

CARIBBEAN EXAMINATIONS COUNCIL

**REPORT ON CANDIDATES' WORK IN THE
SECONDARY EDUCATION CERTIFICATE EXAMINATION**

MAY/JUNE 2010

**PRINCIPLES OF BUSINESS
GENERAL PROFICIENCY**

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GENERAL COMMENTS

The Principles of Business (POB) examination was offered for the 31st time in June 2010.

This year, 38,106 candidates registered for the General Proficiency examination. The composition of the examination was as follows:

Paper 01	-	Multiple Choice
Paper 02	-	Essay Paper
Paper 03/1	-	School-Based Assessment (SBA)
Paper 03/2	-	Alternative to SBA (Private Candidates)

Paper 01 – Multiple Choice

Paper 01 consisted of 60 multiple choice items taken from the three profiles of the syllabus. The performance of candidates on this paper was satisfactory.

The mean mark was 35.74 out of 60. The means were 34.5 and 33.71 for 2009 and 2008 respectively. Approximately 81 per cent of the candidates scored at least 50 per cent of the maximum available marks for this paper.

Paper 02 – Essay

Paper 02 comprised two sections. Candidates were required to answer the three compulsory questions in Section I and two of four optional questions in Section II. The mean mark for this paper was 48.05 out of 100. The means were 52.09 and 49.72 for 2009 and 2008 respectively. The highest mark on this paper was 96. This was achieved by four candidates.

Paper 03/1 – School-Based Assessment

Paper 03/1, the School Based Assessment (SBA), is usually done by school candidates. Candidates were required to prepare a business plan on one aspect of profile 2: either production, marketing or finance.

Performance on this paper was quite good. The mean mark was 31.34 out of 40. Eight per cent of the candidates achieved the maximum available mark on this paper.

Paper 03/2 – Alternative to School-Based Assessment

Paper 03/2, the Alternative to the SBA, an external examination, was offered to private candidates. For this examination, candidates were required to complete a business plan using a given template and a case.

Performance on this paper continues to improve. The mean mark was 15.52 out of 40 compared with 13.90 in 2009 and 11.48 in 2008. No one achieved the maximum mark on this paper, however, the highest mark was 37 out of 40.

DETAILED COMMENTS

Paper 02 – Essay

Section I – Compulsory

Question 1

This question tested candidates' knowledge of a business plan. Approximately 93 per cent of the candidates attempted this question. It was less than satisfactorily done. The mean mark was 9.27 out of 20.

Part (a) of the question required candidates to define the term 'business plan'. The majority of candidates were able to gain one of the two marks by stating key words such as 'road map', 'blueprint' and 'outline'. In attempting to define the term 'business plan', some candidates stated the elements of a business plan rather than defined the term.

In Part (b), candidates were required to describe four elements of a business plan, namely business identification, product or service description, market strategy and organization or management. The following is a breakdown of how candidates performed in providing the descriptions.

- Business Identification – The majority of candidates gave good responses.
- Product or service description – Overall, this description was adequately addressed. However, there were some instances where the word 'description' was ignored and a definition for product given as a response.
- Market strategy – Some candidates scored the maximum available mark because they were able to identify the elements such as 'promotion' and 'advertising'. Others were unable to differentiate between market research and market strategy.
- Organization or management – Those candidates who performed well on this section illustrated their responses by drawing organizational charts. In their descriptions they used terms such as 'span of control,' and 'chain of command' and commented on duties, roles, functions, delegation of duties and number of persons employed. The weaker responses consisted of mere definitions of both terms or lists of the functions of management.

For Part (c), candidates were required to identify four elements which the executive summary should contain. Most candidates were able to incorporate aspects of the business plan in the executive summary.

In Part (d), candidates were required to state three reasons why a business plan is necessary. Popular responses to this section identified the business plan as a tool for attracting investors and acquiring funding from financial institutions for business ventures. The weaker responses consisted merely of a repeat of the definition of a business plan.

Recommendation

Teachers should place more emphasis on the step by step development of a business plan and seek to acquire actual samples of business plans and to utilize these in the teaching of this topic.

Question 2

This question tested candidates' knowledge of contracts. It was attempted by approximately 94 per cent of the candidates writing the examination. Performance was satisfactory. The mean was 10.50 out of 20.

Part (a) required candidates to state the difference between a simple contract and a 'mere agreement'. Approximately 35 per cent of candidates scored the maximum available mark on this part of the question. The majority of those who did not score the maximum mark simply gave definitions of a simple contract, including stating some of its elements, but had difficulty distinguishing it from an agreement. A significant number of candidates described the 'mere agreement' as simply being the opposite of the simple contract.

In Part (b), candidates were required to list four characteristics of a valid contract. Approximately 45 per cent of the candidates were able to list at least three characteristics of a simple contract. About 40 per cent were able to identify two characteristics and the remainder demonstrated that they were either unaware of the characteristics of a valid contract or just were not sure what was meant by the term 'characteristics'.

In Part (c), candidates were required to use the information provided in a case to

- (i) state their understanding of the justification for the existence of a valid contract
- (ii) state whether there had been a breach of contract and
- (iii) identify two remedies that a court can award for breach of contract.

Approximately 75 per cent of the candidates were able to justify why the arrangement was indeed a valid contract. The remaining 25 per cent stated that the contract had either been breached or was not valid.

At least 80 per cent of the candidates stated that there was a breach of contract. However, most of them were unable to satisfactorily support their position with precise information from the case. They simply regurgitated facts from the case which, when read carefully, seemed to suggest that they did not understand the concept of 'breach'.

This part of the question seemed to have presented some challenges for most candidates. The majority of them seemed familiar with only one remedy, that of suing for damages. However, not only did candidates fail to use the legal terminology, but their responses suggested a lack of clarity as to whether it was the courts or the aggrieved party that should be compensated.

Part (d) required candidates to outline two ways, other than breach, by which a contract can be terminated or discharged.

The poor performance of candidates on this part of the question may have resulted from their failure to carefully read and interpret the requirement of the question. Approximately 30 per cent of the responses included breach of contract as a means of discharging a contract when the question specifically asked for methods other than breach. Further, many candidates merely listed ways of terminating a contract and failed to develop their responses as was required.

Recommendations

In order to allow students to give more appropriate and complete responses, teachers should make a concerted effort to

- guide students to distinguish among state, explain, list, identify, outline, discuss.
- utilize case analysis in the teaching of this topic so to assist students in developing skills of application, analysis and evaluation.
- use resource personnel to clarify certain terms used in contract law.

Question 3

This question tested candidates' knowledge of small businesses. It was attempted by approximately 93 per cent of the candidates sitting the examination. Generally, candidates performed well on this question with over 65 per cent of them achieving satisfactory scores. The mean mark was 9.70 out of 20.

In Part (a) of the question, candidates were required to state two advantages of small businesses. Most candidates were able to score the maximum available mark for this part of the question. The majority of inaccurate responses were given by candidates who assumed that small businesses were synonymous with sole traders, and as a result, "profits not being shared" and "being one's own boss", were popular but inaccurate responses. Such candidates neglected the fact that small businesses may extend to partnerships and private limited companies.

In Part (b), candidates were required to identify two relationships that existed between cottage industries and small businesses. Many candidates scored poorly on this part of the question. The majority of them misinterpreted the relationship between cottage industries and small businesses as similarities between the two. It was clear that some respondents considered both forms of entities to be one and the same. Correct responses included '*small businesses could be a spinoff of cottage industries*', '*forward and backward linkages*' and '*small businesses help to promote products of the cottage industry*'.

For Part (c), candidates were required to outline three benefits of operating cottage industries. Approximately 50 per cent of them scored the maximum available mark. Those who failed to score high on this part of the question did not sufficiently develop their points. Generally, benefits to the owner(s) were seldom put forward or discussed.

In Part (d), candidates were required to discuss two ways in which small businesses contribute to Caribbean economies. Approximately 50 per cent of the candidates gained the maximum available mark for this part of the question. The candidates who did not score well on this part of the question failed to adequately discuss the points raised. For example, some candidates vaguely mentioned contributions such as "the exportation of goods", but failed to show the impact of such exportation on Caribbean economies.

Recommendations

Teachers need to

- help students to distinguish between cottage industries and small businesses as students failed to see the former as a variation of the latter.
- demonstrate how cottage industries and small businesses rely on each other. Furthermore, linkages need to be clearly taught as a relationship.

Section II – Optional Questions

Question 4

This question tested candidates' knowledge of technology in business. It was attempted by approximately 30 per cent of the candidates. Of those attempting this question, about 75 per cent gave satisfactory responses. The mean mark was 12.48 out of 20.

Part (a) required candidates to distinguish between 'capital intensive production' and 'labour intensive production'. Some candidates, rather than giving the meaning of 'capital intensive production', gave the definition for either 'production' or 'capital'. However, the majority of candidates were able to give examples of each form of production.

In Part (b) candidates were required to list four technological competencies that today's employees are required to possess. A significant number of the responses dealt primarily with academic qualifications, resulting in candidates failing to score the maximum available mark for this section of the question.

Part (c) required candidates to state two disadvantages of modern technology. Approximately 20 per cent of candidates' responses stated advantages instead of disadvantages. Those candidates who gave disadvantages scored high marks.

For Part (d) candidates were required to discuss two ways by which modern technology can improve the efficiency of businesses. Candidates generally made one point with lengthy explanations. In a number of cases, candidates limited modern technology to the computer.

Recommendations

Teachers should

- encourage students to read through the whole question (do question analysis) before attempting to answer
- teach cross referencing of concepts whenever possible
- revise topics taught earlier during the year of examination,
- use appropriate examples to support the current concepts.

Question 5

This question tested candidates' knowledge of marketing. It was attempted by approximately 70 per cent of candidates, 60 per cent of whom gave satisfactory responses. The mean was 12 out of 20.

Part (a) (i) required candidates to define the term 'branding'. This part of the question was generally well done. Approximately 90 per cent of the candidates gave satisfactory responses; however, the weaker responses confused branding with labelling.

In Part (a) (ii) candidates were required to state two ways in which branding influences the packaging of a product. This part of the question was poorly done. Only about 10 per cent of candidates were able to score the maximum available mark. Candidates seemed to have misinterpreted the question and therefore did not give appropriate responses. The majority of responses gave reasons for branding and failed to make an appropriate link between branding and packaging.

Part (b) of the question required candidates to discuss two reasons for branding a product. The responses to this part of the question were well articulated. Approximately 75 per cent of candidates gained the maximum available mark. Most of the other responses revealed candidates' inability to distinguish between branding and labelling. They suggested reasons such as 'display of ingredients', 'expiry date', and 'manufacturer's identification'.

For Part (c), candidates were required to identify four factors that influence consumer behaviour. Generally, candidates gave very good responses to this part of the question with the majority scoring the maximum available mark. Those who did not do well on this part of the question generally made the same error in listing the 4Ps and rights of consumers as factors affecting consumer behaviour.

In Part (d), candidates were required to outline two ways by which producers can prevent their products from being reproduced by unauthorized persons. This part of the question was fairly well done. While most candidates seemed familiar with ways by which producers can prevent their products from being reproduced by unauthorized persons, many of them failed to give clear explanations. For instance, candidates used phrases such as ‘sealing the package’ rather than ‘placing a seal on the package’.

Recommendations

Teachers should

- incorporate a variety of teaching methods and tools to enhance lessons these may include the use of PowerPoint presentations, role-playing, the use of graphics and charts.
- provide opportunities for students to simulate the creation of a product where they would label, brand, package and promote the product.
- stress the importance of producers placing more emphasis on preventative measures to reduce the pirating of their products by other persons or businesses.
- emphasize the importance of product branding and how it affects the packaging of a product in terms of style, quality, image, colour and attractiveness.
- constantly remind students of the significance of key terms in questions such as ‘define’, ‘outline’, ‘discuss’ and so on.

Question 6

This question tested candidates’ knowledge of economic growth and economic development. It was attempted by approximately 62 per cent of candidates. The mean mark was 7.27 out of 20.

Part (a) of the question required candidates to identify two indicators of economic growth. Responses to this part of the question suggested that many candidates were not familiar with the concept of economic growth. A popular misconception was to confuse population growth with economic growth; hence, factors such as teenage pregnancy and migration were identified as indicators of economic growth.

Part (b) required candidates to state one difference between economic growth and economic development. Candidates were generally unable to distinguish between the concepts of growth and development and therefore were unable to score the maximum available mark.

In Part (c) candidates were required to describe three ways in which a society benefits from rules and regulations enforced by government.

Approximately 40 per cent of candidates gained the maximum available mark for this part of the question. Most of the other candidates gave responses that enabled them to score some marks. However, a general weakness identified was the failure to adequately develop responses.

For Part (d) candidates were required to discuss three ways in which a country can achieve positive economic growth. Generally, the responses to this part of the question were not sufficiently developed to merit the maximum mark.

Recommendation

Teachers are encouraged to make use of real-life examples and situations to illustrate these economic concepts.

Question 7

Question 7 tested candidates' knowledge of international trade and balance of trade. Approximately 30 per cent of candidates attempted this question. In general, responses to this question were poor. The question proved to be challenging to most candidates with less than 30 per cent of them giving satisfactory responses.

Part (a) required candidates to outline three benefits a country may gain from engaging in international trade. Candidates performed well on this part of the question with about 90 per cent of them scoring the maximum available mark. However, some of them treated international trade as barter.

For Part (b) candidates were required to distinguish between balance of trade and balance of payments and to use an example to illustrate how each is calculated.

Candidates were generally able to define balance of trade and give suitable examples, however, some were unsure of the formula for calculating the balance of trade. The concept of balance of payments was more challenging for candidates. Ninety per cent of them could neither define it nor give suitable examples. They seemed unfamiliar with the concepts of capital and current account. Some treated them as balance owed or debit/credit accounting terms.

In Part (c) candidates were required to discuss two ways in which an improvement in the quality of education can affect economic growth and development. In responding to this part of the question, 90 per cent of candidates were unable to discuss or make a direct link between improvement in the quality of education and economic growth and development. They limited their responses to improvement in the quality of education.

Recommendations

Teachers can enhance the delivery of Profile 3 by

- utilizing examples of actual balance of payment tables
- encouraging team teaching and group discussions
- using maps and globes to help students visualize the geographic aspect
- encouraging students to read general economics texts, business magazines and periodicals to widen their understanding of international trade.

Paper 03/1 – School-Based Assessment (SBA)

GENERAL COMMENTS

This year there was an overall improvement in the quality of SBA project samples submitted for assessment. Most of the samples met the basic requirements and standards prescribed in the CSEC syllabus. There was an improvement in the quality of the projects in terms of the content as well as the presentation. Many projects reflected good research procedures which was evident in components such as the cover page, executive summary, tables of contents and bibliography. However, there are some concerns that must be addressed to ensure greater improvement of the SBA.

Unfortunately, there are many instances where the previous format of the SBA component is still being utilized. Teachers are asked to observe the current SBA guidelines (2009). Students must be reminded that the SBA requires that they present a plan for a proposed business. In addition, students can model their reports on an established business, but should not present a report for an established business.

The statistics indicated that an overwhelming number of students focused on the production profile. Students should be assisted in selecting the profile that best suits their proposed business. Additionally, the report should be written in the third person and in the future tense. Students should also be encouraged to use an acceptable format for the bibliography.

Overall, the SBA component would be further improved if students are encouraged to follow basic report and research procedures. They should also pay close attention to the terms given under each component in the various profiles such as outline, illustrate and discuss.

Students should also use various means of enhancing and presenting their reports by including pictures, graphs and diagrams where appropriate, and when used, they should be part of the presentation and discussion and not just placed abstractly in the report or in the appendix without reference to them in the body of the project.

SPECIFIC COMMENTS

Production

The Production Profile was the most popular profile but it was not always the most appropriate profile for the proposed business. The components of the profile which were well done included description of the business, justification of location, quality control measures, type and level of production, government regulation and ethical issues.

There were some problems with the criteria and selection of appropriate labour in the business. Some students failed to outline the reasons for the type of labour and the number of employees needed. They failed to outline how government regulations and ethical issues would impact on the business.

Another area of concern was the source of fixed and working capital. Students were confused by the term 'source' and referred to the place of acquisition of the items rather than the financial or initial capital needed to acquire these. While the role of the entrepreneur was addressed, many students did not relate the role and functions to their specific businesses but rather gave general textbook information.

The use of technology was adequately presented but the examples were limited. Students should be advised that the use of technology in the production process should be relevant and if the computer is presented as an example, all the work-related functions are considered to be one type of technology. There must also be an indication as to how the use of the technology will enhance the efficiency of the business.

There has been some improvement in the criterion, potential for growth, however, while internal growth was fairly well addressed, many candidates still did not adequately address the topic of external growth.

Linkages proved to be another area of concern as many candidates were confused by the terms 'backward and forward linkages'. Students must therefore be encouraged to study and understand the difference between the two concepts.

Marketing

Under this profile, the subtopics which were suitably addressed were description of the business and promotion mix. With respect to the organization of the marketing department, many candidates presented and described the organizational chart of the business instead of the marketing department. Market research was fairly well presented but the target market and substitutes needed to be better addressed. Students should be encouraged to be 'creative' and to present the branding aspects of the product by actually creating a business logo or brand name.

The pricing strategy was not well presented. Students should be encouraged to identify and justify the strategy that best fits their business type. While many of them identified the distribution method used, they did not present its limitations and the suitable alternatives. This aspect of the project could have been enhanced by a diagrammatical representation. Students could have achieved more marks for the aspect of customer complaints, if they gave specific examples.

Finance

This profile was attempted by a very small number of candidates. Generally, the submissions were well done. However, some areas which are in need of improvement include cost of producing goods, capital goods, capital instrument, sources of finance, implications of capital mix and projected performance.

Cost of producing goods

Students needed to clearly distinguish, using examples, the difference between prime and overhead costs. Because they failed to do this, they were unable to give reasons for the different types of expenses.

Capital goods

Numerous examples of 'goods' used in the business were presented. However, candidates did not focus on the specific term 'main capital goods' and as a result presented unnecessary information.

Sources of finance

Students should be encouraged to use the relevant business terminology as it relates to sources of finance, for example, debentures instead of loans from family and friends.

Capital instruments

Students were able to adequately describe the capital instruments used in the business under equity and debt. However, they were unable to show the implications of the capital mix which they had selected.

Projected Performance

The supporting data related to the balance sheet and the trading and profit and loss account should be presented in the related section of the report as opposed to being in the appendix with no reference made to them.

Paper 03/2 Alternative to School-Based Assessment

GENERAL COMMENTS

The overall performance on this paper was satisfactory. The performance on Profile 1 was fairly good. Profile 2 was fairly well done. However, Profile 3 was not well done. Some candidates did not even attempt the questions in this profile. Generally, some candidates exhibited knowledge of the subject but lacked applications and analysis of the information. In some instances, some candidates quoted sections from the case rather than responded to the question.

The performance of candidates on Paper 03/2 continues to show improvement with each administration of the examination. Candidates have demonstrated improvement in their understanding of the concept of 'business plan'. However, there is much room for improvement. Candidates need to be exposed to actual business plans in the 'real world'. This exposure will give them a much better understanding of business plans.

DETAILED COMMENTS

Operational Plan

1. Nature and Type of Business

(a) Level of Production

Candidates seemed to have had difficulty classifying the business based on the level of production. The most frequent answers were 'domestic' and 'secondary' rather than 'tertiary' or 'service'. In addition, some candidates presented the three levels since they could not identify the correct level.

Some candidates seemed to have been unfamiliar with the concept of the level of production and therefore gave responses such as 'high' or 'low'.

(b) Ownership type

The most popular answer was 'partnership', however, the correct response was 'private limited company'.

2. Internal Structure of the Organization

Candidates need to be carefully instructed in relation to the organizational chart as only a minority earned the maximum available mark. Some erroneous responses were histograms, pie charts, line graphs, bar charts, pyramids and floor plans.

Some candidates drew organizational charts for schools and organizations generally. They also included terms such as governing body, chief executive officer, managing director and general manager.

3. Management Functions

The majority of candidates earned the maximum available mark for this question.

4. Ethical Issues

Candidates demonstrated limited knowledge about ethical issues as was evident in the responses given. More time should be spent on analysing ethical issues as they relate to business. For example, registration of writers and Occupational Safety and Health Administration (OSHA) issues.

Candidates tended to focus on the repayment of loans and the rising cost of oil prices. Few candidates earned the maximum available mark for this question.

5. Executive Summary

Candidates' responses showed a basic weakness in the use of Standard English as they lacked skills in identifying critical points in the case.

Candidates were not able to differentiate between a summary and an executive summary, hence, their responses showed a general summary of the case.

An executive summary should contain all the pertinent issues as they relate to the business. For example, the type of service offered, type of business, ethical issues.

Marketing Plan

6. Market Research

Candidates responded very well to this question. They were able to identify the methods to be used in market research; however, they did not adequately describe them.

7. Industry Trend

This question was poorly done by the majority of candidates. While they were able to identify the industry trends, they were unable to relate it to the aspect of growth and survival of the industry.

8. Size of the Market

This question was well done by most candidates, many of whom scored the maximum available mark.

9. Target Market

This question was poorly done by most candidates. This majority of them interpreted the word 'target' to mean the goals of the organization. Those candidates who understood the term 'target market' gave a definition of the term instead of describing it.

10. Pricing Strategies

Most candidates identified appropriate pricing strategies for the industry but did not describe how these pricing strategies worked or how the company was going to determine its prices based on the pricing strategy identified.

11. Promotional Strategies

This question was well done by most candidates. Many of them correctly listed the various types of promotional strategies that the business could use to promote its product.

12. Distribution Strategies

While some candidates responded to this question fairly well, others confused distribution strategies with promotional strategies.

13. Executive Summary

Candidates generally lacked the ability to write the executive summary. For the most part, candidates rewrote general information from the case that did not relate to the marketing plan.

Financial Plan

14. Sources of Capital

The majority of candidates achieved the maximum mark by identifying bank, family and friends as correct responses. Very few candidates identified government grants and subsidies. However, there were indications that some candidates did not understand at what stage of the business the capital was to be obtained; for example, whether it was at the initial stage or while the business was in operation.

15. Collateral

This question proved to be challenging to most candidates. Although many of them attempted the question, they did not identify suitable sources of collateral. For example, instead of Life Insurance Policy, candidates offered insurance, insurance company and bank as opposed to bank account.

16. Capital Instruments

Generally, the responses to this question were poor. Most candidates identified sources of capital as capital instruments. The most common responses were 'selling shares' and 'loans from the bank'. Very few candidates seemed to have any knowledge of government loans, grants and subsidies, as well as debentures as methods of raising capital for the business.

17. Potential for Growth

Most candidates experienced difficulty in answering this question correctly. The most common responses were expansion and the hiring of additional employees. Few candidates identified 'linkages' as an appropriate response.

18. Government Regulations

This question was generally well done with most candidates gaining at least two of the four available marks.

19. Executive Summary

This question proved to be challenging for most candidates. A large number of candidates simply cited a section from the case study instead of giving a concise statement.