challenges faced by businesses. These skills enable candidates to function not only in existing business organizations, but also as independent entrepreneurs.

The subject is divided into two units, each examined by three papers.

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 03 – 031: School-Based Assessment (done by school candidates)

– 032: Alternative to School-Based Assessment (done by private candidates)

Unit 1 focuses on Management Principles and Processes. It comprises three modules:

- Business and its Environment
- The Management of People
- Business Finance and Accounting

This year, 4,623 candidates wrote Unit 1. The mean mark was 162.45 out of 300 (54.14 per cent). The standard deviation was 38.69. Ninety-six per cent of the candidates achieved acceptable grades (Grades I–V).

Unit 2 focuses on Applications in Management. It comprises three modules:

- Production and Operations Management
- Fundamentals of Marketing
- Small Business Management

Unit 2 was written by 2,954 candidates. The mean mark was 186.60 out of 310 (62.20 per cent). The standard deviation was 36.69. Ninety-six per cent of the candidates achieved acceptable grades (Grades I–V).

May 2013 was the first sitting of the examination using the revised Management of Business syllabus. Overall, performance in 2013 could be deemed satisfactory and was consistent with that of 2012 and 2011. Although major amendments were done to Unit 1, Module 3 — Business Finance and Accounting — there was still a decrease in performance in this module when compared with the previous year. In order to develop and maintain satisfactory performance in this module, it is highly recommended that greater preparation of students be undertaken by schools. Teachers should pay careful attention to the changes in the syllabus and ensure that students are tested in some way on all the areas.

The inability of candidates to address higher order cognitive skills, for example, those that call for analysis, synthesis and evaluation, still needs to be addressed. One possible way to overcome this challenge is to have students practise writing more essay-type questions. Once they are engaged in

this activity, it will challenge them to organize and express subject matter and problems solutions in their own words.

DETAILED COMMENTS

UNIT 1

Paper 01 – Multiple Choice

Paper 01 consisted of 45 multiple-choice items, 15 on each module. The items spanned knowledge, comprehension and application. The mean mark for this paper was 59.59 out of 90 (66.21 per cent). The standard deviation was 12.61.

Paper 02 – Essay Questions

Paper 02 comprised six questions, two on each module. Candidates were required to answer one question from each module. The mean mark for this paper was 63.81 out of 150 (42.54 per cent). The standard deviation was 24.13.

Module 1: Business and the Environment

Question 1

The question tested candidates' knowledge of business organizations. Approximately 67 per cent of the candidates attempted this question. Part (a) required candidates to outline three provisions that can be included in a partnership deed. Part (b) required them to discuss two advantages and two disadvantages a sole trader may experience if she converts her business from a sole proprietorship to a partnership.

Approximately 46 per cent of the candidates achieved at least 12 of the available 25 marks allocated to the question. The mean mark was 11.22 (44.8 per cent). The standard deviation was 4.93. The specific area of good performance was Part (a) where the majority of candidates was able to identify the advantages and disadvantages, especially the advantages. However, they failed to develop the points sufficiently in order to achieve the maximum available mark. The specific area of weak performance was Part (b) where some candidates wrote how beneficial a partnership deed is to a sole trader instead of the specific contents of the deed as required by the question.

Recommendation

- There is need for candidates to practise answering questions aimed at higher order cognitive skills such as application and evaluation.

Question 2

This question tested candidates' knowledge of business objectives and business ethics. Approximately 33 per cent of the candidates attempted this question. Approximately 52 per cent achieved at least 12 of the available marks allocated to the question. The mean mark was 16.95 (47.80 per cent). The standard deviation was 4.70.

The question was divided into two parts. With reference to the scenario given, Part (a) required candidates to define the term *mission statement* stating three reasons why it is important. Part (b) (i) required them to define the term *social responsibility*. Part (b) (ii) required them to outline three ways in which a given company could demonstrate social responsibility. Part (b) (iii) asked candidates to explain why it is important for the company to include social responsibility in its mission statement.

Specific areas of good performance were Part (a) and Parts (b) (i) and (b) (ii) where the majority of candidates demonstrated a clear understanding of *mission statement* and *social responsibility*.

Specific areas of weak performance included Part (b) (iii) where instead of outlining why it is important for the company to include social responsibility in the mission statement, some candidates repeated the answer given for Part b (ii).

Candidates need to pay careful attention to the interpretation of questions.

Module 2: Management of People

Question 3

The question tested candidates' knowledge of Maslow's hierarchy of needs theory and the application of the theory to management/worker relationships. Approximately 49 per cent of the candidates attempted this question.

The majority of candidates correctly identified the five levels of needs in the hierarchy and clearly described how the needs function in human beings. With respect to Part (b), the majority of candidates did not correctly apply the concepts to indicate how managers could motivate workers who were at various levels of need.

Approximately 71 per cent of the candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 14.46 (57.84 per cent). The standard deviation was 5.44. The overall performance of candidates on this question was satisfactory.

Recommendations

- Candidates should be guided into understanding the levels and/or stages of the needs hierarchy in the correct order.
- Candidates should seek to deepen their understanding of the concepts which will assist them in the application aspect of questions.
- Application of the concepts must be taught and tested at the school level so that students can master the explanations and analyses fundamental to the CAPE examination.

Question 4

This question tested candidates' knowledge of groups and teams. Part (a) required candidates to differentiate between a team and a group, while Part (b) required candidates to outline the five stages of group development. For Part (c), the application segment of the question, candidates were required to discuss three characteristics of team effectiveness related to the given scenario. Approximately 51 per cent of the candidates attempted this question.

Approximately 38 per cent of candidates obtained 12 and above of the total 25 marks allocated to the question.

The overall performance of candidates on this question was below average. The mean mark was 10.61 (42.44 per cent). The standard deviation was 5.99. Specific areas of good performance were Part (a) and some areas of Part (c) where the majority of candidates demonstrated an understanding of the term *group* (Part a) and were able to identify the stages in the development of a group.

Specific areas of weak performance included Part (a) where candidates had difficulty differentiating between a team and a group and the discussion segment of Part (c) which was poorly done by many candidates who simply listed many more characteristics than the question required and did not elaborate on them.

Recommendations

- Students need to be taught the importance of sequence in the stages of team development or any other concept where the process is critical to correct understanding and analyses.
- Where there are concepts that have meanings that are close to each other as in team and group, these distinctions need to be fully explored at both the lower and upper levels of the taxonomy.
- Students must be made to understand that when a question requires a specific number of characteristics, giving several more than required will not result in additional marks. The focus must be on the explanation or discussion as indicated by the question.

Module 3: Accounting and Finance

Question 5

This question tested candidates' knowledge and understanding of the purpose, nature and usefulness of budgeting and in particular, options that may help to improve cash flow management. Part (a) required candidates to define the term *variance*, calculate the variances for each department, and state what each variance calculated in Part (a) (ii) indicates about the performance of the company. Part (b) (i) required candidates to define the term *budget*. Part (b) (ii) required them to state three reasons why it is important to construct a budget. Part (c) required candidates to discuss three options that can be considered in order to improve the company's cash flow management. This question was attempted by approximately 51 per cent of the candidates.

Overall, performance on this question was poor. Approximately 10 per cent of candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 7.11 (28.44 per cent). The standard deviation was 3.53.

In Part (a), candidates demonstrated a lack of understanding of the term associated with variance. For example in Part (a) (iii), when asked to state what each variance indicates about the performance of the company, a significant number of candidates were unable to indicate the results that were *favourable* and *unfavourable* instead some candidates referred to the results as *profit* or *loss*. In Part (b), a majority of candidates were able to clearly define the term *budget*. In Part (c), where candidates were asked to discuss three options likely to improve the company's cash flow management, a majority of them were unable to comprehensively develop the points to earn the maximum available mark.

Recommendation

- It is highly recommended that greater preparation of students for the accounting aspect of the module be undertaken by schools.

Question 6

This question tested candidates' ability to analyse key financial statements through the use of ratio analysis. Part (a) required candidates to compute to one decimal place the following ratios: (i) net profit margin (ii) acid test ratio (iii) current ratio (iv) stock turnover (v) long-term debt to equity. Part (b) required candidates to explain what each ratio demonstrates about the performance of the firm. The question was attempted by approximately 49 per cent of the candidates.

Overall, performance on this question was poor. Approximately 34 per cent obtained 12 and above of the total 25 marks allocated. The mean mark was 9.04 (36.16 per cent). The standard deviation was 4.90.

In Part (a), most candidates accurately calculated ratios of net profit margin, acid test and current ratio. The areas of weakness included sections of Part (a) where candidates had difficulty calculating the ratios of stock turnover and long-term debt to equity. Most candidates appeared to be confused and wrote incorrect formulas, hence, the results were incorrect.

In Part (b), most candidates found it challenging to comment on how the results of the ratios impacted on the performance of the business.

Recommendations

It is recommended that teachers emphasize

- the components of the financial statement and incorporate these when teaching the concept of ratios.
- the importance of calculating as well as interpreting the ratios
- not only profitability and liquidity ratios but also others such as efficiency and gearing.

Paper 031 – School-Based Assessment (SBA)

Overall, the projects presented for the SBA in Unit 1 were satisfactory. Although there were some amendments to the structure of the SBA, the majority of topics chosen was appropriate for the CAPE level. Topics were also relevant to the unit and were written in a clear and logical manner. The majority of students scored between 46 and 60 marks, which was consistent with the previous year. Overall, there were some excellent submissions with students generally adhering to the requirements. On the other hand, there were some weak submissions where students, as in previous years, failed to demonstrate adequate knowledge of objectives being assessed, did not have clearly stated topics and appeared to be confused as to what was required under the different headings. It is recommended that students be encouraged to start writing their projects as early as possible so that teachers are able to provide the necessary guidance in a timely manner.

UNIT 2

Module 1: Production and Operations Management

Question 1

This question tested candidates' knowledge of the concept of lean production and quality control management, with focus mainly on the latter. Part (a) required candidates to distinguish between quality control and quality assurance. Part (b) required them to discuss three ways in which poor quality can affect the performance of the BKJ Cement Manufacturing Company. Part (c) required candidates to outline three techniques that the firm can use to improve quality in its organization. This question was attempted by approximately 65 per cent of the candidates.

Overall, performance on this question was satisfactory. Approximately 58 per cent of candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 12.71 (50.84 per cent). The standard deviation was 4.96.

The majority of candidates who attempted Part (a) was unable to distinguish between *quality control*, and *quality assurance*. They merely engaged in defining each of the two giving no clear distinction. However, the majority of candidates who attempted Part (b) was able to satisfactorily discuss three ways in which poor quality can affect the performance of the firm.

Recommendation

- It is recommended that teachers reinforce examination techniques with students in addition to providing the necessary guidance in the identification of key terms.

Question 2

This question tested candidates' knowledge of project management. Part (a) tested candidates' knowledge of the importance of project management and particularly the critical path method. Candidates were required to draw a network diagram representing the tasks outlined; determine the length of each path; determine the critical path; state the expected length of the project; and calculate the amount of slack time for each path. Part (b) tested candidates' knowledge of the major decisions

involved in the nature of the production process, in particular the flow production system. Part b (i) required candidates to define the term *flow production* and Part (b) (ii) required them to outline two advantages and two disadvantages of a flow production system. The question was attempted by approximately 35 per cent of the candidates.

Overall, performance on this question was fairly good. Approximately 85 per cent obtained 12 and above of the total 25 marks allocated to the question. The mean mark was 16.09 (64.36 per cent). The standard deviation was 4.75.

The majority of candidates who attempted Part (a) was able to correctly draw the network diagram as well as identify the critical path. However, some candidates had challenges calculating the length of project and slack time. With regard to Part (b), most candidates had difficulty defining *flow production*. Many of them tried to define it by making a comparison to another production method.

Recommendations

- It is recommended that candidates familiarize themselves with the concepts so that they can provide suitable definitions.
- There is the need to engage in guided practice in calculating and/or determining critical path, expected length of the project and slack time for each path.

Module 2: Fundamentals of Marketing

Question 3

This question tested candidates' knowledge of pricing strategies and principles of distribution. Part (a) required candidates to explain three named marketing strategies while Part (b) required them to discuss one advantage and one disadvantage of each of the strategies named in Part (a). Approximately 54 per cent of the candidates attempted this question. The mean mark was 12.48 (49.92 per cent). The standard deviation was 5.44.

The three marketing strategies to be explained by candidates in Part (a) were branding, price skimming and direct distribution channels. While candidates generally were able to explain branding and direct distribution channels correctly, the vast majority of them did not explain price skimming accurately. Instead, they gave a part of the concept but not sufficient information to demonstrate their understanding of the unique characteristics of the concept. Most candidates had not mastered the art of discussion such that their handling of the segment of the question was generally either marginal or weak. Candidates did not identify the concept required, for example, 'advantage' then move on to explore that point in a coherent and developmental manner.

Candidates' performance on this question was above average. Approximately 57 per cent of them achieved at least 12 of the 25 marks allocated to the question.

Recommendations

- More time should be spent engaging students in discussion tasks to develop mastery in this area. This is important since the highest proportion of the marks for a question is assigned to the discussion tasks.
- Students' knowledge and understanding of the concepts should be broadened and deepened such that they are able to distinguish concepts clearly, especially those that have some degree of similarity.

Question 4

This question tested candidates' knowledge of marketing research. It presented a scenario and required candidates to answer questions based on the scenario. Part (a) focused on primary and secondary data; the differences and reasons primary was the preferred data for the research needed by the company and the justification for the use of primary data. Part (a) also asked for categories of consumer profile data to be collected. In Part (b), the question focused on probability and non-probability sampling: the differences between them and the reasons the company in the scenario should choose the probability technique. Approximately 46 per cent of the candidates attempted this question. The mean mark was 9.80 (39.20 per cent). The standard deviation was 4.22.

Fifty per cent of the candidates accurately distinguished between primary and secondary data. Hence, they were able to perform satisfactorily on this part of the question.

The vast majority of candidates did not understand the concept of consumer profile hence their responses were either not given or given incorrectly. Part (b), which required candidates to differentiate between probability and non-probability sampling, was also poorly done since candidates discussed primary and secondary data instead of what was required. Generally, average to weak performance on the justification for the use of probability sampling was evident.

Overall, performance on this question was poor. Approximately 31 per cent of candidates achieved at least 12 of the 25 marks allocated to the question.

Recommendations

- Students should be given adequate opportunities to learn the concepts that fall under the items in the syllabus so that their understanding supersedes the general and superficial.
- Teachers should provide more opportunities for students to apply and analyse concepts based on scenarios and cases. This will give them practice in using information given in a scenario to answer the questions so assigned.

Module 3: Small Business Management

Question 5

This question, which tested candidates' knowledge of entrepreneurship, was attempted by approximately 87 per cent of the candidates. Approximately 80 per cent of candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 15.54 (62.16 per cent). The standard deviation was 4.53.

Part (a) tested candidates' knowledge of the term *entrepreneur*. Part (b) required candidates to outline four characteristics of a successful entrepreneur. Part (c) required candidates to discuss two opportunities and three challenges that an entrepreneur may face in setting up a business.

Overall, performance on this question was good. Specific areas of good performance were Parts (b) and (c). In Part (b), over 80 per cent of the responses were good, if not excellent. Candidates demonstrated adequate knowledge of the characteristics and provided good explanations for each characteristic identified. In Part (c), the majority of candidates identified the correct challenges and provided sufficient and balanced discussions with appropriate examples. Judging from the scores earned, it is evident that candidates enjoyed answering this question.

However, in sections of Parts (a) and (c), a limited number of candidates performed poorly. In Part (a), these candidates had difficulty writing a proper and adequate definition of *entrepreneur* that would earn them two marks. Yet they did understand the concept well enough to earn one of the two marks allocated for this part of the question. In Part (c), these candidates viewed opportunities with respect to prospective customers as well as the society at large, instead of opportunities the entrepreneur is likely to face.

Recommendations

- Candidates are encouraged to read about the entrepreneur, and then write a set of definitions highlighting key points in the definition.
- Candidates should have guided discussions on the opportunities faced by an entrepreneur.

Question 6

The question tested candidates' knowledge of business plans. Part (a) (i) tested candidates' knowledge of the term *one level channel of distribution* and Part a (ii) required candidates to identify two types of retail businesses or outlets that would effectively distribute the company's new product. Part (b) tested candidates' knowledge of the main factors that may have influenced the marketing consultant's choice of distribution channel. Part (c) required candidates to define the term *business plan*, describe four components that should be included in a business plan, and explain one way in which a business plan can be useful to the owners of the business. This question was attempted by approximately 13 per cent of the candidates.

Overall, performance on this question was good. Approximately 93 per cent of candidates achieved at least 12 of the 25 marks allocated to the question. The mean mark was 17.95 (71.80). The standard deviation was 4.09.

Areas of good performance were Parts (a) (ii) and (c) (ii) where candidates gave clear and detailed responses with the use of appropriate examples. Only a minority of candidates performed poorly on these parts of the question, failing generally to develop their answers.

Paper 031 – School-Based Assessment (SBA)

Overall, the projects presented for Unit 2 were satisfactory. Similar to Unit 1, the topics chosen were very relevant to the unit and marks fell into the 46–60 range. The number of submissions for this unit was very limited in comparison to Unit 1. A number of the topics focused on the area of small business Management and the majority of students demonstrated a clear understanding of the content requirements.

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®**

MAY/JUNE 2014

MANAGEMENT OF BUSINESS

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GENERAL COMMENTS

The Caribbean Advanced Proficiency Examination (CAPE) in Management of Business seeks to provide candidates with the basic skills required to address managerial problems and challenges faced by businesses. These skills enable candidates to function not only in existing business organizations, but also as independent entrepreneurs.

The subject is divided into two units, each examined by three papers.

Paper 01 – Multiple Choice

Paper 02 – Essay

Paper 03 – 031: School-Based Assessment (done by school candidates)

– 032: Alternative to School-Based Assessment (done by private candidates)

Unit 1 focuses on Management Principles and Processes. It comprises three modules:

- Business and its Environment
- The Management of People
- Business Finance and Accounting

This year, 4, 795 candidates wrote Unit 1. The mean mark was 168.26 out of 300 (56.09 per cent). The standard deviation was 39.89. Eighty-seven per cent of the candidates achieved acceptable grades (Grades I–V).

Unit 2 focuses on Applications in Management. It comprises three modules:

- Production and Operations Management
- Fundamentals of Marketing
- Small Business Management

Unit 2 was written by 3, 351 candidates. The mean mark was 192.02 out of 300 (64.01 per cent). The standard deviation was 35.97. Ninety-eight per cent of the candidates achieved acceptable grades (Grades I–V).

May/June 2014 was the second sitting of the examination based on the revised Management of Business syllabus. Overall, performance in 2014 could be deemed satisfactory and was consistent with that of 2013 and 2012.

DETAILED COMMENTS

UNIT 1

Paper 01 – Multiple Choice

Paper 01 consisted of 45 multiple-choice items, 15 on each module. The items spanned knowledge, comprehension and application. The mean mark for this paper was 59.41 out of 90 (64.90 per cent). The standard deviation was 13.09.

Paper 02 – Essay Questions

Paper 02 comprised six questions, two on each module. Candidates were required to answer one question from each module. The mean mark for this paper was 68.30 out of 150 (45.60 per cent). The standard deviation was 25.19.

Module 1: Business and the Environment

Question 1

This question tested candidates' knowledge of privatization and nationalization. Approximately 31 per cent of the candidates attempted this question. The specific objective tested was Unit 1, Module 1, Specific Objective 2. With reference to the scenario given, Part (a) required candidates to differentiate between privatization and nationalization. Part (b) focused on the negative impact of privatization of the bus system and Part (c) on the benefits of privatization of the bus system.

Overall performance on this question was unsatisfactory. The mean mark was 7.24 out of 25 (28.96 per cent). The standard deviation was 4.29. Approximately 35 per cent of candidates achieved scores of between six and ten of the total 25 marks allocated to the question, with 17 per cent obtaining scores between 11 and 15 marks. Approximately 3 per cent obtained scores between 20 and 25. The highest mark was 21 out of 25. This was achieved by one candidate.

The specific area of good performance was Part (a) where most candidates were able to differentiate between privatization and nationalization, depicting a clear understanding of each concept.

Specific areas of weak performance were Parts (b) and (c) where some candidates had difficulty identifying and elaborating on the negative impact as well as the benefits of privatization of the bus system in the named country.

Recommendation

There is the need for candidates to practice answering questions aimed at higher order cognitive skills such as application and evaluation. This would help them to develop the necessary essay writing skills.

Question 2

This question was divided into three parts. With reference to the scenario given, Part (a) required candidates to define the term *globalization* and *multinational corporations* (MNCs); Part (b) asked them to outline three ways in which the government can encourage growth of MNCs; and Part (c) focused on ways in which the number of MNCs may impact businesses in the Caribbean Region.

The specific objective tested was Unit 1, Module 1, Specific Objective 6.

Approximately 69 per cent of overall candidates attempted this question. The mean mark was 10.35 out of 25 (41.40 per cent). The standard deviation was 4.88. Approximately 46 per cent of candidates obtained 12 marks or more out of the 25 marks allocated to the question while the remaining 54 per cent obtained below 12 marks. Approximately 31 per cent obtained between 11 and 15 marks. The highest mark was 25 out of 25. This was achieved by one candidate.

Candidates' overall performance was fair. Specific areas of good performance were noted on Part (a) where the majority of candidates demonstrated a clear understanding of the definition of both concepts — globalization and multinational corporations.

Specific areas of weak performance included Parts (b) and (c). With reference to Part (b), candidates were able to identify ways in which the government can encourage the growth of MNCs but discussion on the points was consistently weak. With reference to Part (c), some candidates misinterpreted the question and centered their discussion on the impact on the country instead of on the businesses in the region.

Recommendation

Candidates need to pay careful attention to the interpretation of questions and elaborating on points where necessary.

Module 2: Management of People

Question 3

This question tested Specific Objective 2 — Characteristics of Formal Organizational Structures; Specific Objective 6 — Causes of Conflict; and Specific Objective 5 — Group and Team Management. Approximately 72 per cent of the candidates attempted this question.

Part (a) drew on candidates' understanding of concepts while Part (b) focused on their application of knowledge to the scenario presented in the question; Part (c) focused on the analysis of the ideas.

The main challenge experienced by the majority of candidates was differentiating clearly and precisely between the two concepts they were asked to define — *authority* and *responsibility*. Generally, their strengths were in the application part of the question. They were asked to explain three causes of conflict in the organization based on the scenario. Most candidates scored full marks on this section.

This question performed the best on this paper. Approximately 65 per cent of candidates obtained a score between 16 and 25 marks. This is a good sign indicating that candidates have an above average grasp of the concepts tested. The mean mark was 17.21 out of 25 (68.84 per cent). The standard deviation was 4.89. Ninety-four candidates achieved the maximum 25 marks, with another 188 scoring 24 out of 25.

Question 4

Question 4 tested Specific Objective 4 — Leadership; Specific objective 3 — Theory and Application of Motivation; and Specific Objective 10 — Human Resource Management. Part (a) drew on candidates' understanding of concepts, Part (b) required the application of skills while Part (c) assessed analytical skills.

The question was attempted by 28 per cent of the candidates. The mean mark was 13.60 out of 25 (54.40 per cent). The standard deviation was 4.44. Eleven candidates achieved the maximum mark. Approximately 70 per cent of candidates scored at least 50 per cent of the available mark, with a mere six per cent achieving an outstanding score, that is, between 21 and 25 marks. The scores have confirmed the point made earlier about weak performances in Parts (a) and (b).

The main challenges experienced by the majority of the candidates were:

- Presentation of a clear and unambiguous description of the concepts. Related concepts were not clearly differentiated indicating that candidates had only vague ideas of their meaning.
- Applying Maslow's Hierarchy of Needs theory to organizational activities and the response to those needs.

Parts (a) and (b) accounted for 13 of the 25 marks allotted to this question. Candidates' best performance was in Part (c) which drew on their analytical skills. Candidates were asked to discuss three benefits of on-the-job

training to the business as identified in the scenario given. Many candidates discussed four and five benefits very well. Despite this, candidates could only achieve the maximum marks of 12.

Recommendations

For the questions in this module (both questions 3 and 4), the main area of weakness was the explanation and differentiation of concepts. It is therefore recommended that:

- Teachers could employ multiple methodologies to ensure that students' understanding of concepts is deep and wide.
- During the instruction process, multiple and varied strategies could be adopted to help students apply theoretical concepts to real life situations within the business environment in their country and the Caribbean.

Module 3: Accounting and Finance

Question 5

The objectives tested were Unit 1, Module 3 Specific Objectives 2 and 9. These objectives tested candidates' ability to calculate and compare the different investment appraisal methods and choose sources of finance for a business. Part (a) required candidates to calculate payback period and net present value. Part (b) asked candidates to suggest the best investment option and Parts (c) and (d) focused on sources of finance and criteria for choosing the best source. This question was attempted by approximately 55 per cent of candidates.

Overall, the performance on this question was unsatisfactory. The mean mark was 9.88 out of 24 (39.52 per cent). The standard deviation was 6.92. Nine candidates achieved the maximum available mark; 36 per cent obtained 12 marks and above; and 64 per cent obtained a score below 12.

In Part (a), candidates demonstrated very little competence at calculating the payback period and the net present value for each project even though deemed simple. In some instances, candidates evidently were not aware of the correct formulas.

Recommendations

It is recommended that a greater effort be made to ensure that students understand the quantitative aspect of the syllabus; they were more competent at Parts (c) and (d) that required qualitative responses.

Students should be encouraged to use topics from this module for SBA so as to familiarize themselves with the contents from an early stage. It is also recommended that teachers spend more time on this module, if possible, and reorganize approach to delivery by teaching this module much earlier than the others. Team-teaching is also recommended, for instance experts in the different accounting field can be invited in to make presentations to students.

Question 6

The objective tested was Unit 1, Module 3 Specific Objective 7. Candidates were required to compute accounting ratios and use this information to analyse the operation of the given business. Part (a) required that candidates (i) define the term *ratio analysis* and (ii) state three ways in which ratio analysis is important to a business. Part (b) required candidates to compute the following ratios: acid test, gearing ratio, net profit margin, return on capital employed, or equity, and explain what each ratio indicates about the performance of the business. This question was attempted by approximately 45 per cent of the candidates.

Overall, performance on this question was poor. The mean mark was 7.57 out of 25 (30.28 per cent). The standard deviation was 5.09. The highest mark was 23 out of 25. This was achieved by one candidate.

Approximately 37 per cent obtained 12 and above of the total 25 marks allocated to the question while the remaining 63 per cent obtained below 12 marks. Approximately 12 per cent obtained between 15 and 25 marks.

A general lack of knowledge regarding ratio analysis was evident. In some instances, the formulae were incorrectly outlined by candidates thus resulting in wrong figures being used for the calculation of the ratios. Candidates' performance on Part (a) was fairly satisfactory.

Recommendations

As previously recommended, it is important that teachers emphasize:

- The components of the financial statement and incorporate these when teaching the concept of ratios.
- The importance of not only the calculations of the ratios but also interpretation.
- Not only profitability and liquidity ratios but also others such as efficiency and gearing ratios.

Paper 031 – School-Based Assessment (SBA)

The projects presented for Unit 1 SBAs were overall satisfactory. Most of the topics chosen were appropriate for the CAPE level and relevant to the Unit. Most projects were written in a clear logical manner, and adhered to prescribed length. Three thousand, nine hundred and thirty-one candidates did SBA projects. The mean mark was 41.07 out of 60 (68.46 per cent). The standard deviation was 9.08. The majority of marks fell in the 48-60 range. However, there were a few weak submissions where students did not have clearly stated topics and failure to do so affected the cohesiveness of the projects. Some candidates did not analyse the data interpreted in light of business theories and concepts.

Recommendations

It is recommended that careful attention be given to ensure that students state their topics clearly and that the conclusion and recommendations be in line with the findings of the research.

Paper 032 – Alternative to the School-Based Assessment (SBA)

Paper 032 tested candidates' knowledge of types of business, mission statement, leadership styles and the purpose of keeping good accounting records. The paper was written by 198 private candidates. Performance on this paper was good. The mean mark was 38.83 out of 60 (64.72 per cent). The standard deviation was 9.35. The means on the modules were; Module 1 – 14.93 out of 20; Module 2 – 12.45 out of 20 and Module 3 – 11.45 out of 20. The standard deviations were 4.04, 3.68 and 3.76 respectively. There was overall improvement in the quality of responses presented by candidates.

UNIT 2**Paper 02 – Essay Questions****Module 1: Production & Operations Management**Question 1

This question tested candidates' knowledge of production and productivity (Specific Objectives 1 and 8). The question was attempted by 87 per cent of the candidates.

Part (a) drew on candidates' understanding of similar and dissimilar concepts as well as the application of the concepts to quality improvements in a firm. Part (b) also required the use of application skills while, Part (c) tested candidates' analytical abilities.

The main difficulty candidates had with this question was explaining why the firm may have chosen one or the other production method given in the scenario. They were asked to differentiate between job and flow production methods and to explain why the firm had chosen to adopt each of method. Though the answers as to why the firm had chosen each of the production methods was poorly answered in the main, most candidates were able to differentiate between both methods of production.

Part (b), which required the demonstration of application skills, had the highest frequency of excellent answers. Overall, performance on the question was good. The mean mark was 15.88 out of 25 (63.52 per cent). The standard deviation was 5.04. Approximately 80 per cent of the candidates who attempted this question scored 12 marks or above; approximately 36 per cent obtained scores between 16 and 25. Seventy-four candidates achieved the maximum mark.

Recommendations

It is recommended that teachers continue to reinforce examination techniques with students in addition to providing the necessary guidance in the identification of key terms.

Question 2

This question tested candidates' knowledge of Objective 4 — Capacity Planning and Objective 8 — Lean Production and Quality Management.

Part (a) drew on candidates' understanding of similar concepts and being able to differentiate between them, as well as the application of knowledge to the scenario presented in the question. Part (b) also required the use of application skills while, Part (c) tested candidates' analytical abilities.

Only 13 per cent of the candidates attempted this question. In Part (a), candidates were required to define *outsourcing* and distinguish between economies of scale and diseconomies of scale. They were also required to outline how outsourcing can improve product quality. The area of greatest difficulty for candidates was differentiating between economies and diseconomies of scale.

Part (b) required candidates to demonstrate their understanding of ways to increase capacity. This part of the question was well done by the majority of candidates.

For Part (c), candidates were required to analyse the disadvantages to the firm identified in the scenario, of operating at full capacity. This was an area of outstanding performance for the majority of candidates.

Performance on this question was fairly good. The mean mark was 14.04 out of 25 (56.16 per cent). The standard deviation was 6.34. Approximately 70 per cent of candidates scored 12 marks or above, 46 per cent of them scored in the upper range of 16 to 25. Eight candidates achieved the maximum available mark.

Recommendations

In addition to teachers employing multiple methodologies to ensure that students' understanding of concepts is deep and wide as previously mentioned, it should also be noted that:

- Students should be guided to read the scenario presented and search for clues that can help them answer the questions clearly and accurately.
- Students need to realize that the questions are based on the scenario and they cannot score high marks on the question by ignoring the scenario.

Module 2: Fundamentals of Marketing

Question 3

This question tested candidates' knowledge of market segmentation and the product life cycle — Specific Objectives 5, 6, 7 and 9. Approximately 46 per cent of the candidates attempted this question.

The question was divided into two major parts. For Part (a), candidates were required to define *market segmentation*; state three benefits of market segmentation and outline four bases on which markets are segmented.

Part b (i) required candidates to indicate at what stage of the product life cycle the named firm is likely to be and to cite two pieces of evidence from the scenario to support the answer. For Part b (ii), candidates were required to justify one pricing strategy and one promotional strategy which the company could adopt while it is at the product life cycle stage identified.

General performance on this question was fair. The mean mark was 13.39 out of 25 (53.56 per cent). The standard deviation was 4.32. The highest mark was 24 out of 25. This was achieved by two candidates. Approximately 69 per cent of the candidates scored between between 11 and 20 marks, with approximately 5 per cent getting between 20 and 25 of the 25 marks allocated to the question.

Candidates who performed well on the question were those who were able to identify the different bases of segmentation and indicated the relevant accompanying variables.

Despite the overall good performance on the question, the main area of weakness was that a number of candidates were unable to identify correctly, the stage of the product life cycle at which that the firm was likely to be. In addition, they had difficulty indicating the requisite pricing and promotional strategies.

Recommendations

It is recommended that teachers discuss with students the pricing and promotional strategies which are applicable to the different levels of the product life cycle, examining different products. The use of case studies is encouraged in the teaching/learning process. These are excellent reinforcement strategies that can be used to develop students higher order thinking skills.

Question 4

The question tested candidates' knowledge of advertising and distribution channels — Specific Objectives 8 and 9. Approximately 54 per cent of the candidates attempted this question.

Part (a) required candidates to distinguish between the direct and indirect distribution channel as well as to outline three distribution factors that may influence a named firm to choose a direct distribution channel. Part (b) required candidates to define *advertising* and discuss three ways in which the firm could benefit from advertising.

Overall, performance on this question can be deemed satisfactory. The mean mark was 12.67 out of 25 (50.68 per cent). The standard deviation was 4.57. Four candidates achieved the maximum mark. Approximately 68 per cent of the candidates scored at least 11 marks out of 25. Twenty-six per cent of them scored between 15 and 25.

Specific areas of good performance included definitions given for advertising as well as *direct distribution*. In addition, candidates were able to give appropriate examples for each concept. On the other hand, some candidates were unable to defend factors identified that would influence the organization to choose direct distribution. In Part (b) (ii), some candidates' discussions were weak and there was repetition of principles in their attempt to elaborate.

Recommendations

It is recommended that:

- The pair and share technique be used to reinforce concepts and aid students in expressing themselves.
- Teachers provide more opportunities for students to apply and analyse concepts based on marketing scenarios and cases. This will give them practice in using the information given in a scenario to answer the questions assigned.

Module 3: Small Business Management

Question 5

This question tested candidates' knowledge of the business plan — Specific Objectives 3 and 6. The question was attempted by approximately 32 per cent of the candidates.

Part (a) tested candidates' knowledge of the components of a business plan. Part (b) required candidates to state three criteria for measuring the size of a business, and outline challenges faced by a small business. Part (c) asked candidates to discuss three advantages of small businesses over large businesses.

Overall, performance on this question was good. The mean was 14.89 out of 25 (59.56 per cent). The standard deviation was 4.63. Approximately 80 per cent obtained 12 marks and above of the 25 marks allocated to the question while the remaining 20 per cent obtained below 12 marks. Approximately 72 per cent obtained between 11 and 20 marks.

Specific areas of good performance were Parts (a) and (b) where approximately 80 per cent of the responses were good, if not excellent. Candidates demonstrated adequate knowledge of a business plan and its components. They also presented appropriate responses to the question of criteria for measuring size of businesses as well challenges facing small businesses.

However in Part (c), a number of candidates performed poorly. While candidates identified the advantages of small businesses over large businesses, they failed to discuss them adequately, hence losing the marks allocated for the discussion.

Recommendations

It is recommended that candidates do as much research in small businesses operating in their region.

Question 6

Question 6 tested candidates' knowledge of entrepreneurship, including the characteristics of successful entrepreneurs – specific objectives 1 and 4. The question was attempted by approximately 68 per cent of the candidates.

Part (a) tested candidates' knowledge of the term *entrepreneurship* in addition to examining the characteristics, advantages and disadvantages of an entrepreneur. Part (b) presented a scenario to candidates; Part b (i) focused on benefits a named entrepreneur would experience if he borrows money from family/friend to start his landscaping business while Part b (ii) focused on the characteristics displayed by the entrepreneur that may prevent him from becoming a successful.

Overall, performance on this question was good. The mean mark was 16.26 out of 25 (65.04). The standard deviation was 3.53. Three candidates achieved the maximum mark. Approximately 93 per cent of the candidates scored 12 marks and above of the total 25 marks allocated to the question while the remaining 7 per cent obtained below 12 marks. Approximately 90 per cent obtained between 15 and 25 marks.

Specific areas of good performance were Parts (a) (i), (ii) and (iii) where candidates gave clear and detailed responses with the use of appropriate examples. Weak performance was registered by candidates when answering Parts (b) (i) and (ii) where they failed to develop their points.

Paper 031 – School-Based Assessment (SBA)

Seven hundred and eighty-four candidates completed SBA projects. The projects were generally good. In most instances, the topics chosen were relevant to the unit and most marks fell within the 46 to 60 range. The majority of candidates demonstrated knowledge of the concepts in the syllabus and this was evident in their presentation. Overall, the analysis of data captured the essence of the graphs and a great number of candidates used descriptive statistics appropriately. As previously mentioned in Unit 1, the main area of weakness was that a few candidates did not have clearly stated topics.

Paper 032 – Alternative to the School-Based Assessment (SBA)

Paper 032 tested candidates' knowledge of inventory control management, market research and micro-environmental factors. The paper was written by 124 private candidates. Performance on this paper was fair. The mean mark was 31.64 out of 60 (52.73 per cent). The standard deviation was 9.58. The means on the modules were: Module 1 — 11.05 out of 20; Module 2 — 11.59 out of 20 and Module 3 — 9 out of 20. The standard deviations were 4.04, 3.76 and 4.42 respectively. There was an overall improvement in the quality of responses presented by candidates.

Recommendation

It is recommended that more guidance be given to students when selecting their topics.

General Comments

Overall, the performance in 2014 could be deemed satisfactory. Although there was a slight increase in the performance of the Finance and Accounting module when compared to the previous year, the performance of

candidates in this module still continue to be very low when compared to the other modules. In order to develop and maintain a satisfactory performance in this module as mentioned before it is highly recommended that schools undertake a plan for greater preparation of students for this module. Students and teachers should pay careful attention to the recommendations made in this report.

It must be highlighted that there was a marked improvement in the quality of responses given for essay type questions this year (especially in Unit 2) which resulted in the overall good performance of the subject. Students should be encouraged to continue the practice of writing essay type questions to build their higher order cognitive skills.