

FORM TP 2016107



TEST CODE 01240032

MAY/JUNE 2016

CARIBBEAN EXAMINATIONS COUNCIL

CARIBBEAN SECONDARY EDUCATION CERTIFICATE®
EXAMINATION

PRINCIPLES OF BUSINESS

Paper 032 – General Proficiency

1 hour 15 minutes

READ THE FOLLOWING INSTRUCTIONS CAREFULLY.

1. Answer ALL questions.
2. Write your answers in the spaces provided in this answer booklet.
3. Do NOT write in the margins.
4. You are advised to take some time to read through the paper and plan your answers.
5. You may use a silent, non-programmable calculator to answer questions.
6. 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.**
7. **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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INSTRUCTIONS: The following case study contains information for a business plan. Read the case study and answer the questions that follow.

CASE STUDY

SECTION A

Beautiful Blooms Nursery

Beautiful Blooms Nursery is a flower shop that sells cut flowers and floral arrangements. It is located in the front room of the CEO, Mary-Ann Poser's family home in a prestigious residential area. The partners credit their success to the excellent customer service provided by their family of four. Sue-Lou is a very good florist having gone to the best floral design schools in the country. She uses unique materials to create world class designs on a very low budget. Customers can depend on her to give them value for money. Their mom Ellen, a trained manager, purchases high quality unique flowers and trimmings which contribute to the strong brand. She engages in strict financial controls, ensures efficient production and manages the staff of three other persons – an assistant florist, a gardener and a decorator. Their father Bill does the marketing and distribution as well as oversees the delivery and pick up of items. At times they have a problem with the disposal of garbage from the business. Based on the expressions of customers, the firm is considering expanding its offerings to include gift baskets, decorations and signage. However, the owners are concerned about the additional costs involved in expanding the business.

Complete the following business plan using information from the case study.

OPERATIONAL PLAN

1. Nature and Type of Business

Classify the business based on ownership.

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(1 mark)

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2. Internal Structure of the Organization

Draw and label an organization chart of the present structure of the business.

3. Management Functions

(3 marks)

(a) State TWO factors that have contributed to the success of Beautiful Blooms Nursery.

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(2 marks)

(b) Cite TWO pieces of evidence from the case which suggest that the firm is being managed properly.

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(2 marks)

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4. Ethical Issues

Identify TWO ethical issues that could affect the business in a negative way.

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(2 marks)

Total 10 marks

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SECTION B

The firm depends on customers desiring floral items for weddings, funerals, graduations as well as occasional conferences and parties. A market research revealed that 80 per cent of customers desired gift baskets and the services of a decorator and graphic artist. This boosted the owners' confidence as these persons would provide referrals but they wondered if this would be sufficient to withstand the two other competitors plus the Superstore which sells ready-made floral arrangements and gift baskets. The owners plan to change the structure of the business to that of a private company, which they will call Beautiful Blooms and Gifts Ltd. They plan to relocate to a larger space which will mean additional rental costs. The firm plans to increase its promotional strategies using gift coupons, technology and possibly extend its opening hours.

MARKETING PLAN

5. Market Research

Identify TWO methods that Beautiful Blooms Nursery could have used to conduct the market research.

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(2 marks)

6. Industry Trend

Cite TWO pieces of evidence to support the view that Beautiful Blooms Nursery is likely to grow and survive.

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(2 marks)

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7. Size of Market

- (a) Outline THREE strategies which the business can use to ensure that it survives the competition.

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(3 marks)

- (b) Outline TWO advantages the firm is likely to experience as a result of expanding to Beautiful Blooms and Gifts Ltd.

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(2 marks)

- (c) Outline TWO disadvantages the firm is likely to experience as a result of expanding to Beautiful Blooms and Gifts Ltd.

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(2 marks)

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8. Target Market

Identify THREE types of customers who are likely to be targeted by the new business.

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(3 marks)

9. Promotional Strategies

List THREE promotional strategies that Beautiful Blooms and Gifts Ltd could use to promote its products.

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(3 marks)

10. Distribution Strategies

State THREE methods the business can employ to make its products available to customers.

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(3 marks)

Total 20 marks

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SECTION C

Beautiful Blooms Nursery started two years ago and has improved its production and presentation above its competitors. The capital for the start of the business came from personal funds and loans from relatives who will now become shareholders. While remaining at their present location would reduce cost it would violate government regulations. The firm needs new equipment and other materials. The owners have prepared a business plan to obtain a loan of US\$110 000 for 10 years from a commercial bank at an interest rate of 12 per cent per annum.

The following are the projected expenses for the first month after the expansion.

	\$
Promotional expenses	3000
Interest on bank loan	_____
Wages and salaries	50 000
National insurance	5000
Utilities	3000
Stocks	20 000
Rental	10 000
Insurance	1000
Miscellaneous	4000

FINANCIAL PLAN

11. (a) The TOTAL interest to be charged on the loan over the 10 years is \$132 000. Calculate the interest for ONE month.

(2 marks)

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- (b) Calculate the TOTAL expenses that the business will incur during the first month of operation. (**Show ALL working**).

(1 mark)

12. Source of Funds

List TWO sources of funds that have been used to finance the business.

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(2 marks)

13. Government Regulations

- (a) Identify ONE government regulation that is likely to affect the business.

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(1 mark)

- (b) State ONE way in which the named regulation is likely to affect the business.

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(1 mark)



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14. Executive Summary

Write a summary of the business including the three sections of the business plan.

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(3 marks)

Total 10 marks

END OF TEST

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

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