

FORM TP 2016256



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CARIBBEAN EXAMINATIONS COUNCIL
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®
MANAGEMENT OF BUSINESS

UNIT 2 – 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: PRODUCTION AND OPERATIONS MANAGEMENT

Answer ONE question from this section.

1. Product sales of Wireless Engineering have been declining steadily over the past two years. Studies have shown that consumer buying behaviour does not match the forecasts that were made prior to production. Wireless Engineering has been using the 'sales force composite method'. The new production manager has suggested that either the consumer survey method or the moving average method be adopted.

(a) Define EACH of the following terms:

(i) Forecasting [2 marks]

(ii) Moving average [2 marks]

(b) Explain THREE reasons why the sales force composite method may not be giving an accurate picture of consumer buying behaviour. [9 marks]

(c) Discuss THREE ways in which Wireless Engineering may benefit from using the consumer survey method of forecasting. [12 marks]

Total 25 marks

2. Edwards' Air Conditioning must reduce its operating expenses in order to remain profitable. The production manager is required to keep production cost at a manageable level. He wants to outsource one of the components of the manufacturing process. He also wants to determine the indirect costs.

(a) Differentiate between 'direct costs' and 'indirect costs'. [4 marks]

(b) Explain THREE factors that Edwards' Air Conditioning should consider in determining whether to make or buy the manufacturing component. [9 marks]

(c) Discuss THREE reasons why it is important for Edwards' Air Conditioning to keep its production cost at a manageable level. [12 marks]

Total 25 marks

SECTION B

MODULE 2: FUNDAMENTALS OF MARKETING

Answer ONE question from this section.

3. (a) (i) Define the term 'sales promotion'. [2 marks]
- (ii) Identify THREE sales promotion techniques. [3 marks]
- (b) Differentiate between 'informative advertising' and 'persuasive advertising', outlining ONE situation in which EACH would be most effective. [8 marks]
- (c) One major advertising decision is the choice of media to use as a means of transmitting the message.
- Discuss THREE factors that may influence the choice of media. [12 marks]

Total 25 marks

4. (a) (i) Define the term 'branding'. [2 marks]
- (ii) State THREE benefits of branding to an organization. [3 marks]
- (b) Differentiate between 'price skimming' and 'penetration pricing', outlining ONE situation in which EACH would be most appropriate. [8 marks]
- (c) Discuss EACH of the following stages in the new product development process
- (i) Idea generation [4 marks]
- (ii) Product development [4 marks]
- (iii) Market testing [4 marks]

Total 25 marks

SECTION C

MODULE 3: SMALL BUSINESS MANAGEMENT

Answer ONE question from this section.

5. Excel Electronics Ltd is a multinational company with branches in three countries. At a recent management meeting it was decided that the company would adopt social entrepreneurship as a management strategy.
- (a) Differentiate between 'entrepreneurship' and 'intrapreneurship'. **[4 marks]**
 - (b) Explain THREE social entrepreneurship features that Excel Electronics may adopt given the management decision. **[9 marks]**
 - (c) Discuss THREE characteristics of successful entrepreneurs. **[12 marks]**

Total 25 marks

6. Johnny wants to start a photography business so that he can supplement his earnings. He is uncertain as to whether the business should adopt the sole trader or partnership form.
- (a) Differentiate between a 'sole trader' and a 'partnership'. **[4 marks]**
 - (b) Explain THREE benefits that Johnny would enjoy if he adopts the sole trader form of business. **[9 marks]**
 - (c) Discuss THREE challenges that Johnny, as a small business owner, could face in sourcing capital for his business. **[12 marks]**

Total 25 marks