



CANDIDATE SPEEDY NOTE!
 PRINT your name on the line below and return this booklet with your answer sheet. Failure to do so may result in disqualification.

TEST CODE **01240010**

MAY/JUNE 2019

FORM TP 2019108

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

**C A R I B B E A N S E C O N D A R Y E D U C A T I O N C E R T I F I C A T E ®
 E X A M I N A T I O N**

P R I N C I P L E S O F B U S I N E S S

P a p e r 0 1 – G e n e r a l P r o f i c i e n c y

1 hour 15 minutes

23 MAY 2019 (p.m.)

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This test consists of 60 items. You will have 1 hour and 15 minutes to answer them.
2. In addition to this test booklet, you should have an answer sheet.
3. 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.
4. On your answer sheet, find the number which corresponds to your item and shade the space having the same letter as the answer you have chosen. Look at the sample item below.

Sample Item

The money that a business receives from the sale of goods or services is called its

- (A) assets
- (B) capital
- (C) income
- (D) resources

Sample Answer



The best answer to this item is “income”, so (C) has been shaded.

5. If you want to change your answer, erase it completely before you fill in your new choice.
6. When you are told to begin, turn the page and work as quickly and as carefully as you can. If you cannot answer an item, go on to the next one. You may return to that item later.

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

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1. Which of the following types of business environments is MOST typical of the Commonwealth Caribbean?
 - (A) Corporate state
 - (B) Mixed economy**
 - (C) Centrally planned
 - (D) Perfectly competitive

2. Which of the following is NOT a function of money?
 - (A) Indivisibility**
 - (B) Store of value
 - (C) Measure of value
 - (D) Medium of exchange

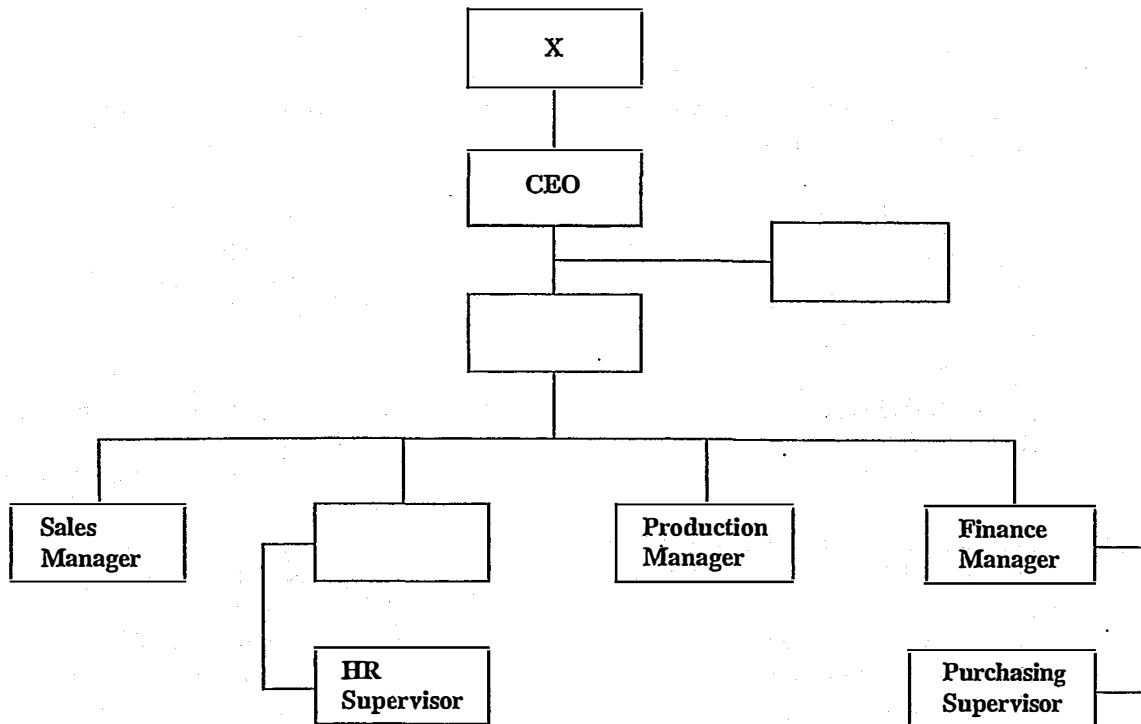
3. A MAJOR function of the public sector is to
 - (A) make a profit
 - (B) serve the entire population**
 - (C) serve the interests of the shareholder
 - (D) inspire competition among businesses

4. The legal responsibility of a sole proprietor to pay any money owed by the business is described as
 - (A) risk
 - (B) insurance
 - (C) limited liability
 - (D) unlimited liability**

5. Private enterprise is run MAINLY to
 - (A) create profits**
 - (B) reduce inflation
 - (C) distribute goods and services
 - (D) provide jobs for more people

6. Selecting the objectives and the procedures for achieving goals is referred to as
 - (A) planning**
 - (B) organizing
 - (C) controlling
 - (D) motivating

Item 7 refers to the following diagram relating to the structure of an organization.



7. Which of the following positions would be BEST suited at X?

- (A) Chief advisor
- (B) Board of directors**
- (C) Managing director
- (D) Human resource manager

8. Which of the following actions BEST describes an authoritarian leader?

- (A) Willing to take suggestions
- (B) Allowing workers to plan their own work
- (C) Making decisions without consultation**
- (D) Consulting stakeholders who will be affected by decisions

9. Which of the following actions demonstrate the characteristics of a good leader?

- I. Inspires workers
 - II. Delegates responsibilities
 - III. Makes intelligent decisions
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III**

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10. Which of the following are benefits of written communication?
- I. Instant feedback
 - II. Provides evidence
 - III. Useful for detailed messages
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
11. Under which of the following categories would subsidized meals for employees fall?
- (A) Fringe benefits
 - (B) Duty allowance
 - (C) Wages and salaries
 - (D) Workmen's compensation
12. Which of the following is a regulatory issue for the entrepreneur?
- (A) Using a credit card to transact business
 - (B) Offering hire purchase options to customers
 - (C) Paying national insurance to the government
 - (D) Advertising the business locally and regionally
13. Cash used to secure a loan at the bank is referred to as
- (A) collateral
 - (B) fixed assets
 - (C) current assets
 - (D) fixed deposits
14. The condensed version of the business plan is contained in the
- (A) feasibility plan
 - (B) marketing plan
 - (C) keynote summary
 - (D) executive summary
15. An analysis of the viability of a business idea and an examination of the different aspects of operating a business is known as a
- (A) business plan
 - (B) market survey
 - (C) feasibility study
 - (D) research proposal
16. An entrepreneur may reduce his risk of loss by
- (A) planning ahead
 - (B) securing bank loans
 - (C) sponsoring community projects
 - (D) purchasing additional fixed assets
- Item 17 refers to the following case.
- Melissa, a teenager, wanted to earn extra income, so she offered to wash cars for \$10. Miss Hinds brought her car to be washed. Melissa washed the car and Miss Hinds paid her \$15.
17. What type of contract is demonstrated in the case above?
- (A) Social
 - (B) Simple
 - (C) Business
 - (D) Specialty

18. A contract may be discharged by
- (A) breach
 - (B) change of mind
 - (C) inconsideration
 - (D) misappropriation
19. Which of the following factors prevent(s) an agreement from being considered a valid contract?
- (A) Consideration
 - (B) Legal purpose
 - (C) Misrepresentation
 - (D) Offer and acceptance
20. The monthly payments made to an insurance company by its policyholders are known as
- (A) deposits
 - (B) premiums
 - (C) instalments
 - (D) endowments
21. Which of the following conditions would constitute a linkage between two industries?
- (A) Two firms manufacture similar goods.
 - (B) One firm shares the use of machinery with another firm.
 - (C) Two firms are responsible for the manufacture of different kinds of goods.
 - (D) The output of one industry of the economy becomes the input of another industry.
22. Which of the following types of capital is used for the day-to-day operations of a business?
- (A) Fixed
 - (B) Floating
 - (C) Working
 - (D) Nominal
23. To which of the following industries does a firm involved in food processing belong?
- (A) Service
 - (B) Extractive
 - (C) Construction
 - (D) Manufacturing
24. Which of the following results is LEAST likely to occur from growth in an organization?
- (A) Greater productivity
 - (B) Greater division of labour
 - (C) Increased communication
 - (D) Increased capital investment
25. Productivity can be measured by
- (A) $\frac{\text{Inputs}}{\text{Outputs}}$
 - (B) $\frac{\text{Inputs}}{\text{Revenue}}$
 - (C) $\frac{\text{Revenue}}{\text{Outputs}}$
 - (D) $\frac{\text{Outputs}}{\text{Inputs}}$

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26. Which of the following businesses may BEST be classified as a cottage industry?
- (A) Mary's Craft Supplies, located at home
 - (B) JMN Superstore, located in a rural area
 - (C) Peter and John's company, located in Jamaica
 - (D) People's Cooperative Bank, located in Trinidad
27. The amount of labour available for productive activity is known as
- (A) employment
 - (B) labour force
 - (C) labour movement
 - (D) efficiency of labour
28. The BEST medium of advertising for an area with high vehicular traffic is
- (A) posters
 - (B) magazines
 - (C) newspapers
 - (D) point of sale displays
29. The term 'loss leader' is BEST described as a product which
- (A) has no real market value
 - (B) the retailer is unable to locate
 - (C) the retailer gives away to customers
 - (D) is sold cheaply to attract customers
30. Product, price, promotion and place are components of a
- (A) market study
 - (B) marketing mix
 - (C) market research
 - (D) sales promotion
31. A situation where a business gains editorial space without having to pay for it is called
- (A) publicity
 - (B) marketing
 - (C) advertising
 - (D) discounting
32. Which of the following is/are NOT a terms of sale?
- (A) Cash
 - (B) Credit
 - (C) Shares
 - (D) Hire purchase
33. Which of the following gives identity to a specific producer's goods?
- (A) Label
 - (B) Patent
 - (C) Brand
 - (D) Copyright
34. Which of the following factors is LEAST likely to influence consumer behaviour?
- (A) Product price
 - (B) Brand loyalty
 - (C) Quality of goods
 - (D) Place of residence
35. Which of the following documents shows ownership of imported goods?
- (A) Bill of lading
 - (B) Import licence
 - (C) Letter of credit
 - (D) Bill of exchange

36. John operates a shop in his community. He buys goods in bulk from a nearby supermarket and sells them in small quantities to his customers. John would be referred to as
- (A) an agent
 - (B) a broker
 - (C) a retailer
 - (D) a wholesaler
37. Investment can be defined as
- (A) the stock of goods of a country
 - (B) the amount of money available at a given time
 - (C) additions to the capital stock of a country
 - (D) the amount of capital owned by the government
38. Logistics in business is defined as
- (A) managing data from conception, production and storage to retrieval
 - (B) using all systems to move an idea from conception to production and then sales
 - (C) formulating a business idea, systematically gathering data, then following through with production
 - (D) managing resources from the point of acquisition, storage and transportation to their final destination
39. JB Auto Company decided to export car engines from Barbados to Trinidad. Which of the following methods is BEST suited for transporting the engines?
- (A) Air
 - (B) Sea
 - (C) Rail
 - (D) Road
40. A stock market is identified with
- (A) costs and prices
 - (B) risks and benefits
 - (C) rent and investment
 - (D) premium and reward
41. Which of the following is the final step in a supply chain operation?
- (A) Transformation of natural resources into finished products
 - (B) Movement to and storage of raw materials in the warehouse
 - (C) Processing of raw materials and components into finished goods
 - (D) Delivering the finished product from point of origin to point of destination

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42. A global positioning system (GPS) provides
- (A) firms with the capability to manage their inventories and reduce expenses
 - (B)** satellite tracking services that can be used in commercial and personal applications
 - (C) saving options to firms by increasing the efficiency of their management information systems
 - (D) simulation services to help designers avoid waste by creating models to assist manufacturers in making business decisions
43. Mr Jones has several bills of fixed amounts to pay each month. Mr Jones made an arrangement with his bank to make these monthly payments from his account. This service, provided by the bank, is referred to as
- (A) an overdraft
 - (B) a fixed deposit
 - (C)** a standing order
 - (D) a letter of credit
44. Which of the following forms of taxation can be classified as 'direct'?
- (A)** Income tax
 - (B) Excise duty
 - (C) Purchase tax
 - (D) Customs duty
45. A debenture holder is one who
- (A) is paid a fixed rate of interest if the company makes profits
 - (B) must be paid any amounts owing to him in the following year
 - (C) has first claim on any profits and is paid a fixed rate of dividends
 - (D)** is entitled to a fixed rate of interest whether or not the company makes profits
46. Governments offer subsidies to businesses to
- (A) increase the price of imported goods
 - (B) increase costs and ultimately prices
 - (C)** reduce costs and ultimately prices
 - (D) force them to pay corporation tax
47. One of the MAJOR functions of a central bank is to
- (A)** issue notes and coins
 - (B) issue stocks and shares
 - (C) accept deposit accounts
 - (D) make loans and advances
48. Which of the following is NOT a source of income for an individual who engages in personal budgeting?
- (A) Salaries earned
 - (B)** Loan repayment
 - (C) Interest from savings
 - (D) Dividends from investments

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49. The central bank is owned and controlled by the
- (A) government
 - (B) shareholders
 - (C) public sector
 - (D) country's citizens
50. Education contributes to economic growth by ensuring that the workforce is highly
- (A) mobile
 - (B) efficient
 - (C) classified
 - (D) structured
51. The success of a government's economic policies can be MOST effectively measured by
- (A) an increase in the level of policies
 - (B) an increase in the standard of living
 - (C) a decrease in the level of employment
 - (D) a decrease in the volume of production
52. Which of the following measures are used by governments to redistribute income?
- (A) Custom duties and levies
 - (B) Consumption tax and tariffs
 - (C) PAYE and national insurance
 - (D) Excise duties and value added tax
53. The buying and selling of goods and services among countries is called
- (A) balance of trade
 - (B) international trade
 - (C) balance of payments
 - (D) international marketing
54. Which of the following measures can be considered as incentives to industries?
- (A) Training employees
 - (B) Devaluing local currency
 - (C) Increasing corporation tax
 - (D) Increasing insurance premiums
55. The term 'economic dualism' defines an economy in which one sector is
- (A) highly dependent on local capital
 - (B) highly dependent on foreign capital
 - (C) overpopulated while the other is underpopulated
 - (D) technologically advanced while the other is technologically retarded
56. Which of the following measures are used to protect the environment?
- I. Recycling
 - II. Deforestation
 - III. Water conservation
- (A) I and II only
 - (B) I and III only
 - (C) II and III only
 - (D) I, II and III
57. The MAIN purpose of CARICOM is to
- (A) allow member states to collaborate
 - (B) foster interregional trade and common services
 - (C) encourage the transfer of technology within the region
 - (D) allow for the unrestricted movement of persons among the territories

58. A 'price control' may be defined as a
- (A) tax on goods and services
 - (B) government ban on imports
 - (C) grant given to producers to reduce their prices
 - (D)** government limit on the price of goods or services
59. Which of the following, when increased, would NOT contribute to the improved standard of living of a country?
- (A) Capital goods
 - (B) Disposable income
 - (C)** The country's population
 - (D) An investment in technology
60. Which of the following organizations would settle a dispute among banana-producing countries of the Caribbean and Central America over a preferential agreement with the European Union?
- (A)** World Trade Organization (WTO)
 - (B) Caribbean Development Bank (CDB)
 - (C) CARICOM Single Market and Economy (CSME)
 - (D) Organization of Petroleum Exporting Countries (OPEC)

END OF TEST

IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.