



CARIBBEAN EXAMINATIONS COUNCIL

Caribbean Advanced Proficiency Examination[®]

CAPE[®]

MANAGEMENT OF BUSINESS SYLLABUS

Effective for examinations from May-June 2013

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

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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 (on-line 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.	<i>Management of Business, Unit I</i> , Caribbean Educational Publishers.
Cole, G.A.	<i>Management Practice of Theory, 6th Edition</i> , London: Thomson Learning, 2004.
Hall, D., Rob J. and Raffo, C.	<i>Business Studies</i> , Lancaster: Causeway Press Limited, 1993.
Plunkett, W. R., et al	<i>Management: Meeting and Exceeding Customer Expectations 9th Edition</i> , South-Western College Publisher, 2007.
Stimpson, P. and Singh, K.	<i>Management of Business Unit I</i> , 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
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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
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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.	Introduction <i>Topic Statement/Aim of the project</i> <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 <i>Background of the project</i> <ul style="list-style-type: none"> • Background makes reference to previous published related studies and bears relevance to present project 	[6 marks] 2 2 2
2.	Literature Review <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 	[10 marks] 4 4 2
3.	Methodology <ul style="list-style-type: none"> • Research design well defined • Sample adequately described • Research instrument accurately described 	[6 marks] 2 2 2
4.	Presentation of Data <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 	[6 marks] 2 2 2
5(a)	Analysis of Data <ul style="list-style-type: none"> • Data are summarized accurately using descriptive statistics • Data summary is meaningful and related to findings 	[6 marks] 3 3
5(b)	Interpretation of Results <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 	[6 marks] 2 2 2

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>
Account for	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.
Analyse	Study in depth, identifying and describing in detail the main characteristics.
Assess	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.
Comment	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.
Compare	Look for qualities or characteristics that resemble each other. Emphasise similarities but be aware also of points of differences.
Contrast	Stress the dissimilarities and differences between the items in question, but do not ignore points of similarities.
Criticise	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.
Define	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.
Describe	Recount, characterize, sketch or relate in sequence or story form.
Discuss	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.
Enumerate	State in list or outline form, giving points concisely one by one.
Evaluate	Carefully appraise the matter in hand, citing both advantages and limitations. Emphasise the views of authorities as well as your personal estimation.
Explain	Clarify, interpret and spell out the material you present. Give reasons for important features or developments, and try to analyse causes.
How far...	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>WORD</i>	<i>DEFINITION/MEANING</i>
<i>Illustrate</i>	<i>Use specific examples, allusions, figures or diagrams to explain, demonstrate or clarify a problem, situation or view.</i>
<i>Interpret</i>	<i>Translate, give examples of, express in simple terms or comment on a subject, usually giving your judgement about it.</i>
<i>Justify</i>	<i>Prove, make out a case or give reasons for decisions or conclusions, taking pains to be convincing.</i>
<i>List</i>	<i>As in 'enumerate', write an itemised series of concise statements.</i>
<i>Outline</i>	<i>Provide a framework describing under main point and subordinate points, omitting minor details and stressing the arrangement or classification of the material.</i>
<i>Prove</i>	<i>Establish that something is true by citing factual evidence or giving clear reasons.</i>
<i>Relate</i>	<i>Show how things are related to or connected with each other, or how one causes another, correlates with another, or is like another.</i>
<i>Review</i>	<i>Examine a subject critically, analysing and commenting on the important points and stages of development.</i>
<i>State</i>	<i>Present the main points in brief, clear sequences.</i>
<i>Summarise</i>	<i>Give the main points or facts in condensed form, omitting details and illustrations.</i>
<i>Trace</i>	<i>Describe in narrative form, progress, development or sequence of events from some point of origin.</i>

Western Zone Office



CARIBBEAN EXAMINATIONS COUNCIL®

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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

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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

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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

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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

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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

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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%

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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	\$ 50 000
	<u>\$ 350 000</u>

The return on capital invested is

- (A) $33\frac{1}{3}\%$
- (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

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

FORM – TP 02133020 CAPE/SPEC/2011

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**

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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 short comings 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>44 550</u>
		Creditors	
		Accrued Expenses	2 800
			<u>2 600</u>
			<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

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

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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</p> <p style="text-align: right;">(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</p> <p style="text-align: right;">(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>

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

(c) (ii)	<p>Strategic Objectives that a firm could pursue:</p> <ul style="list-style-type: none"> • Diversification <p>There are basically two types of diversification:</p> <p>Related diversification is simply to add products in the area of endeavour for example, a coffee company going into herbal tea; (1)</p> <p>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).</p> <ul style="list-style-type: none"> • New Product Development <p>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.</p> <ul style="list-style-type: none"> • New Market Development <p>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)</p> <p>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)</p> <p style="text-align: right;">Total 25 marks</p>
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MANAGEMENT OF BUSINESS
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	<p><u>Question 2</u></p> <p>Specific objective 6</p> <p>(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)</p> <p>Answer must include interdependence or equivalent (3 marks)</p> <p>(ii) Factor which contribute to the growth of globalization</p> <ul style="list-style-type: none">• 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) <p>Other factors</p> <ul style="list-style-type: none">• One world advocacy• Specialization in trade• Trade liberalization <p>Outlining THREE factors 2 marks each (6 marks)</p> <p>How globalization can impact organization in the Caribbean:</p>
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MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
2011 KEY AND MARK SCHEMES

(b)	<p style="text-align: center;">Positive impact</p> <ul style="list-style-type: none"> 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) <p>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)</p> <p>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.</p> <ul style="list-style-type: none"> 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) <p>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)</p> <ul style="list-style-type: none"> 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) <p>Technological innovations are accelerating the process of globalization making it possible for many products to be made practically anywhere at its cheapest.(1)</p> <p>The use of technology can speed up the flow of information making coordination and control easier and cheaper.(1)</p> <p>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)</p>
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MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
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	<p>Negative impact</p> <ul style="list-style-type: none"> • 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) <p>Other ways:</p> <ul style="list-style-type: none"> • 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. <p> 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) </p> <p style="text-align: right;">Total 25 marks</p>
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MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 2
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	<p><u>Question 3</u></p> <p>Specific objectives 1, 5</p> <p>Assumption:</p> <p>(a) (i) 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> <p>(ii) 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> <p>(b) (i) A participative leadership style is one which encourages participation in decision making (1)</p> <p>Defining participative leadership 1 mark (1 mark)</p> <p>(ii) 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>
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MANAGEMENT OF BUSINESS
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(c)	<p>Disadvantages of Participative leadership</p> <ul style="list-style-type: none"> • 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) <p>N.B. Candidates are required to develop points to a comprehensive discussion using appropriate example.</p> <p>Discussing TWO advantages 3 marks each (6 marks)</p> <p>Situations in which Participative leadership is useful/appropriate</p> <ul style="list-style-type: none"> • 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) <p>Outlining THREE situations 2 marks each (6 marks)</p> <p style="text-align: right;">Total 25 marks</p>
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	<p><u>Question 4</u></p> <p>Specific objective 8</p>
(a) (i)	<p>Reasons for organizational changes</p> <p>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>
(ii)	<p>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>
(b)	<p>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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(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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	<p><u>Question 5</u></p> <p>Specific objectives 8, 7</p> <p>(a) <u>Possible reasons for material price</u></p> <ul style="list-style-type: none"> • 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 <p>Stating THREE reasons for variance in material price 1 mark each (3 marks)</p> <p><u>Possible reasons for Material Usage</u></p> <ul style="list-style-type: none"> • 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 <p>Stating THREE reasons for material usage 1 mark each (3 marks)</p> <p><u>Possible reasons for labour rate</u></p> <ul style="list-style-type: none"> • 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 <p>Stating THREE reasons for variance in labour rate 1 mark each (3 marks)</p> <p>(b) Reason why it is important to prepare a budget</p> <ul style="list-style-type: none"> • 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.
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	<ul style="list-style-type: none"> • 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. <p>Outlining THREE reasons for preparing a budget 3 marks each (9 marks)</p>
(c)	<p>Reasons why some managers may not support budgeting</p> <ul style="list-style-type: none"> • 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. <p>Discussing TWO reasons 3 marks each (6 marks) Discretionary mark for well developed discussion (1 mark)</p> <p><u>Question 6</u></p> <p>Specific Objectives 6, 7</p>
(a) (i)	<p>Key difference between fixed and current assets</p> <p>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)</p> <p>Indicating TWO differences between current assets and fixed assets 2 marks each (4 marks)</p>

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(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> $\frac{\text{Total Current Assets} - \text{Inventory (Stock)}}{\text{Total Current Liabilities}}$ $\frac{19\,950 - 6\,400}{5\,400} \text{ or } \frac{8\,800 + 4\,750}{5\,400}$ $\frac{13\,550}{5\,400} \text{ or } \frac{13\,550}{5\,400} \quad (1)$ $= 2.509 = 2.509$ $= 2.51:1 = 2.51:1 \quad (1)$ <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> $\frac{\text{Net Profit}}{\text{Capital}}$ $\frac{5\,350}{30\,000} \times 100 \quad (1)$ $= 0.178 \times 100 = 17.8\%$ <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>

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(iii)	<p>Stock Turnover</p> $\frac{\text{Cost of Sales}}{\text{Average Stock (Inventory)}}$ $\frac{33\,600}{(8\,000 + 6\,400)/2} \quad (1)$ $\frac{33\,600}{14\,400/2}$ $\frac{33\,600}{7\,200}$ <p>= 4.67 times (1)</p> <p>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.</p>
(iv)	<p>Mark-up</p> $\frac{\text{Gross Profit}}{\text{Cost of Sales}}$ $\frac{7\,200}{33\,600} \times 100 \quad (1)$ <p>= 0.214 x 100 = 21.4% (1)</p> <p>The mark-up shows that the firm made 21 cents on each dollar as profit before expenses.(1)</p>
(v)	<p>Gearing ratio (debit to equity ratio)</p> $\frac{\text{Long Term Debt}}{\text{Average Equity}} \times 100 \text{ or } \frac{\text{Debt}}{\text{Equity}}$ $\frac{10\,000}{(30\,000 + 34\,550)/2} \times 100 \text{ or } \frac{10\,000}{30\,000} \times 100 \quad (1)$ $\frac{10\,000}{32\,275} = 0.3098 = 31\% \quad (1)$

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(vi)	<p>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)</p> <p>Net Profit Margin</p> $\frac{\text{Net Profit}}{\text{Sales}} \times 100 \quad (1)$ $\frac{5\,350}{40\,800} \times 100$ $= 0.131 \times 100$ $= 13.1\% \text{ or } 13\% \quad (1)$ <p>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)</p> <p>Showing the correct formula or selecting correct figures for each ratio 1 mark each (6 marks)</p> <p>Accurately computing each ratio 1 mark each (6 marks)</p> <p>Interpreting each result 1 mark each (6 marks)</p> <p style="text-align: right;">(Total 25 marks)</p>
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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**.

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

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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

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

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MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 03/2
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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>

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

SO	Suggested Response
(c)	<p>Negative impacts that human constraints and cultural constraints could have on 'Jewelry for him and her'</p> <p>(i) Human Resource constraints:</p> <p>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)</p> <p>(ii) Cultural constraints: taste in style and fashion may differ - (1) preference may be given to special pieces, demand according to season/occasion.(1)</p> <p style="text-align: center;">Stating TWO negative impacts that EACH of the following could have on 'Jewelry for him and her:</p> <p>(i) Human resource constraints 2 marks each (4 marks)</p> <p>(ii) Cultural constraints 2 marks each (4 marks)</p> <p style="text-align: right;">Total 20 marks</p>

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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>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)

MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 03/2
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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> 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>

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MANAGEMENT OF BUSINESS
UNIT 1 - PAPER 03/2
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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)

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

SO	Suggested Response
	<p><u>Question 3 cont'd</u></p> <ul style="list-style-type: none"> • 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. • 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 style="text-align: right;">Assessing each criterion 3 marks each (9 marks)</p>

Total 20 marks



**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.

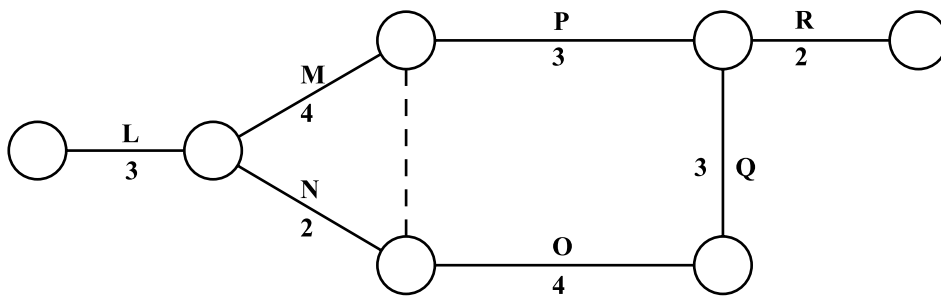
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1. At MKJ, production is organized so that different operations can be carried out, one after the other in a continuous sequence. What type of production system is MKJ using?
- (A) Job
(B) Flow
(C) Batch
(D) Project
2. Which of the following formulae 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
-

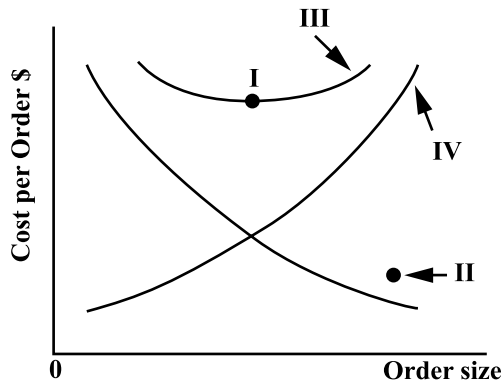
Items 11–13 refer to the diagram below.



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

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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

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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?

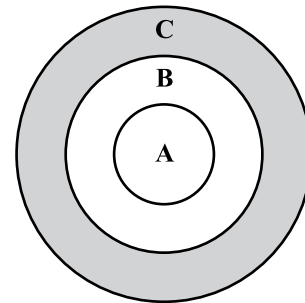
I. Bulletin board systems
II. Buy advertising on other sites
III. Include site on search engines

(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?

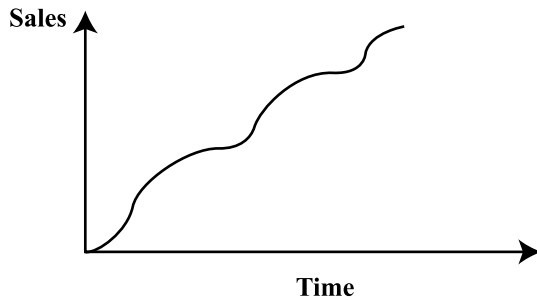
(A) Core
(B) Future
(C) Formal
(D) Augmented

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

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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 artiste 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

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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?

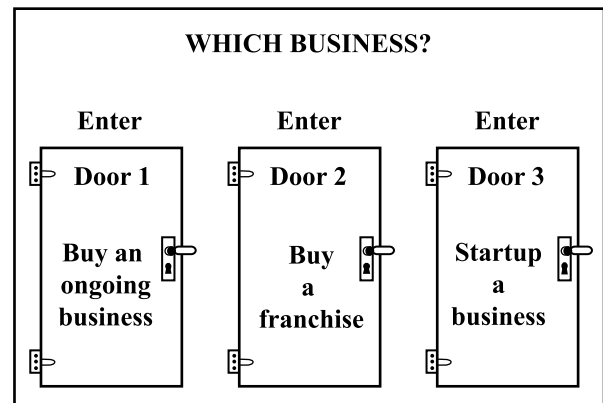
- I. Who should be employed
- II. How can liability be limited
- III. The management and control of the business
- IV. How much start-up capital is required

- (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

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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

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CARIBBEAN ADVANCED PROFICIENCY EXAMINATION

MANAGEMENT OF BUSINESS

UNIT 2, PAPER 01

MARK SCHEME

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**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

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**

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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 that are required for the firm to break even. (2 marks)
- (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)

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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

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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

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

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

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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

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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>
(c)	<p>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>

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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> <p style="text-align: right;">Total 25 marks</p>

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SO	Suggested Response
(b) (i)	<div data-bbox="375 398 1297 784" data-label="Figure"> </div> <div data-bbox="221 851 1497 1086" data-label="List-Group"> <ul style="list-style-type: none"> Correct labelling and axes (1 mark) Indicating- Breakeven point (1 mark) Sales (1 mark) Profits (1 mark) Losses (1 mark) Fixed cost variable (1 mark) Any five (5 marks) </div> <div data-bbox="92 1120 1513 1478" data-label="List-Group"> <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>(2 marks)</p> </div> <div data-bbox="92 1489 1513 1780" data-label="List-Group"> <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>(2 marks)</p> </div> <div data-bbox="100 1848 1477 1977" data-label="List-Group"> <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> </div>

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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> <p>(ii) 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>

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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>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>Stating TWO reasons why the marketing concept is BEST 2 marks each (4 marks)</p>

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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>

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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>

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SO	Suggested Response
(c)	<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>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>

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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.

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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>

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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

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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>

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SO	Suggested Response
	Total 25 marks

FORM – TP 02233032 SPEC/2011

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

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

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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>

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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)

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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]

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SO	Suggested Response
(a) (i)	<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>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>

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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> <p>(b) (i) 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> <p>(ii) 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>

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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>