

FORM TP 2019279



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CARIBBEAN EXAMINATIONS COUNCIL  
CARIBBEAN ADVANCED PROFICIENCY EXAMINATION®

MANAGEMENT OF BUSINESS

UNIT 1 – Paper 02

*2 hours 30 minutes*

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**READ THE FOLLOWING INSTRUCTIONS CAREFULLY.**

1. This paper consists of THREE questions. Answer ALL questions.
2. Write your answers in the spaces provided in this booklet.
3. You may use a silent, non-programmable calculator to answer questions.
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.**

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

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**MODULE 1: BUSINESS AND ITS ENVIRONMENT**

1. (a) Define EACH of the following terms

(i) Globalization

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**[2 marks]**

(ii) Multinational corporation (MNC)

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**[2 marks]**

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**MODULE 2: MANAGEMENT OF PEOPLE**

2. The human resource department of an organization plays a pivotal role in the recruitment, training and development of staff.

(a) Distinguish between the terms 'training' and 'development'.

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**[4 marks]**

(b) Explain EACH of the following functions which are performed by a human resource department:

(i) Recruitment

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(ii) Selection

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(iii) Compensation

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**[9 marks]**

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**MODULE 3: BUSINESS FINANCE AND ACCOUNTING**

3. Michelle and her husband Kevin Peart started Country Farmhouse Soy Products in 2013, producing soy milk and soy beans in Vegans Ville Island. The growing trend in healthy lifestyle initiatives worldwide has provided the Pearts with ideas for expansion of the business. They have United States (US) currency in a savings account but they would rather not use it to fund the expansion. They prefer to seek short-term financing.

(a) Outline TWO sources of short-term financing available to Country Farmhouse Soy Products which can assist in the expansion of the business operations.

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**[4 marks]**

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(b) The couple has decided to investigate the possibility of investing their US currency in the stock market but they do not know whether that would be a good idea.

Explain THREE benefits to Country Farmhouse Soy Products of investing in the country's stock exchange.

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**[9 marks]**

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- (c) The following represents the income statement for Country Farmhouse Soy Products for the years 2017 and 2018. The couple was told by their accountant that knowing the business' profitability ratios is very important.

**Income Statement for Country Farmhouse Soy Products (2017 and 2018)**

	31 March 2017	31 March 2018
	\$ (000)	\$ (000)
Sales revenue	4 101.8	4 444.6
Cost of sales	2 000.1	2 601.1
Gross profit	2 101.7	1 843.5
Operating expense	1 614.7	1 500.0
Operating profit	487.0	343.5
Net interest	15.3	15.3
Profit before taxes	612.5	660.3
Taxes paid	110.3	125.6
Net profit	502.2	431.7

- (i) Calculate the following profitability ratios for 2017 and 2018:
- Gross profit margin

[3 marks]

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- Operating profit margin

[3 marks]

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- (ii) Use the following accounting data for Country Farmhouse Soy Products to create the balance sheet for January to December 2018. The balance sheet should reflect the figure for the net current assets.

	\$ (000)
Trade receivables	1 000
Trade payables (to be paid in under a year)	800
Trade payables (to be paid in over a year)	300
Inventories	500
Cash at bank and in hand	50
Fixed assets	1 150
Owners' equity	1 600

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