CARIBBEAN EXAMINATIONS COUNCIL

REPORT ON CANDIDATES' WORK IN THE
CARIBBEAN SECONDARY EDUCATION CERTIFICATE® EXAMINATION

JANUARY 2013

PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY EXAMINATION

GENERAL COMMENTS

This year a total of 4, 113 candidates registered for the Principles of Business General Proficiency examination. The examination is comprised of the following papers:

Paper 01 − Multiple Choice
Paper 02 − Essay Paper
Paper 032 − Alternative to School-Based Assessment (Private Candidates)

Paper 01 consists of 60 multiple-choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was commendable. The mean mark was 31.86. The standard deviation was 8.31. Approximately 58 per cent of the candidates scored at least 50 per cent of the available marks on this paper. No candidate achieved the maximum available mark. The highest mark was 54 out of 60.

Paper 02 comprises two sections. Candidates were required to answer three compulsory questions in Section I and two of four optional questions, one from Section II and one from Section III. The mean mark for this paper was 52.03 out of 100. The standard deviation was 15.21. The marks ranged from 0 to 96. Approximately 57 per cent of the candidates scored at least 50 per cent of the available marks on this paper.

Paper 032 is an examination offered to private candidates. Candidates were required to respond to questions based on a business plan using a given template.

The overall performance on this paper continues to show improvement. The mean mark was 23.80 out of 40. The standard deviation was 6.97. The maximum marked achieved was 39 out of 40. Approximately 78 per cent of the candidates scored at least 50 per cent of the maximum available mark on this paper.

DETAILED COMMENTS
Paper 02 − Essay

Question 1

This question tested candidates' knowledge of business, including why individuals start their own business. The question was attempted by 99 per cent of the candidates. It was generally well done, with 21 candidates achieving the maximum mark. The most challenging part of the question was Part (d). The mean mark was 11.39 out of 20 (56.95 per cent). The standard deviation was 3.66.

In Part (a), candidates were required to define the term *enterprise* and identify four stakeholders of a business. Overall, this part was well done with most candidates scoring at least three of the six available marks. In Part (a) (i), the weaker responses defined an enterprise as some sort of organization selling goods and services. These responses gained one mark. The better responses defined an enterprise as *a business organization or unit of economic organization with the entrepreneurial risk-taking function.* These responses gained two marks. In Part (a) (ii), the majority of candidates was able to identify four stakeholders of a business as *owners, investors, employees, bankers, suppliers, government* etc. and earned four marks.

In Part (b), candidates were required to state four reasons for starting a business. This section was well done with strong responses referring to *creation of employment, utilization of skills or talents, generation of extra income, investing money, being one's own boss* and *self-actualization.*

In Part (c), candidates were required to outline the contribution of businesses to the development of their communities. Most candidates earned the maximum available mark with good responses including *sponsorship, internship, employment, training and development, infrastructure* and *the introduction of new technologies* as the main contributors to the development of communities.

Part (d) required candidates to distinguish between a *co-operative* and a *company* giving one example of each. The performance of candidates in this section was the weakest with the average score being two out of six marks. Candidates were unable to distinguish between the two forms of business organizations.

Expected responses for a co-operative should have included that *it is a business formed by groups of producers or users or services with similar interests and objectives*. A company should have been defined as *a type of business organization which has a separate legal entity*. Some examples of co-operatives included *fisheries co-operatives, cane farmers co-operatives, oil miners' co-operatives, citrus growers' co-operatives* and *credit unions*. Examples of companies include LIME, the Coca-Cola Company, Scotia Bank Ltd, and any other example of a company with a Ltd or Plc.

The following are suggested responses to Question 1:

(a) (i) Enterprise refers to the entrepreneurial ability to organize the factors of production and take risks by investing capital while establishing a business organization to produce and/or supply goods and services.

(ii) Stakeholders of a business include the

- employees
- consumers or customers
- owners/employers
- investors/banks
- government
- society or community.

(b) Reasons for starting a business include to

- be your own boss
- create employment
- provide goods and services
- make a profit
- display innate talents and abilities.

(c) Ways in which businesses contribute to the development of communities include

- providing financial sponsorships for events, individuals or groups, for example, school sporting activities
- generating employment for citizens in the surrounding areas which helps to reduce unemployment and generate income for both workers and business owners.

(d) A co-operative is a business organization formed in the interest of its members with common objectives designed to promote their welfare, for example, farmers' co-operatives, citrus growers' co-operatives, taxi drivers' associations or credit unions.

A company is a business entity which has a separate legal entity from its owners; it is incorporated with limited liability, for example, Scotia Bank Ltd., LIME Ltd, Digicel Ltd or Nestlé Ltd.

Recommendations

- Teachers ought to emphasize clear distinctions between the different forms of business units and their characteristics so that students can avoid confusing all business units as companies for example, sole trader company, partnership company etc.

- Special emphasis should be placed on co-operatives/credit unions, trade unions and corporations. Clear distinction also needs to be made between co-operatives and regional corporations.

<u>Question 2</u>

This question tested candidates' knowledge of organizational charts, functions of the general manager, sources of conflict within an organization, benefits of teamwork, and the use of text messages and office memos to communicate with employees of a business. The question was attempted by 98 per cent of the candidates.

The question was generally well done with 95 candidates achieving the maximum mark. The most challenging part of the question was Part (d). The mean mark was 13.68 out of 20 (68.40 per cent). The standard deviation was 3.81.

Part (a) (i) required candidates to draw an organizational chart for a business that provides marketing services to the public. A few candidates were able to draw the diagram correctly, reflecting candidates' limited understanding of the case study (stimulus material) provided. Some candidates actually drew a graph on graph paper.

Part (a) (ii) required candidates to identify two functions of the general manager. This part of the question was well done by most candidates, and they were able to earn the maximum two marks.

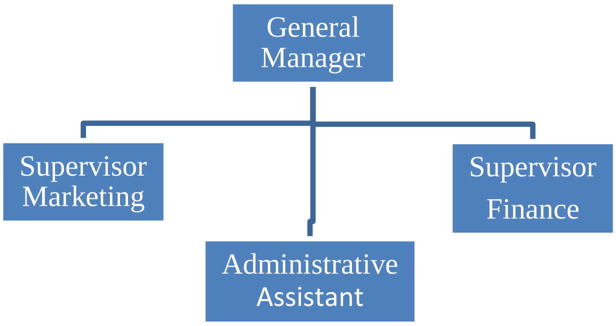
Part (b) required candidates to describe two possible sources of conflict within an organization. This part of the question was fairly well done.

Part (c) required candidates to outline two benefits of teamwork to a business. Most candidates responded well to this part of the question and so were able to earn the maximum four marks.

In Part (d), candidates were required to discuss one way in which the business can use text messages and office memos to communicate with employees. This section presented the greatest challenge for candidates. The majority of them gave poor responses. Many candidates seemed not to know what an *office memo* is. They misinterpreted it as an electronic device with verbal usage, as opposed to a written message.

The following are suggested responses to Question 2.

(a) (i) Organizational Chart



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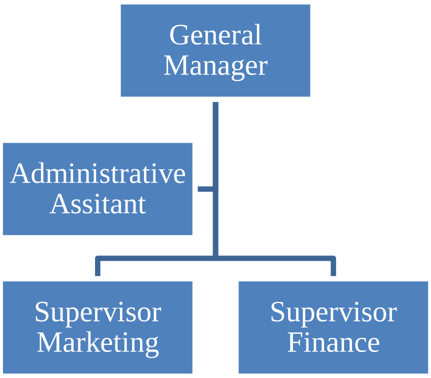

(a) (ii) Functions of the general manager:

- Planning
- Organizing
- Leading
- Controlling
- Coordinating
- Managing Human Resource
- Motivation

(b) Sources of conflict in organizations:

- Roles not clearly defined no clear job description; hence, employees are being required to perform arbitrary tasks.
- Administrative assistant answering to more than one boss. This creates confusion as each boss may have different expectations, hence, what pleases one boss may not necessarily please the other.
- Salaries not commensurate with responsibility. Persons are expected to engage in tasks that are outside their job description and are not being compensated adequately.
- Communication not clear or timely. Information necessary for performance tasks is not made available in a timely manner.
- Employees not working as a team, instead each trying to get ahead of his/her colleagues.

(c) Benefits of teamwork to a business:

- Pooling of resources, ideas and expertise results in better decision making.
- Increase in productivity as each person can perform the task that he/she is better at.
- Fosters feeling of belongingness. People generally feel more self-worth when they are allowed to contribute towards a common goal and are recognized for it.
- Motivation of workers. Employees are motivated to give of their best when their efforts are appreciated and they feel like they belong to the team.

(d) (i) How business can use text messages to communicate with employees:

Text messages can be used to send messages directly to employees at any time of the week. They give managers easy access to employees. Text messaging is one of the most popular and more affordable means of communicating.

(ii) How the business can use office memos to communicate with employees:

Office memos allow managers to provide more detailed information to employees and can reach all employees at no real cost to the business. They provide food for thought and discussions among employees. Unless memos are sent by email the time it takes to be received is delayed compared to a text message.

Recommendations

- Students should be taught to read the stimulus materials carefully when answering questions, in particular when the questions that follow ask them to refer to the information from the case study in their response.
- Students should be taught the meaning of an *office memo* so that they do not misinterpret and engage in an inappropriate discussion.
- Students should also know the differences between verb cues such as *draw, identify, describe, outline* and *discuss* with reference to the case study.
- Teachers should provide students with the opportunity to practise answering more CSEC type questions that consist of stimulus materials. This would help them to become more familiar with the expectations of the questions, particularly when making references is required.

Question 3

This question tested candidates' knowledge of pricing and selling techniques. It was attempted by 99 per cent of the candidates.

The question was satisfactorily done. Eleven candidates achieved the maximum mark. Part (b) was the most challenging part of the question. The mean mark was 9.86 out of 20 (49.30 per cent). The standard deviation was 3.74.

Part (a) required candidates to state four characteristics of a good salesperson. This part of the question was well done. Many candidates achieved the maximum available marks.

Part (b) required candidates to explain *cost plus pricing* and *penetration pricing*. This question was not well done. In Part (b) (i), many did not understand *cost plus pricing* as a method of pricing goods and failed to achieve the maximum marks. There were however a few excellent answers. For Part (b) (ii), the responses given for *penetration pricing* were largely inaccurate. Very few candidates understood that this method is used by firms to capture market share.

Part (c) tested candidates' knowledge of terms of sale: *cash discount*, *trade discount* and *hire purchase*. This part of the question was generally attempted by all candidates. In Part (c) (i), some candidates demonstrated some understanding of a *cash discount* but were unable to articulate it well.

For Part (c) (ii), the term *trade discount* proved very challenging for the majority of candidates. Some understood that it was *a discount given for bulk buying* but did not reinforce that it was *used to increase sales to wholesalers and retailers.*

In Part (c) (iii), the responses given for *hire purchase* were accurate.

Part (d) tested candidates' knowledge of insurance, personal selling and advertising.

For Part (d) (i), *Personal selling* was well understood and well articulated by the majority of candidates; however, many of them failed to show how it would increase the sale of insurance products and as a result were unable to gain the maximum mark.

Part (d) (ii) which tested candidates' knowledge of a*dvertising* was well done. They were able to provide examples and justify how it could be used in the sale of insurance.

The following are suggested responses for Question 3.

(a) Four characteristics of a good salesperson are:

- good knowledge of the product
- aware of competitors' products in order to make fair comparisons
- must be people oriented
- must have good communication skills

(b) The following are sales techniques used by firms:

(i) Cost plus pricing – adding a mark-up on the product in accordance based on the amount of profit that the business wants to be made on the product.

(ii) Penetration pricing – an introductory price to draw customers to the store and gain market share.

(c) (i) Cash Discount – *a sum of money that is deducted from the original selling price of the product*.

(ii) Trade Discount – a discount given to merchants who purchase goods in bulk for resale.

(iii) Hire Purchase – allowing customers to purchase items on certain 'terms', paying a sum every month; customers are able to use the product while paying for it. The customer becomes the owner on the payment of the last installment.

(d) (i) Personal Selling – salespersons can try to motivate persons interested in buying products by talking to them and also by giving them advice on the product. Personal selling allows the salesperson to speak one-on-one with the customers thereby enabling them to be fully educated on the insurance product. This will increase sales as customers would be aware of what to expect.

(ii) Advertising – this will increase the sales of insurance products by persuading buyers to buy the product and also help to make buyers think the product is great. The forms of advertising can be billboards, television, the Internet, radio and newspapers. Advertisements give buyers a visual representation of the product making them attracted to the product.

Recommendation

It is recommended that teachers use real-life examples of new products being introduced in stores especially grocery/supermarkets in the classroom to reinforce the terms in Parts (a) and (b).

<u>Question 4</u>

This question was attempted by approximately 68 per cent of the candidates. It tested candidates' knowledge of business, including backward and forward linkages. Performance on this question was fair. The mean mark was 10.62 out of 20 (53.10 per cent). The standard deviation was 3.66.

In Part (a), candidates were required to identify four factors that would determine the location of a business. Part (b) required them to determine how forward and backward linkages could be used to facilitate business growth, while Part (c) required them to outline two advantages and one disadvantage of using technology in production. In Part (d), candidates were required to discuss one positive and one negative effect of expanding a business.

Part (a) was well done by the majority of candidates. In Part (b), the majority of candidates failed to make a clear distinction between the terms *backward* and *forward linkages*. Some candidates attempted to use examples to help explain the concepts but, in most cases, the examples were unrelated to the given concepts. Many candidates were unable to give a clear distinction between *backward linkages* and *forward linkages*. Only about 45 per cent of the candidates succeeded in making the distinction.

In Part (c), candidates displayed familiarity with the use of technology in production. This part of the question was generally well done. About 70 per cent of the candidates gave acceptable responses. They however fell short in developing the points identified. In approximately 30 per cent of the cases, references were made to the use of technology in areas other than production.

In Part (d), only about fifty per cent of the candidates were able to put forward convincing discussions on the negative and positive effects of Ravi expanding his business. The other 50 per cent simply stated a negative or positive effect.

The following are suggested responses for Question 4.

(a) Four factors that influence the location of business are:

- Location of the target market
- Access to raw material needed to produce the product
- Access to adequate labour supply in the area to work in the business
- Access to infrastructure such as factory shells and other social amenities

(b) Types of linkages that Ravi can develop to ensure the growth of his business are:

- He could have backward linkages with firms producing raw materials so there is no interruption in production. He would link with firms producing milk, sugar, plastic wrappers so he could receive a steady supply of these raw materials.
- He could also have forward linkages with markets to ensure that his finished products are sold. He would link to retail outlets such as supermarkets, corner shops, convenience stores and ice-cream vendors to ensure that he gets sales.

(c) Two advantages of using technology in production are:

- Technology will allow for the production process to be improved and it is likely that the quality of the product may also improve.

- Mechanization and automation would allow for the use of efficient equipment which would result in more goods being produced, therefore the use of technology would result in increased production of his product.

One disadvantage of using technology in production is:

- Since the use of technology in the production process is highly capital intensive, it could result in the laying off and displacement of workers.

Recommendations

Teachers should help students distinguish between key verbs such as *identify* and *discuss* as they require different levels of engagement with the given concepts.

Candidates must be guided by the marks allocated to questions. This should clue them to the level of response that is required.

Teachers should expose students to more contact hours on this topic, specifically backward and forward linkages through the use of practical examples, as they displayed confusion over the terms in their responses.

Question 5

This question tested candidates' knowledge of consumers and market. The question was attempted by approximately 32 per cent of the candidates. Performance on this question was less than satisfactory. The mean mark was 8.86 out of 20 (44.30 per cent). The standard deviation was 4.59.

Part (a) required candidates to define the term *target market* and give two examples of the target market for a particular product. This part of the question was well done my most candidates.

In Part (b), candidates were required to describe three factors that would influence consumer demand for the product and state one advantage and one disadvantage of using both questionnaires and interviews to gather information. Only a minority of candidates were able to secure the maximum available mark as their responses merely identified the factors and did not go on to describe them. At least 45 per cent of the responses explained why people needed the product as opposed to what would motivate them to purchase the product.

In Part (c), candidates were required to state one advantage and one disadvantage of using questionnaires and interviews to conduct research. Candidates demonstrated satisfactory understanding of these concepts. In their responses, approximately 20 per cent did not clearly identify which advantage pertained to the questionnaire and which applied to the interview. Similarly, this occurred in responding to the disadvantage of using the questionnaire and the interview.

Part (d) required candidates to identify two consumer protection agencies and explain how each works to protect the interest of the customers. In about 50 per cent of the cases where candidates correctly identified an agency, the average candidate did not adequately explain how the agency works to protect the interest of the consumer. Additionally, in approximately 40 per cent of the responses, candidates cited employee as opposed to consumer protectionism strategies.

The following are suggested responses for Question 5.

(a) A target market is a particular group of customers at which the firm decides to aim its marketing efforts and its merchandise. Two examples of possible target markets for Shiva are tourists visiting the country and males who spend a great deal of time outdoors.

(b) Three factors that are likely to influence consumers' demand for sun block face cream are:

- The price of the product — the lower the price and more affordable the product, the greater would be the desire to purchase this sun block.
- Customers want value for money; therefore, if customers have to pay too much for too small quantities they could reject the product.
- If the packaging is not attractive, this could turn off potential customers. This is one reason why firms spend a great deal of resources developing their packages because this is what the customer sees first.

(c) Advantages of questionnaires and interviews:

- One advantage of questionnaires is that they are less time consuming to administer.
- One advantage of interviews is that if the interviewer is skilful, then he/she can get a lot of important information from individuals.

Disadvantages of questionnaires and interviews:

- One disadvantage of questionnaires is that individuals are not fond of responding to questionnaires so there may be a high incidence of non-response
- One disadvantage of interviews is that individuals may be reluctant to tell the truth about their feelings.

(d) Two consumer protection agencies that are responsible for protecting the interests of consumers are:

- The Bureau of Standards — this is an agency of the government. One of its primary roles is to facilitate trade and to protect consumers. The Standards Act gives the Bureau the permission to develop and promote standards for improving goods and services in order to encourage the development of industries as well as to ensure the health and safety of consumers and the protection of the environment.

- The Consumer Affairs Commission — this agency of the government was set up to protect the rights of consumers. Its primary aim is to educate both business people and consumers so there is a reduction in the number of complaints. The Commission listens to both parties to get all the facts. If the firm is at fault then they will use moral suasion to get the firm to compensate consumers and to improve its product.

Recommendations

Candidates must be able to distinguish among the terms: *describe*, *discuss, suggest* and *explain*. They should use the mark allocation as a guide regarding the depth of response required by questions.

Teachers should provide ample opportunities for practice in the application of key terms, such as those used in this question. Candidates need to be familiar with the various consumer protection agencies; and their rights as consumers.

Question 6

This question tested candidates' knowledge of the role of governments in the Caribbean. Approximately 95 per cent of the candidates attempted this question.

Part (a) (i) required candidates to identify two sources of government revenue, other than taxes. This was well done by the majority of candidates. Weaker candidates ignored that part of the question which required them to identify sources of governments' revenue apart from taxes.

Part (a) (ii) required candidates to state two ways in which governments use the money collected from taxation. The majority of candidates showed a working knowledge of governments' use of tax revenues.

Part (a) (iii) required candidates to list two examples of direct and indirect taxes. Candidates generally identified examples of taxes but they could not identify to which category of taxes their examples belonged. Weaker candidates gave definitions rather than examples of both types of taxes.

Part (b) (i) required candidates to state two essential services for which governments are responsible. The majority of candidates demonstrated a clear understanding of the concept of essential services. In Part (b) (ii), candidates were required to outline two ways in which governments in the Caribbean attempt to regulate business activities. This part of the question was not well done. Those candidates who attempted this part of the question could not identify a regulatory policy and so gave as responses measures to assist.

Part (c) (i) required candidates to discuss one effect of an increase in sales tax on (i) households and (ii) businesses. This part of the question proved very challenging for the majority of candidates. Based on the responses, it was evident that candidates misinterpreted the term *households* and so responded by stating how taxes affected housing. However, Part (c) (ii) was well done as most responses recognized the impact of sales taxes on prices: although candidates could not go beyond this to discuss further effects.

The following are suggested responses for Question 6.

(a) (i) Two sources, apart from taxes, from which government obtain revenue:

Governments obtain revenue from the sale of exports as well as from the selling of bonds and treasury bills to both locals and foreigners.

(ii) Ways in which governments use the money collected from taxation:

Revenue from taxation may be used to pay the wages and salaries of public sector workers. Additionally, the tax revenue is used to provide roads, bridges, airports and hospitals for citizens.

(iii) Examples of direct and indirect taxes:

a) Direct tax − Income tax

b) Indirect tax − value added tax

(b) (i) Essential services for which governments are responsible:

Government is responsible for the provision of education and housing.

(ii) Ways in which governments in the Caribbean attempt to regulate business activities:

In the Caribbean, governments regulate business activities by setting price controls such as a price ceiling so that consumers will not be subject to high prices for certain essential commodities. They also pass legislation such as occupational health and safety regulations to ensure that workers function within a safe working environment.

(c) (i) Effects of an increase in sales tax on households:

A sales tax causes the price of a product to rise by the amount of the tax. Households will now face higher prices with the same amount of income and so they will be forced to purchase less of goods. This can cause them to have lower standards of living.

(ii) Effects of an increase in sales tax on businesses:

Businesses will face an increase in the price of inputs such as raw materials. This increase in the costs of production will cause businesses to increase the price of the products that will lead to consumers purchasing, resulting in a fall in sales.

Recommendations

Teachers can use simple business scenarios to teach taxes. They can also use word puzzles and word games based on Principles of Business.

The use of excerpts of current budget speeches and calypso or other Caribbean music relevant to these aspects of the syllabus are also recommended.

Question 7

This question tested candidates' knowledge of global trade in general, and specifically the components of balance of payments and measures used to address adverse balance of payments.

Approximately 10 per cent of candidates attempted this question, with 20 per cent giving satisfactory responses.

Part (a) (i) required candidates to define the terms *balance of payments* and *balance of trade*. This part of the question was poorly done. Responses reflected a lack of knowledge of the concept of *balance of payments*. Some candidates focused on the term 'balance' alone.

Part (a) (ii) required candidates to describe aspects of the balance of payments accounts: the current account, capital account and official financing. Like Part (a) (i), this part of the question was poorly done by the majority of candidates. Accounting interpretation was incorporated in responses for terms such as *current account, capital account*; *official financing* was linked to final payments.

Part (b) required candidates to outline two ways in which a country can finance a balance of payments deficit. Approximately 80 per cent of candidates gained less than two of the four available marks. Responses focused on terms of payment as well as on how a balance of payment problem can be corrected.

In Part (c), candidates were required to discuss how a country might use (i) devaluation and (ii) import quotas to deal with balance of payments problems. Only 20 per cent of the candidates gave satisfactory responses.

The following are suggested responses to Question 7.

Definition of balance of payments and balance of trade:

(a) (i) a) *Balance of payments* is a record of all transactions between the residents of a country and the rest of the world during a year.

(a) (i) b) *Balance of trade* is the difference between exports and imports of goods and services in the current account.

Components of a country's balance of payment accounts:

(ii) a) The current account consists of the balance of trade, the balance of invisibles, net property income received from and paid abroad as well as transfers.

b) The capital account includes the flows of long and short-term movements of capital into and out of a country. This includes both private and official flows of money.

c) The official financing shows how the balance of payments is financed such as by borrowing from foreign institutions such as the International Monetary Fund (IMF).

Ways in which a country can finance a balance of payment deficit:

(a) A balance of payments deficit can be financed by borrowing from international financial institutions such as the IMF. Also, the country can draw on its foreign currency reserves built up during periods of surplus on the current and capital accounts.

How a country might use devaluation to deal with balance of payment problems:

(b) (i) Devaluation causes the value of a country's currency to be reduced so that the price of its exports becomes cheaper and as such foreigners will demand more of its exports. On the other hand, the price of imports becomes expensive to locals who would demand less of them. This will improve the balance of payments deficit.

How a country use import quotas to deal with balance of payment problems:

(ii) Import quotas are limits placed on the quantity of certain goods imported into a country. This results in the level and volume of imports allowed into that country to be reduced thus conserving foreign currency, which would be needed to pay for these imports. This can cause the balance of payments to improve, because less currency will be used to pay for the imported goods on quota.

Recommendation

Teachers can incorporate the use of financial publications that would reinforce concepts in this module.

Paper 032 − Alternative to School-Based Assessment

For Paper 032, candidates were given a case study and a template for a business plan, and were required to complete the business plan by answering 15 questions. Questions 1−3 dealt with the operational plan, 4−12 covered the marketing aspect, and 13−15 focused on the financial aspect.

Profile1: Operational Plan

Question 1

In Part (a), candidates were required to identify the type of business. The question was generally well done, with a minority misinterpreting the question to mean 'nature of the business'.

For Part (b), candidates were required to name the form of business organization. Approximately 70 per cent of the responses were correct.

Question 2

For Part (a) (i), candidates were required to identify the management function that the entrepreneur performs when she conducts a feasibility study. The majority of candidates correctly identified *planning.* However, some candidates indicated feasibility study.

In Part (a) (ii), candidates were required to identify the management function that the entrepreneur performs when she puts together the material and human resources needed by the business. *Organizing* was correctly identified by a minority of candidates.

Part (b) required candidates to state one way in which JayDell attempted to satisfy her customers' needs. This was well done with responses ranging from the expansion of the business' operations to weekend, after school and evening classes for the convenience of the working public.

<u>Question 3</u>

In Part (a), candidates were required to identify one likely source, other than private tuition, from which the entrepreneur may have obtained capital to start the business. This was done quite well.

Part (b) required candidates to outline one reason why JayDell may have conducted a feasibility study. The majority of candidates gave acceptable responses.

In Part (c), candidates were required to state two advantages of personal interviews. More than 50 per cent either stated the purpose of data collection in general or discussed the interviewing of prospective teachers for the business.

Profile 2: Marketing Plan

<u>Question 4</u>

Candidates were required to list two methods of data collection which JayDell may have used when undertaking the feasibility study. This was poorly done by the majority of candidates.

<u>Question 5</u>

Candidates were required to identify two groups of persons which JayDell plans to target.

<u>Question 6</u>

In Part (a), candidates were required to identify two competitors that JayDell is likely to encounter if she moves to the proposed location.

For Part (b), candidates were required to state two advantages which JayDell is likely to have over her competitors.

<u>Question 7</u>

Candidates were required to state two advantages of the proposed location. Performance on this question was fair.

<u>Question 8</u>

Candidates were required to suggest two possible factors that could affect the success of Family Enrichment Services Ltd (FES). This question was poorly done.

Question 9

Candidates were required to outline one way in which *quality of service* and *cost of service* may influence the decisions of customers to attend classes at FES. These two parts of the question were poorly done by the majority of candidates.

Question 10

Candidates were required to state one feature which characterizes the pricing strategies planned by FES. Most candidates were able to state one feature.

Question 11

Candidates were required to list three methods which FES can use to promote its services. This was well done.

Question 12

Candidates were required to explain why the methods of packaging the services offered by FES would appeal to customers. This question was well done.

Profile 3: Financial Plan

Question 13

In Part (a), candidates were required to identify two sources from which JayDell can obtain capital for her proposed expansion. The majority of candidates correctly identified two sources of capital for the proposed expansion.

Part (b) required candidates to list two forms of collateral that JayDell can use to secure funding for her proposed expansion. The majority of candidates scored well with the less successful candidates putting forward 'house' as a collateral for the proposed expansion, probably still viewing the entrepreneur as a sole trader that can use his/her private dwelling as security/collateral.

Question 14

For Part (a), candidates were required to state two ways in which FES can contribute to the growth and development of the economy. Most candidates gained the maximum mark for this question.

In Part (b), candidates were required to identify two government regulations to which the business must adhere. Most candidates successfully identified two government regulations.

Question 15

Candidates were required to write an overview of the business, including the three sections of the business plan. This was poorly done. The majority of candidates scored one of the two allotted marks. Some candidates failed to identify even one aspect of each profile related to the case.

The following are suggested responses to Paper 032.

Profile 1: Operational Plan

Question 1

(a) Type of business JayDell operated before forming FES:
Sole trader

(b) Form of business organization
Private limited company

Question 2

(a) Management Functions:

(i) Planning is the management function that the entrepreneur performs when she conducts a feasibility study.

(ii) Organizing is the management function that the entrepreneur performs when she puts together the material and human resources needed by the business.

(b) The ways in which the entrepreneur has attempted to satisfy the needs of her customers are:
- By expanding her business
- By making the physical environment more spacious
- Offering classes on weekends, after school and evenings for the convenience of the working public.

Question 3

(a) Sources of capital to start her business are:
- Personal savings
- Bank loans
- Credit union loans and loans from other financial institutions
- Family loans

(b) Reasons why the entrepreneur may have conducted a feasibility study include:
- To assess prospective employees
- To ascertain the needs of the targeted area
- To get an accurate assessment of the practicality of the proposal.

(c) Advantages of personal interviews are:
- Responses are immediate
- Responses can be explained and clarified
- Respondents are less likely to lie
- Interviews allow open ended responses and elicit more detailed information.

Profile 2: Marketing Plan

Question 4

Methods of data collection:

- Surveys
- Observation
- Questionnaires
- Websites
- Suggestion box

Question 5

Target market includes:

- Preschool to primary and secondary school children
- Adults who wish to continue their education
- Parents and guardians who require custodial care for their children
- Taxi drivers
- Teachers
- Ministry of Education and Ministry of Finance making recommendations

Question 6

(a) Two prospective competitors:
  - Schools in the area
  - Competitors with lower prices and/or customer satisfaction
  - Operators of shuttle services
  - Owners of day care services

(b) Two advantages over competitors:
  - Variety of programmes offered
  - Personalized care for children, for example, pickup and drop off
  - She targets more than one group
  - Her existing clients pose as a ready pool
  - Competitive rates such as family offers

Question 7

Advantages of the proposed location of the business:

- Location is well served by public transportation and so there would be no difficulty in reaching it.
- Building itself is an asset.
- A supermarket is nearby which would make attending classes more convenient especially for adults or after-school customers who need to purchase snacks.

Question 8

Two possible factors operating in the industry for after-school services that could affect success:

- More and more operators are beginning to offer opportunities for citizens to upgrade skills.
- More children/students engage in extracurricular activities
- Noise pollution

- Government and community-based programmes of continuing education are on the increase.

Question 9

(a) How the quality of service may influence the decision of consumers to attend classes at FES:
  - Word of mouth reports from satisfied clients attest to the high quality of the programmes offered.

(b) How the cost of service may influence the decision of consumers to attend classes at FES:
  - The attention JayDell has paid to catering to family needs by arranging special packages makes her services affordable to all income earners.

Question 10

One feature which characterizes the pricing strategy used:

- Penetration pricing
- Demand for the services in terms of prices
- Favourable prices
- Lower prices

Question 11

Three promotional strategies:

- Security for clients
- Individual attention
- Branding
- Sales promotion
- Favourable prices
- Flyers
- Distributing leaflets
- Advertising using local media
- Using social networks on the internet

Question 12

Explain why the methods of packaging FES's services will most likely appeal to customers:

- Variety
- Family rate
- New clean environment
- It offers the opportunity to combine educational services with a range of other services (for example, after school pick up, custodial care).

Profile 3: Financial Plan

Question 13

(a) Sources of capital for the proposed expansion:
- Banks, credit unions and other financial institutions.
- Shares
- Debentures

(b) Two forms of collateral for the proposed expansion:
- Land and building
- Insurance policies
- Investments
- Certificates of deposit
- Shares

Question 14

(a) Contributions to the growth and development of the economy:
- Taxes can be used to finance developments in housing, education and health
- Increased production leads to increases national income/GDP and further growth
- More persons will be employed and earn more income
- Providing training for school leavers in areas for which there is a shortage of qualified personnel
- Re-tooling opportunities are offered for retrenched workers.

(b) Government regulations to which the business must adhere:
- Taxation
- NIS contributions
- Health and safety
- Qualified staff
- Pertinent licence

Question 15

Executive summary: Family Enrichment Services Limited is a limited liability company that has evolved from a sole proprietorship. The objective of this business is to continue providing classes for adults and children in various areas of academic development. It offers product diversity and is able to offer programmes at times that are convenient to the target population at attractive prices. It adheres to government regulations and is assured of securing the capital needed for incorporation.

Recommendations

It is strongly recommended that candidates familiarize themselves with the structure of Paper 032. Additionally, they should get more acquainted with the components of the business plan with the guidance of a qualified instructor.