



CARIBBEAN EXAMINATIONS COUNCIL
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

MANAGEMENT OF BUSINESS

UNIT 1 – Paper 02

2 hours 30 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. This paper consists of THREE sections: A, B and C. Each section consists of TWO questions.
2. Candidates MUST answer ONE question from EACH section.
3. Write your answers in the spaces provided in this booklet.
4. Do NOT write in the margins.
5. If you need to rewrite any answer and there is not enough space to do so on the original page, you must use the extra lined page(s) provided at the back of this booklet. **Remember to draw a line through your original answer.**
6. **If you use the extra page(s) you MUST write the question number clearly in the box provided at the top of the extra page(s) and, where relevant, include the question part beside the answer.**

DO NOT TURN THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

SECTION A

MODULE 1: BUSINESS AND ITS ENVIRONMENT

Answer ONE question from this section.

1. Household Chemical Ltd is a newly established company in the community of Water Isle. Some residents are concerned that the chemical production may have a negative impact on their environment. The company has decided to focus on 'good corporate governance' as an objective to boost the company's image.

- (a) (i) Define the term 'corporate governance'. [2 marks]
- (ii) State TWO examples of good corporate governance strategies that Household Chemical Ltd can adopt. [2 marks]
- (b) Explain THREE reasons why it is important for Household Chemical Ltd to practise good corporate governance. [9 marks]
- (c) Discuss THREE objectives of a typical business organization. [12 marks]

Total 25 marks

2. Tyre Repairs & Services Ltd has been operating without a mission and vision statement since the incorporation of the company. In light of the competitive environment, the board of directors has decided to create mission and vision statements for the company.

- (a) (i) Define the term 'mission statement'. [3 marks]
- (ii) Outline THREE reasons why a mission statement is important to Tyre Repairs & Services Ltd. [6 marks]
- (b) Differentiate between a 'vision statement' and a 'mission statement'. [4 marks]
- (c) Discuss ONE way in which EACH of the following factors will affect decision-making at Tyre Repairs & Services Ltd.
- (i) Technology
- (ii) Globalization
- (iii) Legal regulations [12 marks]

Total 25 marks

SECTION B

MODULE 2: MANAGEMENT OF PEOPLE

Answer ONE question from this section.

3. IT Global produces software programmes for the banking and finance industry in Lovely Island. The company received the Best Business Practice Award because of its successful application of the Hawthorne Effect to the management of workers.

- (a) Define EACH of the following terms:
- (i) Management [2 marks]
 - (ii) Hawthorne Effect [2 marks]
- (b) Explain THREE ways in which IT Global could benefit from applying Frederick Taylor's Scientific Management principles. [9 marks]
- (c) Discuss THREE advantages that IT Global is likely to experience from adopting the Hawthorne Approach to managing its workers. [12 marks]

Total 25 marks

4. Eco Bank Ltd has decided to conduct its monthly meeting with the nine international branches by video conferencing because of the many benefits of this method. The meeting was convened to address increasing rumours in the organization about pending management changes and staff disgruntlement about the way information is communicated to them.

- (a) Outline TWO advantages to Eco Bank Ltd of using video conferencing to conduct its monthly meetings. [4 marks]
- (b) Explain THREE benefits of effective communication to Eco Bank Ltd. [9 marks]
- (c) Discuss THREE possible problems associated with the use of the informal channels of communication at Eco Bank Ltd. [12 marks]

Total 25 marks

SECTION C

MODULE 3: BUSINESS FINANCE AND ACCOUNTING

Answer ONE question from this section.

5. The published accounts of Carib Vibes Ltd contains the following information relating to the operation of the business for the last two years (2014–2015).

Year	Capital Employed	Net Profit	Gross Profit	Sales Turnover
2014	4.5	0.75	1.35	5.0
2015	3.0	0.375	1.025	4.10

- (a) Using the information in the table above, calculate the following profitability ratios for the years 2014 and 2015 and use your results to assess the performance of the company over the two-year period.
- (i) Gross profit margin **[5 marks]**
 - (ii) Net profit margin **[5 marks]**
 - (iii) Return on capital employed **[5 marks]**
- (b) Explain TWO limitations of using accounting ratios to assess the performance of a firm and suggest how EACH limitation may be overcome. **[10 marks]**

Total 25 marks

6. Bill is the owner of a small manufacturing juice business called Tropical Juices Ltd. The business is in the process of examining its cash flow and budgeted statements in order to make some informed decisions.

- (a) (i) Define the term 'cash flow statement'. [2 marks]
- (ii) Outline TWO advantages of a cash flow statement to the operations of Bill's business. [4 marks]

The following table shows the budgeted and actual overheads of Tropical Juices Ltd.

Budgeted and Actual Overheads of Tropical Juices Ltd

Departments	Budget (US\$)	Actual (US\$)	Variance (US\$)
Production	150 000	120 000	
Human Resources	60 000	70 000	
Marketing	240 000	280 000	

- (b) Define EACH of the following terms:
 - (i) Variance [2 marks]
 - (ii) Budget [2 marks]
- (c) Calculate the variances for EACH department at Tropical Juices Ltd. [3 marks]
- (d) Explain FOUR benefits of budgeting to Tropical Juices Ltd. [12 marks]

Total 25 marks