

CARIBBEAN EXAMINATIONS COUNCIL

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

MANAGEMENT OF BUSINESS

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GENERAL COMMENTS

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

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

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

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

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

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

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

UNIT 01

Management Principles and Processes

Unit 01 comprises three Modules:

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

Paper 01

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

Paper 02

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

Paper 03/1

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

Paper 03/2

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

DETAILED COMMENTS

UNIT 01

PAPER 01

Module 1: Business and Its Environment

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

Question 1

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

Question 2

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

Question 3

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

Question 4

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

Question 5

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

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

Module 2: Management of People

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

Question 6

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

Question 7

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

Question 8

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

Question 9

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

Question 10

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

Module 3: Business Finance and Accounting

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

Question 11

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

Question 12

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

Question 13

This question asked for a definition of stock exchange and then sought to determine whether candidates understood what type of companies traded on the stock exchange. The first part of the question was well done. However, candidates were somewhat confused between a public limited company and a public sector company.

To overcome problems of this nature schools must make comparing and contrasting related concepts part and parcel of the instructional design.

Question 14

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

Question 15

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

PAPER 02

Module 1: Business and Its Environment

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

Question 1

This question tested specific objective 8.

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

Question 2

This question tested specific objective 3.

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

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

Module 2: Management of People

Question 3

This question tested specific objectives 1 and 10.

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

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

Question 4

This question tested specific objective 6.

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

Module 3: Management of People

Question 5

This question tested specific objective 8.

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

UNIT 02

Application of Management

Unit 02 comprises three Modules:

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

Paper 01

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

Paper 02

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

Paper 03/1

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

Paper 03/2

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

Question 6

This question tested specific objective 9.

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

PAPER 03

Internal Assessment

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

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

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

UNIT 02

PAPER 01

Module 1: Production and Operations Management

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

Question 1

This question sought to test candidates’ understanding of the factors that influence

location, a major production decision. The question was attempted by all candidates. Overall, the question was well answered although some candidates adduced criteria which did not apply to the medical centre.

Question 2

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

Question 3

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

Question 4

This was another two part question, which addressed the concepts of modularization and miniaturization in their relation to product design. A reasonable number of candidates were able to offer a definition for miniaturization. However, they were not so successful with modularization. Modularization is the process of designing products or services in sections or components that can be easily replaced or used in other versions of the product. A computer is a good example of a modularized product. The monitor, CPU, hard drive and disk drives can be easily installed in different versions of the product or replaced without changes to the other modules. A dress on the other hand is not an acceptable example of modularization!

Question 5

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

Module 2: Fundamentals of Marketing

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

Question 6

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

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

Question 7

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

Question 8

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

Question 9

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

Question 10

For two marks, this question required candidates to outline two benefits of branding. Most candidates attempted

the question and provided good answers.

Module 3: Small Business Management

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

Question 11

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

Question 12

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

Question 13

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

Question 14

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

Question 15

The final question in this paper required candidates to outline two ways in which information technology might impact positively on a small business. It was answered

PAPER 02

Module 1: Production and Operations Management

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

Question 1

This question tested specific objectives 9, 10 and 11.

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

Question 2

This question tested specific objectives 7, 8 and 12.

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

Module 2: Fundamentals of Marketing

Question 3

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

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

Question 4

This question tested specific objective 7.

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

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Module 3: Small Business Management

Question 5

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

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

Question 6 This question tested specific objective 3.

A minority of candidates attempted this question which dealt with forecasting demand for an exclusive line of women’s dresses which the proprietor contemplated adding to her boutique’s portfolio. Part (a) of the question asked for five pieces of information which would be required to forecast the demand for this product. This part of

the question was well done. So also was part (b) which asked for three ways of obtaining the information in part (a). However, part (c) was not well done; candidates were unable to state three difficulties that may be encountered when forecasting in this type of market. Candidates' knowledge in the area of forecasting appears to be very limited. Schools need to make a greater effort to prepare and present this topic. Major aspects that should be covered include: definition of forecasting, importance of forecasting, methods of forecasting and of course difficulties in developing forecasts.

PAPER 03

Internal assessment

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

GENERAL COMMENTS

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

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

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