

### 30.0 BUSINESS STUDIES (565)

Business Studies comprises of Commerce, Accounting, Economics and Office Practice which were formerly tested as separate subjects. It also borrows from Entrepreneurship. One of the major objectives of Business Studies is to expose the candidates to broad areas of study and leave them to specialize at post secondary level. For those who may not go for further education, the objective is to enable them be self-reliant and partake of national development through self-employment and entrepreneurship.

Business Studies was tested in two papers. Paper 1 (565/1), had 25 short answer structured items and was marked out of 100 marks. Paper 2 (565/2), had six extended answer questions out of which the candidates were expected to attempt five questions. The paper was also marked out of 100 marks.

### 30.1 GENERAL CANDIDATES' PERFORMANCE

The table below shows candidates' overall performance in Business Studies (565), in the year 2011. The other years, 2008 to 2010 are also given for comparison purposes.

**Table 41: Candidates' Overall Performance in the year 2008, 2009, 2010 and 2011**

Year	Paper	Candidature	Maximum Score	Mean Score	Standard Deviation
2011	1		100	56.02	18.62
	2		100	35.22	17.29
	<b>Overall</b>	<b>179,438</b>	<b>200</b>	<b>91.21</b>	<b>34.26</b>
2010	I		100	42.68	14.46
	2		100	36.81	16.93
	<b>Overall</b>	<b>159,567</b>	<b>200</b>	<b>79.49</b>	<b>31.39</b>
2009	1		100	38.93	15.77
	2		100	31.95	15.35
	<b>Overall</b>	<b>147,212</b>	<b>200</b>	<b>70.85</b>	<b>29.75</b>
2008	1		100	43.79	15.96
	2		100	31.65	16.81
	<b>Overall</b>	<b>127,500</b>	<b>200</b>	<b>75.45</b>	<b>31.28</b>

The following observations can be deduced from the table above:

- (i) The subject is very popular as attested to by the increase in candidature by 19,834 candidates. The candidature for 2011 was 174,401 while that for 2010 was 159,567.
- (ii) There was an improvement in the overall performance of candidates in the subject. The subject mean score for 2011 was 91.24 as compared to a mean score of 79.49 in 2010.

- (iii) Candidates performed better in Paper one (565/1), when compared to Paper two (565/2) as per the respective means of 56.02 and 35.22. This implies that most candidates find it easier to tackle the short answer questions in Paper 1 (565/1) as compared to the extended answer questions in Paper two (565/2).

This report discusses some of the questions that candidates found challenging in the two papers offered for the Business Studies examination.

### 30.2 Paper 1 (565/1)

#### Question 1

Identify the types of wholesalers described in the statements given below: (4 marks)

- a) A wholesaler who deals in maize grain only
- b) A wholesaler who supplies goods to most of the traders in Kitui, mbooni and Machakos districts in the Eastern parts of Kenya.
- c) A wholesaler who buys tomatoes from farmers in rural areas and sells the same to other wholesalers in urban areas.
- d) A wholesaler who trades in a wide variety of human medicine.

This question required candidates to analyse the given statements and identify the wholesalers referred to.

#### Weaknesses

Many candidates seemed to lack knowledge in this question and did a lot of guess work. They failed to analyse the statements so as to accurately arrive at the relevant types of wholesalers referred to.

#### Expected responses

- a) Specialized wholesaler.
- b) Regional wholesaler.
- c) Rack jobber.
- d) General line wholesaler.

#### Advice to Teachers

Teachers should teach the various types of wholesalers using relevant examples. Students should be encouraged to identify these examples from their locality and apply them to the learning situation.

#### Question 4

State **three** features of an insurable interest.

(3 marks)

The question required the candidates to come up with the characteristics of an insurable interest.

#### Weaknesses

Many candidates gave the features of insurable risks instead of the insurable interest and therefore lost marks.

#### Expected responses

- a) Presence of property rights (legal ownership)
- b) Presence of potential insurable risk.
- c) The property must have monetary value.
- d) There must be the possibility of suffering financial loss in case of a risk happening.
- e) It applies to both life and property insurance.

#### Advice to Teachers

The teachers should cover all the principles of insurance and expose the learners to the applicable characteristics of these principles.

#### Question 9

State **four** reasons why economic development is desirable to a country.

(4 marks)

This question required the candidates to think through the objectives of economic development and state why a country would desire to attain economic development.

#### Weaknesses

Most responses from the candidates showed a clear lack of knowledge on their part. This is a pointer to the fact that the topic is poorly covered in schools.

#### Expected responses

- a) Alleviate poverty.
- b) Improve infrastructure.
- c) Create employment.
- d) Increase life expectancy.
- e) Reduce rural-urban disparities.
- f) Improve the provision of social services to the citizens.
- g) Maintain the environment.
- h) Alleviate illiteracy.
- i) Improve the productivity of the factors of production.

### Advice to Teachers

Teachers should cover the topic on economic development and planning thoroughly, and also expose their learners to various economic activities.

### Question 15

On 2<sup>nd</sup> November 2006, Oromo received an invoice of Ksh 12,000. Terms of payment were trade discount 5% and cash discount 10%, if payment is made within 30 days.  
Determine the amount paid if payment was made on 28<sup>th</sup> November 2006. (4 marks)

This question required candidates to calculate the amount that Oromo would pay after getting cash and trade discount.

### Weaknesses

A majority of the candidates were not able to work out the payment after the discounts. Other candidates also got mixed up in their approach by starting with the cash discount and then the trade discount, thereby ending with the wrong answer.

### Expected responses

	<b>Ksh.</b>
Invoice price	12,000
Less: Trade discount (12,000 x 5%)	<u>600</u>
	11,400
Less: Cash discount (11,400 x 10%)	<u>1,140</u>
	<u>10,260</u>

### Advice to Teachers

Teachers should invest time to give learners enough exercises in this area so as to avoid guess work.

### Question 20

Outline **four** ways in which households contribute to the national income of a country. (4 marks)  
This question required learners to come up with the contributions that households make to the national income.

### Weaknesses.

This question seemed to have been misunderstood by very many candidates. The topic coverage is therefore wanting.

**Expected responses**

- a) Consumption of goods.
- b) Payment of taxes.
- c) Provision of labour.
- d) Provision of saving for investment/capital.
- e) Provision of land.
- f) Provision of entrepreneurship.

**Advice to teachers**

The topic on national income should be thoroughly taught, and the terms households and firms and how they interrelate well explained.

**30.4 Paper 2 565/2**

**Question 1 (a)**

Explain the following types of inflation:

- (i) Demand-pull inflation
- (ii) Cost-push inflation
- (iii) Imported inflation
- (iv) Structural inflation

(8 marks)

This question required candidates to explain the types of inflation as listed clearly bringing out the differences between them.

**Weaknesses**

A good number of candidates failed to distinguish between the various types of inflation. A majority of them also clearly lacked knowledge of structural inflation.

**Expected responses**

- (i) Demand-pull inflation.

Refers to a progressive increase in general level of prices brought about by an expansion in demand with supply remaining constant.

- (ii) Cost-push inflation.

Refers to a progressive increase in general level of prices brought about by a general increase in the cost of production which is passed on to the consumers.

- (iii) Imported inflation.

Refers to an increase in domestic prices resulting from importation of primary goods, services or inputs, at higher prices from countries experiencing inflation which is transferred to consumers.

(iv) Structural inflation.

Refers to a persistent rise in prices resulting from failure of the economy to the general increase in demand due to suppressed supply.

#### **Advice to Teachers**

Teachers should clearly bring out the distinction between the various types of inflation when teaching this topic. They should also research into this area even from the internet in order to keep abreast with issues pertaining to inflation.

#### **Question 5(b)**

Give four reasons for maintaining books of original entry. (8 marks)

This question required the candidates to justify the use of books of original entry in the book-keeping process.

#### **Weaknesses**

Most candidates confused the books of original entry with source documents, hence gave wrong responses. Others also displayed complete lack of knowledge in this area.

#### **Expected responses**

- (i) To reduce the bulk of the details to be recorded in the ledger accounts.
- (ii) Act as back-up data from which other information may be extracted if need arises.
- (iii) Contain detailed description of transactions such as units, trade discounts and terms of sale.
- (iv) The journal is used to locate errors made when recording transactions.
- (v) Enhance accountability by minimising fraud.
- (vi) Eases the preparation of final accounts.

#### **Advice to Teachers**

Teachers should prepare learners thoroughly by ensuring that all the specific objectives are covered. They should also use a wide range of reference materials for maximum exposure of the learners.