

FORM TP 2018202



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MAY/JUNE 2018

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

ENTREPRENEURSHIP

ENTREPRENEURIAL PRACTICE

UNIT 2 – Paper 02

*2 hours 45 minutes*

**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. This paper consists of SIX mini-case scenarios, TWO from EACH module.
2. Answer ALL questions.
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.**

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02260020/CAPE 2018

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**INSTRUCTION: Read EACH mini-case and answer the questions that follow.**

**MODULE 1: ESSENTIALS OF BUSINESS OWNERSHIP**

**Case 1: Succession Planning**

Michael's mother owned and operated a small private business. She wanted to retire and pass the business on to him. Michael was excited, but thought that he might need to make some changes to the structure of the business if it was to remain profitable in these changing times. He wondered whether he should try to get the business listed on a stock exchange or form a partnership. He was concerned about ownership and who would make decisions regarding the future direction of the business, as he wanted it to remain in the family.

1. (a) Distinguish between the following types of ventures:

(i) Sole trader

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(ii) Limited liability company

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- (b) Explain why neither a franchise nor a state-owned enterprise would be relevant to Michael's decision.

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(c) Explain **ONE** similarity and **TWO** differences between a social enterprise and a non-government organization (NGO).

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**[5 marks]**

**Total 15 marks**



**Case 2: National Pride**

The government of a Caribbean territory has raised concerns regarding the behaviour of several companies and how this behaviour impacts their consumers and employees. Among the concerns raised are the companies' inadequate compliance with laws, regulations and international standards. Additionally, the government argues that the companies could do much more to support the communities in which they operate and improve how they treat the general environment. The government insists that by becoming more responsible in their actions, these companies can realize increased profits, the consumers will derive greater satisfaction from the goods and services they produce.

2. (a) Explain what is meant by 'code of ethics' and 'corporate social responsibility'.

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- (b) List THREE standards, laws, obligations or regulations, other than 'duty of care', implied in the case that the companies should consider and observe.

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- (c) Explain why it is important for companies to practise environmental stewardship and observe duty of care guidelines.

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**MODULE 2: NEW VENTURE PLANNING AND CREATION**

**Case 3: Know Your Market**

Mary wants to establish an agro-processing venture in her community. One of her challenges is to find someone with the skill set to manage the accounts. Based on Mary's training she would be able to record and manage the day-to-day receipts and payments, but would have difficulty preparing projections. With a good accountant, she anticipates that the business would be better managed, with a greater likelihood for profitability. She now questions what she should do with the profit — should she consume, save/invest or reinvest it in expanding the business?

3. (a) List the THREE key accounts that Mary would need to present in her financial statements.

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**[3 marks]**

- (b) Outline THREE investment options available to Mary for investing profits made from the business.

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(c) Explain the importance of producing a breakeven analysis and cash flow projections.

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**Case 4: If You Fail to Plan You Plan to Fail – Business Planning**

Bernard has just completed his training in entrepreneurship and is ready to start his venture. However, he is aware that before commencing he must develop a business plan. He knows that he must be clear on how to manage the operations, so that the product can penetrate the market and the company can be profitable and viable. With a robust plan in place, he is now ready to implement his venture.

4. (a) Outline TWO purposes of a business plan.

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(b) Outline the FOUR major sections of the business plan implied in the case.

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- (c) (i) State why an executive summary is the last section of a business plan to be written although it is contained in the first section of the plan?

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- (ii) Outline the importance of an executive summary in a business plan.

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**MODULE 3: MANAGING AND GROWING THE VENTURE**

**Case 5: Live or Die**

Roshma returned to her country after living abroad for 20 years. She was a videography expert and intended to establish her own entity in her home town. From the onset, she contemplated how her business would grow and what start-up model she would choose.

5. (a) List THREE venture start-up models from which Roshma could choose.

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(b) Explain the importance of Roshma conducting a valuation of her venture if she is:

(i) buying or selling a business or major asset

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(ii) raising growth capital

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(iii) attempting to buy out a partner or shareholder.

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- (c) List **THREE** occasions, **other** than those in (b), when it would be important for Roshma to conduct a valuation of her business.

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**Total 15 marks**



**Case 6: Generation Z**

Jeffery decided to establish an online delivery service targeting university students. He thought that by using the Internet he would be better able to meet the customer's demand for speed and flexibility. He was uncertain of the approach that he should take to engage in this form of commerce. He considered collaborating with an existing online service provider, especially for the receipt of payments. He concluded, however, that regardless of the option he chooses, he must ensure that this approach improves his chances of success.

6. (a) Outline FOUR ways in which the Internet can positively impact Jeffery's venture development.

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(b) List FOUR approaches to e-commerce that Jeffery's venture could adopt.

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(c) List THREE strategies for e-commerce success that Jeffery could utilize.

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**Total 15 marks**

**END OF TEST**

**IF YOU FINISH BEFORE TIME IS CALLED, CHECK YOUR WORK ON THIS TEST.**

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