

CARIBBEAN EXAMINATIONS COUNCIL

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

MAY/JUNE 2006

PRINCIPLES OF BUSINESS

PRINCIPLES OF BUSINESS

GENERAL COMMENTS

The June 2006 examination in Principles of Business (POB) was offered for the twenty-seventh year. This was the eighth year in which the revised POB syllabus, which includes a School-Based Assessment (SBA) component, was examined.

This year 39 096 candidates registered for the General Proficiency examinations. The composition of the examination is as follows:

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

GENERAL COMMENTS

General Proficiency

Paper 01 – Multiple Choice

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

The mean mark was 31.73 out of 60. Approximately 71 per cent of the candidates scored at least 50 per cent of the marks for this paper. No one earned the maximum mark, however, 5 candidates earned 57 out of a possible 60 marks on this paper.

Paper 02 – Essay

Paper 02 comprises two sections. In Section I, candidates were required to answer 3 compulsory questions; one on each profile. In Section II, candidates were required to choose 1 question from each of the three profiles. The mean mark for Paper 02 was 41.16. Two candidates earned the maximum available mark. Approximately 42 per cent of the candidates earned at least 50 per cent of the maximum mark.

Paper 03/1

Paper 03/1, the School Based Assessment (SBA) is offered to school candidates. Candidates were required to undertake an investigation and produce a written report which spans the three profiles.

Performance on this paper was quite good. The mean mark was 28.73 out of 40 marks. Six hundred and sixty candidates earned the maximum mark. Approximately 90 per cent of the candidates earned at least 50 per cent of the maximum mark on this paper.

Paper 03/2

Paper 03/2, the Alternative to the SBA, is an external examination offered to private candidates. For this examination, candidates were required to answer 14 structured questions on a case-study.

Performance on this paper was less than satisfactory. The mean mark was 13.01 out of 40 marks. No one achieved the maximum mark on this paper, and the highest mark was 38 out of 40. Approximately 37 per cent of the candidates earned at least 50 per cent of the maximum available mark.

Detailed Comments

Paper 02 – Essay

Section I – Compulsory

Question 1

The question was designed to test candidates’:

- understanding of sole trader and private limited company
- the ways in which growth of the business may affect the organizations’ structure.

The question was attempted by approximately 98 per cent of the candidates.

In part (a), some of the advantages given for sole trader were incomplete, in that, some candidates felt that the sole trader does not employ anyone. They felt also that the business is owned and operated solely by the proprietor. Some candidates felt that there was no need for the sole trader to pay taxes. Candidates also confused capital with profit.

Part (b) posed a great deal of difficulties to some candidates. Instead of explaining the benefits that would be enjoyed when converted to a private limited company, these candidates discussed the advantages of a sole trader, whilst some gave the advantages of a public limited company. Limited liability was confused with unlimited liability. They also felt that the owners paid little or no taxes, and instead of making mention of shareholders they stated that capital could be obtained from partners in a partnership. Many candidates interpreted private limited company as private sector, so they went on to list characteristics of the private sector.

In part (c), candidates generally were unable to outline ways in which the growth of the business may affect its organizational structure. However, many of them cited ways which resulted in change in the organizational structure. Some failed to present logical arguments on which the growth of the business may have some effect on the organizational structure, instead they wrote about the organizational chart.

They looked at growth as financial, that is, capital and profit. They also mentioned shareholders affecting the structure of the business on a regular basis.

Recommendations

- Teachers need to ensure that students have a clear understanding of the key terms of the subject. In explaining the concepts of the sole trader and private limited company, teachers may use examples of businesses within the community or country (with which students are familiar), and demonstrate how growth in the various businesses will affect its organizational structure
- Projects should be assigned (on a group basis) where each group examines the effect the growth of the business from sole trader to private limited company may have on the organizational structure. The report from each group should be presented and discussed
- There should be discussion on the difference between the organizational structure and the organizational chart, as too often candidates look at the chart as the structure of the entity itself.

Question 2

This question tested candidate's ability to:

- identify and explain two functions of an entrepreneur
- clearly state and explain three reasons why some entrepreneurs may prefer to keep their businesses small.

This question was attempted by approximately 90 per cent of the candidates, with 80 per cent giving excellent responses.

In Part (a) of the question, approximately 65 per cent of the candidates named the two functions of an entrepreneur but did not explain them to earn the full 2 marks. Some candidates gave the functions of a manager and/or sole trader. Others defined an entrepreneur, others described the characteristics of an entrepreneur as that of a sole trader, instead of giving the functions. Some answers for Part (b) were given in Part (a).

Part (b) of the question was answered better than Part (a). Some candidates cited three very good reasons why some entrepreneurs may prefer to keep their businesses small. Others padded up their responses by repeating the reasons in different ways. A few answered the question in the same way it was asked, for example, "because they prefer to remain small." Some candidates gave their answer as an extension of question one. Responses indicated that some candidates did not understand the term 'limited liability' which was used loosely to refer to less liabilities.

Recommendations

Candidates need to be able to clearly define the terms 'limited liability', 'unlimited liability' and 'economies of scale', as they relate to Principles of Business.

Candidates need to have accurate interpretation of questioning terms, such as outline, name, explain, describe and the like.

Candidates should also pay attention to the presentation of their response and follow the regulations and guidelines, such as, starting each question on a new page. Often it was difficult to distinguish the answers between questions one and two, as they were similarly answered in some cases, without proper numbering.

Question 3

This question was designed to test candidates' ability to:

- describe appropriate credit methods available to businesses from commercial banks
- identify conditions which must be satisfied in order to obtain loans from commercial banks
- identify methods of repayment for loans at commercial banks
- explain how central banks can reduce the capacity of commercial banks to make loans to customers
- identify other institutions offering similar credit facilities to that of the commercial bank.

Approximately 95 per cent of the candidates attempted this question, with only about 40 per cent presenting satisfactory responses. Only a small number of candidates were able to score between 15 and 20 marks.

Part (a) of the question was generally poorly done. Many candidates stated methods of payments for loans instead of credit facilities offered by commercial banks. A few candidates identified credit arrangements, which could be made with Sales Plus Ltd. instead of those, which could be given by the local commercial bank, NNB. Some candidates merely listed the credit methods and failed to describe them as was required by the question.

Part (b) was generally well done. Even the weaker candidates were able to state three conditions which should be met in order to obtain a loan.

The majority of the candidates did not answer part (c) of the question satisfactorily. They were unable to outline three methods of repayment for loans. Many of the candidates gave time periods for paying back the loans instead of methods of repayment. Of the few candidates who were able to identify the methods, the majority merely listed them and failed to go on to outline them as required. This prevented them from scoring full marks.

Part (d) of the question posed great difficulty for most of the candidates. It was evident that there was a lack of knowledge and understanding of monetary policies used to contract loans. Many gave ways, which would result in increasing loans for example 'lower interest rates' and 'giving more time to repay loans'. A few gave fiscal policies instead of monetary policies. In some cases, candidates gave the correct response for example, 'increased interest rates', but their explanation of how this would reduce credit facilities at NNB was incorrect. Some candidates merely listed the points and did not explain them, resulting in the loss of marks.

Part (e) of the question was generally well done. Most candidates identified the credit union. However, there were other satisfactory answers. In a few cases, the candidates gave institutions that do not lend to private individuals and businesses such as the IMF and the World Bank.

Candidates who scored highly on this question displayed proficiency in their ability to accurately interpret the instructional words and the overall question as well as to apply their knowledge of the concepts involved.

Recommendations

Teachers need to help students to distinguish between methods of credit and types of credit repayment. The relationship between central banks and commercial banks should also be emphasized. They should also distinguish between monetary and fiscal policies and indicate those which are contractionary and those which are expansionary.

Some practical application of the topic could be obtained from project work which could be done individually or in groups. In addition, personnel from the banks/financial institutions could be invited to present lectures/demonstrations to clarify issues.

Section II – Optional

Profile 1

Candidates were required to answer Question 4 or Question 5.

Question 4

This question was designed to assess candidates' ability to:

- interpret organizational charts
- distinguish between an organization and an informal group

- define and apply the concept of span of control
- explain and apply the concept of chain of command
- explain the concept of informal channels of communication and state its effect on the functioning of an organization.

The question was attempted by about 45 per cent of the candidates with about 50 per cent of them giving satisfactory responses.

Part (a) of the question was poorly done. Most candidates were not able to identify the type of organizational structure shown in the chart. Some identified it as a type of business, whereas in other instances, they confused the type of organizational structure.

Part (b) was generally well done. However, some candidates had difficulty in making distinctions between an organization and an informal group. Instead, they listed features rather than giving clear differences.

Part (c) (i) was satisfactorily done but many responses confused span of control with chain of command.

Part (c) (ii) of the question did not pose much difficulty, as most candidates were able to identify the span of control of the marketing manager.

Part (d) (i) was fairly well done. However, instead of giving an explanation of chain of command, a number of candidates gave examples. This concept was confused with span of control. Some referred to authority as flowing from bottom up rather than from top down.

Part (d) (ii) was reasonably done. A few candidates reproduced sections of the chart with irrelevant information. The marketing manager, and not the managing director, was seen as the person with whom the consultant would first need to meet to discuss the idea.

Part (e) (i) was satisfactorily done. Most candidates were unable to give the full definition of informal channels of communication; they generally scored a fraction of the mark.

Part (e) (ii) was well done. A large number of candidates in one way or another showed how informal channels of communication could affect the functioning of the organization.

Recommendations

- Teachers need to spend more time sensitizing students on how to interpret information on an organizational chart.
- Candidates need to be guided on how to identify the types of organizational structures based on diagrams.
- More emphasis should be placed on defining terms relating to organizational structure.
- There is a need for clearer distinctions to be made between formal and informal channels of communication.

Question 5

This question tested candidates' knowledge of

- government departments
- the government regulations to be followed when starting a business
- the importance of government regulations
- the contributions that a business makes to the development of a community.

Approximately 70 per cent of the candidates answered this question. Most of them gave satisfactory responses.

Part (a) was well done. However, a number of the candidates wrote unfamiliar acronyms for government departments instead of writing the name in full. The weaker candidates named branches of government such as the police force, courts of justice, hospitals, schools etc. for government departments.

Part (b) was also well done. Some candidates, however, misinterpreted the question and stated two functions of two departments.

Candidates' performance on part (c) was only fair. Most candidates were not able to identify three government regulations. The weaker candidates interpreted nursery school as nursing home or nursing school, therefore the advice given related to these institutions.

Part (d) was poorly done. Most candidates stated one reason to cover all three regulations mentioned in part (c) instead of giving one reason for each regulation.

Part (e) was fairly well done. Candidates were generally able to identify ways in which businesses can contribute to the development of the community.

Recommendations

While it is evident that students are knowledgeable about government departments, teachers need to place more emphasis on government regulations for the establishment of all types of businesses.

Profile 2

Candidates were required to answer Question 6 or Question 7.

Question 6

This question tested candidates understanding of internal economies and diseconomies of scale.

Approximately 25 per cent of the respondents attempted this question.

In part (a), most of the candidates presented appropriate responses. The weaker candidates cited activities taking place in and outside of the business.

In part (b), some of the candidates who attempted this question used effective technical terms demonstrating their understanding of the business jargon. Others offered other explanations which were not necessarily the correct technical terms, but were associated with these concepts.

The weaker candidates gave varied responses such as demand and supply, import and export and economic systems.

For part (c), the responses were generally weak. Approximately half of the candidates failed to identify two different internal economies of scale. Some even repeated what was discussed in part (b). In addition, they were unable to explain how this would reduce cost.

Candidates were generally unable to identify areas of lower production cost.

Part (d) (i) and (ii) were generally well done as most of the candidates gave plausible explanations for the negative consequences they cited.

In part (e), rather than identifying a disadvantage within the firm, many candidates gave a societal problem.

Recommendations

Teachers need to emphasize:

- the distinction between the terms internal economies and diseconomies of scale
- the technical jargon associated with the topic, for example managerial and marketing economies of scale.

Question 7

This question was designed to test candidates understanding of:

- linkage industries
- how these industries can benefit an economy
- government's role in establishing such industries.

Question 7 was attempted by approximately 77 per cent of the candidates. Varied responses were received for different sections of the question. The stronger candidates demonstrated a comprehensive grasp of the concepts relevant to the question while the weaker candidates demonstrated little or no understanding of these concepts.

Approximately 10 per cent of the candidates scored between 15 and 20 marks, approximately 30 per cent scored between 8 and 14 marks and the remaining 60 per cent scored between 0 and 7 marks out of a total of 20 marks.

Part (a) of the question was generally poorly done. The majority of the candidates were not able to accurately define backward and forward linkages.

In part (b), approximately 60 per cent of candidates were able to cite examples of backward and forward linkages in chicken production. In many cases, the correct responses were taken directly from the scenario presented in the question. However, because of a lack of a clear understanding of the concepts in part (a), 40 per cent of the candidates gave forward linkages as examples of backward linkages and backward linkages as examples of forward linkages.

Part (c) was generally well done. However, approximately 40 per cent of candidates failed to highlight benefits accruing to the economies of Aquala and Boluda, providing instead, benefits accruing to the individual firms.

Part (d) (i) was generally well done by approximately 70 per cent of the candidates. They were able to suggest two measures that the government could take to encourage the development of linkage industries

in their own countries. However, the remaining 30 per cent of candidates misinterpreted the question and gave measures to encourage the development of linkage industries in the two countries given in the question, Aquala and Boluda, instead of suggesting measures that could be used in their own countries.

Part (d) (ii), was also generally well done by the candidates who performed well in part (d) (i). The weaker candidates however were not able to clearly illustrate how one of the measures they highlighted in part (d) (i) would be implemented by the government in their country. Approximately 5 per cent of the candidates gave a pictorial representation as their illustration.

Recommendations

Teachers need to:

- emphasize clear definitions of the terms ‘backward’ and ‘forward’ linkages, using the appropriate jargons
- reinforce the definitions by citing clear examples of firms that engage in both forward and backward linkages
- engage students in discussion on the benefits that linkage industries accrue to the economy of their country and other countries in the region
- discuss the importance of linkage industries in the growth and development of individual countries and the caribbean region as a whole.

Profile 3

Candidates were required to answer Question 8 or Question 9.

Question 8

This question tested candidates’ ability to:

- discuss major economic problems in the caribbean
- discuss the role of the IMF in solving economic problems of the caribbean
- outline reasons why government nationalize industries
- state the disadvantages of nationalized industries.

Approximately 40 per cent of candidates attempted the questions and the responses were overall unsatisfactory. The average score was 8 out of 20.

In part (a), most of the responses were satisfactory. Many candidates were able to discuss three major economic problems. However, some merely listed the economic problems.

The responses to part (b) were poor. Most candidates were not aware of the role of the IMF in solving economic problems. Approximately 90 per cent of the candidates scored only one mark for stating that the IMF provides loans.

Part (c) of the question seemed to pose great difficulty. Most of the candidates lacked knowledge of the term nationalized industries. Many candidates merely listed the reasons for nationalizing industries and failed to discuss the points fully.

Part (d) was poorly done. Most candidates failed to score any marks. The respondents misunderstood part (d) and confused the disadvantages with advantages. It was evident that many candidates had no knowledge of the disadvantages of nationalized industries.

Recommendations

Teachers need to ensure that students understand:

- what is required by the various action verbs such as list, state, discuss, outline and explain
- the correct role of the IMF and the distinction between the roles of the IMF and of other financial institutions.

Question 9

This question tested candidates understanding of:

- national income and the use of national income data in planning development for a country
- the ways in which the Caribbean Development Bank assists countries in the region in alleviating their problems
- the reasons why a country engages in international trade.

The question was attempted by over 65 per cent of the candidates with the majority offering satisfactory responses. Part (a) was fairly well done. Few candidates were able to give a comprehensive definition of national income. However, many candidates completely omitted allowances for depreciation. Some weaker candidates confused national income and national insurance or gross national product.

Part (b) required a discussion of three ways in which national income data may be used in planning for development. The responses were generally good. The better responses made reference to standard of living, rate of growth in the economy, relationships between various sectors, management decision making, and changes in income distribution.

Weaker candidates merely listed the uses of the money value of national income. For example, to build roads, schools, provide training, etc.

Part (c) was generally well done. Suitable responses included CDB's role in project planning, implementation and financing, provision of technical assistance, expertise and project development. The weaker candidates confused CDB with other banking institutions, for example, the Central Bank.

The best responses were presented in part (d) with many candidates scoring full marks while demonstrating their knowledge of reasons for international trade.

Recommendations

Teachers are strongly advised to:

- spend more time in explaining the concepts related to national income
- make clear distinction between GDP, GNP, NI, NNP and depreciation, etc.
- focus discussions on the uses of national income statistics in economic decision making, as well as the role played by institutions like the CDB.

Paper 03/2

School-Based Assessment

The overall presentation of the SBA samples has improved. The quality of work reflected an improvement in teachers' guidance and support.

The new system implemented by CXC required five SBA studies per sample per school. This was adhered to by most schools. In keeping with this policy it is expected that a certain level of cooperation be instituted amongst teachers at the schools so as to ensure consistency in the marking. Teachers must ensure that the CXC standards are adhered to when marking the SBA studies.

In terms of presentation, there are still some areas of concern which need to be addressed. Teachers need to ensure that correct font size is utilized. This is a research paper, hence research procedures must be adhered to. While many candidates submitted a bibliography, many were not written in an acceptable format. Appendices are expected to entail relevant information or data that reflect the discussion in the body of the SBA. Therefore, candidates should be encouraged to present only relevant graphs, pictures and other data which should enhance the discussion and presentation.

Profile 1

This profile was generally well done. Candidates however, are still not ensuring that a thorough discussion is given in collaboration with diagrams presented, for example, organizational charts. Many candidates omitted to identify the organizational structure though diagrams were presented. Many candidates' discussion of management issues conflicted with the business/organization type. Despite these shortcomings, discussion of management issues was much improved with most candidates discussing the relevant issues.

As regards legal issues, a number of the discussions seemed inappropriate to the business type. Nevertheless, there was a marked improvement in the candidates' discussion of legal issues. However, candidates should be encouraged to discuss the implications of the absence of certain legal requirements of the organization.

Teachers should ensure that students' evaluation and recommendations reflect the required sub topic as per profile.

Profile 2

Most issues in this profile were adequately addressed. Factors of production were generally well discussed although a few candidates simply discussed the issue without relating it to the specific organization under investigation.

A sub topic which remains a matter of concern is location and linkages. While most candidates addressed matters concerning suitability of location, many still displayed difficulty identifying the opportunities for linkages or rather understanding the concept. Candidates seemed to have difficulty with this concept.

In relation to transport, storage and consumerism issues, candidates generally identified two and omitted discussion of one of the issues. Teachers are reminded that 2 marks should be awarded if all three components are identified and discussed.

Evaluation and recommendations too should reflect the issues discussed in the profile.

Profile 3

This profile was generally well researched and presented. Most candidates were able to fully discuss the issues. The sources of capital as discussed by some candidates conflicted with that of the business form.

As regards profits, candidates must be encouraged to discuss the use of profits as many discussed contributing factors but omitted how profit was used.

Pertaining to the economic contribution, candidates should be informed that sponsorship and contributions to the community in any form are allocated one mark and the other components should be discussed to ensure the attainment of the four marks allocated to this sub topic. While many candidates made statements indicating the organizations' contribution to GDP and GNP, they failed to indicate how these contributions were made.

Finally, marks have been allocated to communication. Teachers are reminded that a total of four marks allocated should reflect work of the entire project and should consider grammar and spelling as well as bibliography, table of contents and other aspects of project presentation. Teachers should also adhere to the SBA guidelines as they relate to candidate sampling and presentation.