

**CARIBBEAN EXAMINATIONS COUNCIL**

**REPORT ON CANDIDATES' WORK IN THE SECONDARY EDUCATION  
CERTIFICATE EXAMINATION  
MAY/JUNE 2008**

**PRINCIPLES OF BUSINESS**

## **PRINCIPLES OF BUSINESS**

### **GENERAL COMMENTS**

The June 2008 examination in Principles of Business (POB) was offered for the twenty-ninth year. However, this is the first sitting of the revised syllabus.

This year 36 674 candidates registered for the General Proficiency Examinations. 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 paper to SBA (Private Candidates)

### **General Proficiency**

#### **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 Paper 01 was satisfactory.

The mean mark was 33 out of 60. Approximately 67 per cent of the candidates scored at least fifty per cent of the total available marks for this paper.

#### **Paper 02 – Essay**

Paper 02 comprised two sections. In Section I, candidates were required to answer three compulsory questions and in Section II, to respond to two of four questions. The mean mark for Paper 02 was 50 out of 100. One candidate achieved the maximum available mark.

#### **Paper 03/1**

Paper 03/1, the School Based Assessment (SBA) was offered to school candidates only. Candidates were required to prepare a business plan on either production, finance or marketing.

Performance on this paper was quite good. The mean mark was 29 out of 40 marks. Two per cent of the candidates achieved the maximum available mark.

#### **Paper 03/2**

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

Performance on this paper was less than satisfactory. The mean mark was 12 out of 40 marks. No one achieved the maximum mark on this paper. The highest mark was 30 out of 40 marks.

## DETAILED COMMENTS

### Paper 02 – Essay

#### Section I – Compulsory

##### Question 1

This question was divided into four parts. Part (a) tested candidates' knowledge of the functional departments of a business. Part (b) tested the functions of each department. Part (c) tested candidates' knowledge of the impact of a given market situation on the departments of a soft drink firm. Part (d) tested candidates' knowledge of the causes of conflict and conflict resolution. The question was attempted by approximately 90 per cent of the candidates, and was generally well done.

Part (a) of the question was challenging for most candidates. The weaker candidates misinterpreted the question naming the four departments of a typical business to be the functions of management. Others did not know what the functional departments of a typical business were as they identified marketing, sales, promotion and packaging as four separate departments, and accounts and finance as two separate departments. Some identified the types of business units as well as shareholders, entrepreneurs, employees, and owners.

In Part (b), those candidates who answered Part (a) well gave appropriate functions of each of the departments identified. However, some of the weaker candidates omitted giving the functions for all four departments identified.

Part (c) of the question required candidates to analyse the impact of an increase in demand on the departments of a soft drink firm. This posed the highest level of difficulty for the weaker candidates. By their responses it was clear that they did not understand the impact of demand on the activities of the departments. Some candidates gave the negative impact of demand but did not adequately explain these impacts. Some of the weaker candidates just indicated that there was a general increase in work being done, but did not identify the department nor explain specifically how that department would be affected. An ideal response would be "the Personnel Department would be required to supply the workforce needed by hiring more workers and providing any necessary training".

Part (d) of the question was well done. However, some of the weaker candidates seem to have misinterpreted the question, thereby giving ways in which conflict can occur within the organization. Some candidates were vague in their responses giving only 'one word answers' without stating or explaining the strategy to be used in resolving the conflict. However, the stronger candidates were able to use real life situations to come up with practical solutions to answer this question. For example, conflict resolution may include "having face-to-face talks with the persons involved in the conflict".

##### Recommendations

- Students should be encouraged to read their questions carefully so that they can understand what is required of them. For example, where candidates are required to "outline" using a certain number of points, they should separate each point to ensure that they give proper explanations of each in order to be awarded full marks.
- Students need to be more knowledgeable about the various departments of the business, and not confuse them with the function of management or types of business units. To help students to achieve this, teachers should reinforce the term 'departments' through the use of organizational charts and the use of mini projects to teach related concepts.

- More practice should be given to students in answering examination questions and in the techniques used, especially in the use of complete sentences, in order to achieve the maximum marks.

### Question 2

This question tested candidates' knowledge and understanding of the levels of production, the stages or branches of production and cottage industries and linkage industries. It was attempted by 90 per cent of the candidates.

Part (a) required candidates to identify the levels of production among them. This posed some difficulty for many candidates as there was a misconception between levels and types of production. The weaker candidates gave stages or branches of production instead of levels. Of those who were able to list accurately the two levels of production, very few were able to properly explain the main difference between them.

Part (b) required candidates to differentiate between primary and secondary production and give examples of each. This posed little difficulty as most candidates were able to score maximum marks. However, a small percentage of candidates did not provide examples. A few candidates confused the examples of primary and secondary production. Others gave the two examples, but did not indicate to which stage of production they were referring. A few candidates gave examples of services industries instead of primary and secondary industries.

Part (c) (i) of the question like Part (b) posed little difficulty as the candidates were able to describe two features of cottage industries. However, Part (c) (ii) proved somewhat challenging as they failed to respond to the concept of economic development. Responses focused on benefits for the owner of the cottage industry and not on benefits to the overall economy.

Part (d) tested knowledge of linkage industries and their benefits to the Caribbean economy. Candidates found this section to be most challenging. Generally, they were unable to show how linkage industries resulted in economic development. Many merely defined linkage industries and gave examples of them. Others looked at how countries can assist each other generally rather than through linkages. A few candidates were able to show how linkage industries can assist in the development of Caribbean economies. However, most of them did not develop the points fully.

### Recommendations

- Teachers should assist students in distinguishing clearly between the levels and the stages of production. This can be achieved with the use of a number of examples.
- Teachers should also give some attention to the higher order skills so that their students would be able to relate cottage and linkage industries to economic development.

### Question 3

This question tested candidates' knowledge and understanding of consumer behavior, consumerism, methods of transport and marketing, and distribution channels.

Approximately 90 per cent of the candidates attempted this question. The areas that required mere recall of information were generally well done.

Part (a) required candidates to state three factors that affect consumer behavior. This was well done. The stronger candidates used their knowledge of the concepts learnt as well as their experiences to maximize their scores. However, the weaker candidates gave consumer rights as a response and

limited their responses to the stimulus materials, rather than applying their knowledge to factors that influence consumers generally.

In Part (b), candidates were required to identify two organizations in their country where consumers can seek redress for unfair treatment. This part of the question was generally well done. Candidates gave a wide range of institutions. However, the weaker candidates gave abbreviations of organizations, which could not be identified, while others named trade unions and cooperatives.

In Part (c), candidates were required to outline two possible distribution channels that can be used to deliver the baked products to the final consumer. This was poorly done as candidates confused the distribution channels with modes of transport. The majority tried to outline a channel without starting with the manufacturer and ending with the consumer while others merely listed units such as the retailer or the wholesaler as distribution channels. A significant number of candidates confused channels of distribution with methods of distribution and others did not recognize that the manufacturer and the supplier are the same.

In Part (d), candidates were required to select an appropriate method of transportation for each of a number of named products giving one reason for their choice. This part of the question was fairly well done. Candidates offered responses for both inland and overseas modes of transport. Candidates were able to list the modes of transport, however, in some cases the reasons stated did not correspond to the modes of transport identified. The weaker candidates described how each good should be packaged rather than identify a suitable means of transport.

#### Recommendations

- Teachers should assist students in differentiating among instructional verbs used such as list, state, identify outline and to use the stimulus material provided in the question. Students should be encouraged to give full names of organizations rather than abbreviations.
- Students need to be more aware of the distribution channels and the different modes and forms of transport. They must be able to distinguish between them.

#### Question 4

This question tested candidates' knowledge and understanding of reasons for establishing a business, how businesses contribute to the development of a community, definitions of private and public sectors and why a government may nationalize an industry. Eighty three per cent of the candidates attempted this question. Generally the responses were fairly good.

Part (a) of the question was well done. There were a variety of responses given as to why an individual would set up a business. Candidates were able to use their knowledge of the topic and their own personal desire to set up a business to their advantage.

Part (b) was also well done. Candidates gave a variety of responses as to how businesses could contribute to the development of a community. The responses were well thought out and candidates were awarded appropriate scores for such detailed answers. The weaker candidates did not fully comprehend this question and therefore did not answer this part of the question well. They failed to give the three examples required for that part of the question.

In Part (c), candidates were required to define the terms 'private sector' and 'public sector'. Candidates' responses indicated a clear understanding of what was required in this part. However, the weaker candidates confused private and public sectors with private and public companies. There were some candidates who thought that private sector meant 'not available to the public'.

Part (d) presented the greatest challenge as the majority of candidates either did not understand the concept of nationalization or could not apply this knowledge to why governments would nationalize an entity. A number of candidates confused nationalization with international trade. None the less forty per cent of the candidates gave appropriate reasons with full explanations.

### Recommendations

Teachers need to use many examples in differentiating between concepts such as private sector and public sector, public companies and public sectors, nationalization and privatization. This could be reinforced by giving students assignments to identify different organizations in their communities or case studies of organizations that were nationalized. More class discussion in addition to teacher delivery would clarify misconceptions and misunderstandings held by students. Students should be given more research to allow for the building of the connection between the theory taught and real life situations.

### Question 5

This question tested candidates' knowledge and understanding of the purpose and elements of a business plan, the value of collateral and reasons why the bankers request business plans from their clients. Candidates were also required to identify how unethical business practices impact on the borrower. Eight per cent of the candidates attempted this question and it was satisfactorily done.

Part (a) was poorly done. The majority of the candidates were unable to fully identify the purpose of a business plan. Most responses were either quite vague mentioning 'proper planning', 'need for organization' and 'to have an idea of business', or stated the functions of a business.

In Part (b), the candidates' performance was equally poor. The weaker candidates listed the elements of a business plan but were unable to describe these clearly or listed and explained the functions of management.

Most responses covered some of the factors of production, source of finance and or elements of marketing such as market research and the 4Ps. Generally major functional areas were briefly discussed and technical terms associated with a business plan such as executive summary were rarely used.

In Part (c), candidates performed reasonably well. Some popular responses included machinery, deed, land title, car, house and other personal assets.

In Part (d), candidates also performed creditably. However, some candidates deprived themselves of full marks by putting forward separate answers that were either identical, or too similar or interrelated.

In Part (e), more than 50 per cent of the candidates were unsure of existing and potential unethical practices within the banking environment. Common responses included pollution and discrimination. Very few candidates gave two accurate answers. Where candidates provided unethical practices in context, they failed to address the impact of such practices on the borrower. Some good responses were criminal charges which can tarnish the image of the business, termination and withdrawal of services and facilities offered by the bank.

### Recommendations

Teachers should ensure that the business plan is taught in detail and encourage students to give a brief explanation when they are required to describe a business plan or any concept of the plan. Teachers may invite Chief Executive Officers of firms to have discussions with students about the construction and purpose of business plans. Since this area is a major foundation upon which the recently revised

School Based Assessment is built, teachers should make every effort to help students to understand and connect the theory with the practical.

In the execution of their lessons, it is suggested that teachers encourage students to use the internet and offer media to inform themselves about the various forms of unethical issues and practices in the world of business and the possible consequences associated with these practices.

In addition to identifying types of collateral, teachers need to place emphasis on reasons why financial institutions require collateral from borrowers.

### Question 6

This question tested candidates' ability to differentiate between the 'standard of living' and the 'quality of life', to distinguish between an increase and a real increase in GDP, to outline factors that contribute to an improvement in a country's standard of living, to describe ways in which GNP can be measured, and to discuss how an increase in GDP can be present without an improvement in the standard of living.

Question 6 was attempted by 43 per cent of the candidates. The performance on this question was unsatisfactory.

Candidates found Part (a) to be very challenging as the majority of them was unable to differentiate between 'standard of living' and 'quality of life'. Both concepts were often defined simply as "*the way of life of people*".

In Part (b), candidates were unable to distinguish between an 'increase' and 'a real increase' in GDP. Most of them were not able to focus on the theory 'real GDP' as against 'nominal' GDP. Their responses constituted, generally, repeating what was asked.

Part (c) was generally well done. The stronger candidates were able to outline the factors that contribute to an improvement in the country's standard of living while the weaker candidates merely listed the factors rather than outline them. Also they were not able to make the connection to an 'improvement in the standard of living'. Further, while they identified the variables, they failed to state, whether there was an increase or decrease in the variables in the variables.

Part (d) proved to be challenging for the majority of the candidates. They were generally unable to identify the ways in which GNP may be measured. The candidates who were able to identify the ways in which GNP could be measured could not describe these ways.

In Part (e) there was a strong indication that candidates misinterpreted what was being asked. Most candidates explained how an increase in GDP could improve the standard of living instead of discussing how an increase in GDP can occur without an improvement in the standard of living.

### Recommendations

Teachers should teach national income early in the school year to allow for proper revision. They need to ensure that students understand the approaches used to measure GDP. Teachers may also utilize team teaching, the sharing of best practices and the use of relevant articles in business magazines and newspapers to reinforce concepts. Students should also be exposed to questions at the application and evaluation levels.

### Question 7

This question was designed to test candidates' knowledge of the Caribbean Single Market and Economy (CSME), the advantages of CARICOM, the major economic problems faced by countries of

the Caribbean and the possible solutions to these problems; social services provided by government and the contribution of these services to economic development.

The question was attempted by 39 per cent of the candidates who gave satisfactory responses.

Part (a) (i) posed the greatest difficulty, as candidates could not adequately explain the term 'single market' as it relates to CARICOM. Approximately 40 per cent of the candidates were able to give a partial explanation with another 30 per cent giving full explanation.

Performance on Part (a) (ii) was much better as the majority of candidates were able to state at least two aims of the Caribbean Single Market and Economy. Only the very weak candidates failed to score marks in this section.

The majority of the candidates who performed well on Part (a) (ii) were able to give appropriate advantages of CARICOM in Part (b). However, the responses were weakened by their failure to adequately develop the points stated. Candidates often failed to follow instructions as they consistently 'identified' rather than 'outlined' the advantages of CARICOM's Single Market and Economy.

In response to Part (c), about 70 per cent of the candidates identified a major economic problem with the majority stating a relevant solution. The weaker candidates identified social problems such as crime and illiteracy as economic problems.

In Part (d), the majority of the candidates were able to identify a social service provided by their government but only about 20 per cent adequately explained the contribution of these services to economic development. Weaknesses in responses include confusing social problems with economic problems. There was also the tendency of candidates to offer acronyms of agencies such as NSWMA, OJT, and HEART rather than identify the service they provided. Further weaknesses in the responses were evident when candidates attempted to discuss social effects of the services cited, rather than explain the contributions to economic development.

### Recommendations

Teachers need to:

- Use a variety of teaching methods to teach these objectives: for example, group projects, guest presenters and panel discussions.
- Explain the differences in examination instructions such as identify, explain, discuss and analyse.
- Teach the concept of CARICOM, economic growth and development, standard of living and quality of life earlier in the programme. This may be achieved by giving students topics in these areas to research in groups and have them make class presentations on their findings.
- Encourage and provide opportunities for class discussions of these topics so that clear distinctions of concepts can be emphasized.
- Discuss the solutions along with the problems of economic growth and development so that students will see the connection.
- Use the jargon of the subject so students are comfortable with the terms used.



## **Alternative to the School-Based Assessment**

### **GENERAL COMMENTS**

#### **Paper 03/2**

##### **Profile 1**

The overall performance on this paper was poor. Candidates gave general responses instead of relating them to the case. They exhibited a lack of knowledge of the requirements of the syllabus. Candidates quoted sections from the case to complete the business plan.

### **OPERATIONAL PLAN**

#### Nature and Type of Business

Responses were generally poor. The majority of the candidates were to distinguish between the nature and the type of business. Most of the candidates inaccurately described the business as a cottage industry or partnership. Some identified “bammy production” but rarely manufacturing or secondary production.

#### Internal Structure of Organisation

The performance was fair. Candidates were able to identify the names of persons in the organization but unable to put them in the correct level. Most candidates gained only one mark.

#### Management Functions

Generally, candidates’ responses were satisfactory, the responses showed some familiarity with the content. However, there was a noticeable trend where they confused management functions with responsibilities and functional areas of a business. Also, most candidates listed management functions but not those specifically related to the business.

#### Ethical/Legal Issues

This question was poorly done. Candidates were unable to distinguish between ethical and legal issues and often cited the sequence, “the disaster preparedness management...long shelf life”. They were unable to identify the necessary documents as they relate to the business; for instance, they merely used words such as register, license, insurance and pollution.

#### Executive Summary

This question posed the greatest challenge for candidates. Responses indicated that candidates lack the knowledge and understanding of what is required in an executive summary. They often identify the organizational structure instead of a summary.

#### Recommendations

Teachers need to provide several examples and case studies. Candidates need to be able to differentiate between the type and nature of a business and the levels of an organizational structure.

## **Profile 2**

### **MARKETING PLAN SPECIFIC COMMENTS**

#### Market Research

Candidates failed to distinguish between the two categories and to highlight the value of market research to the business. From observation, the responses were generic and lack the use of relevant business terms.

Overall the responses in this area were very poor.

#### Industry Trend

Candidates did not fully understand what was meant by “industry trend”. As such they were not able to differentiate between industry trend and what was happening to the particular business. As a result, candidates quoted, directly from the case, entire sections of the passage.

Overall the responses to this area were very poor.

#### Size of the Market

Candidates confused the size of the market with the size of individual businesses.

Overall the responses to this area were satisfactory.

#### Target Market

Candidates’ responses were satisfactory for this area. They had little or no problem identifying the target market.

Overall the responses to this area were very good.

#### Pricing Strategies

Candidates had an idea as to what pricing strategy is but could not fully explain the term. Few candidates were able to identify at least one pricing strategy by name. The majority of candidates explained in general terms a scenario to pricing strategy.

#### Promotional Strategies

This area was fairly well done; however, candidates did not discuss the points fully. The space provided for the discussion was limited. Thus, candidates listed the promotional strategies. In addition, candidates confused promotional strategies with promotion on the job.

#### Distribution Strategies

Candidates’ responses were confined to distribution channels rather than distribution strategies.

Overall the responses to this area were satisfactory.

### Consumer Organizations

Candidates either defined consumer organizations or stated the names of the organizations.

Overall the responses in this area were poor.

### Executive Summary

Overall this area was poorly done by candidates. Responses varied from identifying the executive members of the business to listing the sub-headings to the marking profile.

## **GENERAL COMMENTS**

Candidates defined terms instead of relating them to the case.

Candidates did not have adequate knowledge of the syllabus.

Candidates quoted entire sections from the case to complete the business plan.

The responses to sections of the plan were not clear.

Candidates were confused as to what tense was to be used to complete the business plan.

Generally, responses were of a very poor quality. They were weak in all areas: knowledge, comprehension and application.

Overall candidates scored heavily in the areas of 'Promotional strategies' and 'target market'.

### Recommendations

All stakeholder involved in the Paper 3/2 must be knowledgeable of the syllabus, especially those persons out of the public school system.