

### 3.5 BUSINESS STUDIES (565)

Business Studies is an integrated subject comprising five thematic fields of study namely; Commerce, Accounting, Economics, Office Practice and Entrepreneurship. The aim of the subject is to expose the candidates to broad areas of study thus enabling them to specialize at post secondary level. For those who may not further their 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.

#### 3.5.1 GENERAL CANDIDATES' PERFORMANCE

The table below shows candidates' overall performance in Business Studies (565), in the year 2020. The other years, 2016 to 2019 are also given for comparison purposes.

**Table 13: Candidates' Overall Performance in the years 2016, 2017, 2018, 2019 and 2020**

Year	Paper	Candidature	Maximum Score	Mean Score	Standard Deviation
2020	1		100	46.40	20.36
	2		100	31.89	18.97
	<b>Overall</b>	<b>308,058</b>	<b>200</b>	<b>76.73</b>	<b>38.01</b>
2019	1		100	38.69	17.29
	2		100	37.33	21.53
	<b>Overall</b>	<b>284,137</b>	<b>200</b>	<b>76.00</b>	<b>37.7</b>
2018	1		100	32.76	18.18
	2		100	30.34	18.26
	<b>Overall</b>	<b>276,058</b>	<b>200</b>	<b>62.10</b>	<b>36.44</b>
2017	1		100	33.60	16.91
	2		100	28.54	17.35
	<b>Overall</b>	<b>270,755</b>	<b>200</b>	<b>62.12</b>	<b>32.8</b>
2016	1		100	37.77	18.79
	2		100	33.23	18.51
	<b>Overall</b>	<b>256,671</b>	<b>200</b>	<b>70.94</b>	<b>36.07</b>

A study of the trend of the performance statistics presented in the table above reveals the following:

- (i) The subject realised an increased enrolment of 23,921 candidates. The candidature in 2020 was 308,058, up from 284,137 in 2019. This was an increase of 8.4%
- (ii) The subject registered minimal improvement in performance. There was an improvement of 0.96% in performance. The subject mean score for year 2020 was 76.73, an improvement of 0.73 as compared to year 2019 when the mean was 76.
- (iii) Candidates performed better in paper one (565/1) when compared to paper two (565/2) as per the respective means of 46.40 and 31.89. This implies that many candidates found it easier to tackle the short answer questions in Paper 1 (565/1) when 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.

### 3.5.2 Business Studies Paper 1 (565/1)

#### Question 3

Name the document described in each of the following statements: (4 marks)

- (a) Used to demand for payment before goods are delivered.
- (b) Used as a reply to a specific letter of inquiry.
- (c) Informs the buyer that goods ordered for have been dispatched.
- (d) Used to correct an overcharge.

This question required candidates to name the documents described in the given statements.

#### Weaknesses

Many candidates failed were not familiar with the documents used in home trade.

#### Expected responses

- a) Proforma invoice
- b) Quotation
- c) Advice note
- d) Credit note

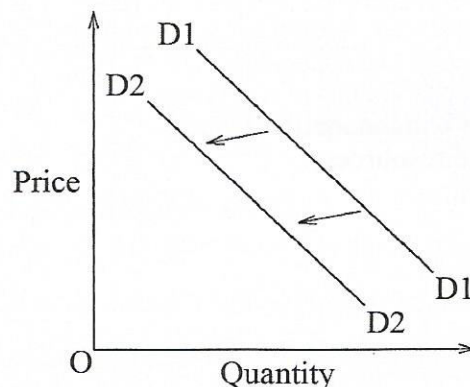
#### Advice to Teachers

Thoroughly cover the documents used in home trade, make use of realia in their teaching and ensure adequate revision in the same learning area.

#### Question 5

State **four** factors that may lead to a shift in demand as shown in the diagram below:

(4 marks)



This question required candidates to state the factors that may lead to a shift in the demand curve as shown in the diagram.

#### Weaknesses.

Candidates performed poorly in this question since they were not able to interpret the shift in the demand curve.

### Expected responses

- a) Decrease in consumer's income
- b) Unfavourable government policies (increased taxes, strict licensing)
- c) Decrease in population
- d) Future expectation that prices will decline
- e) Unfavourable/off peak season for particular commodities
- f) Negative taste & preference for a particular product(out of fashion)
- g) Availability of better substitutes
- h) Reduced prices of substitute goods.
- i) Increase in price of complimentary goods.

### Advice to Teachers

Teachers should adopt various approaches when covering this topic. Use of illustrations and vivid graphs showing shifts in the demand curve may help enhance learner's grasp of the concept.

### Question 9

Outline **four** reasons that may make Kenya restrict trade with other countries. (4 marks)

Candidates were required to outline the reasons that make Kenya restrict trade with other countries.

### Weaknesses.

Many candidates misinterpreted the question and gave answers that were totally irrelevant. They wrote the disadvantages of international trade.

### Expected responses

- a) To protect local infant industries from unhealthy competition
- b) To safeguard against overdependence on foreign firms for essential commodities
- c) To raise revenue through tariffs
- d) To prevent dumping of substandard goods in the country.
- e) To curb against borrowing of unacceptable foreign culture
- f) To correct unfavourable balance of payments.
- g) To restrict entry of harmful goods.
- h) To protect the strategic industries.
- i) To make use of locally available resources.
- j) To create employment opportunities.

### Advice to Teachers

Teachers should clearly teach the terminologies used in international trade.

### Question 12

Highlight **four** circumstances under which a firm may be located near the source of raw materials. (4 marks)

This question required candidates to highlight the circumstances when a firm may be located near the source of raw materials.

### **Weaknesses.**

Many candidates did not apply the conditions for circumstantial questions. They also referred to finished goods instead of raw materials.

### **Expected responses**

- (a) Where it is cheaper to transport finished goods than raw materials
- (b) Where the firm needs to ease handling of bulky raw materials
- (c) When dealing with highly perishable raw materials to avoid spoilage
- (d) If the government policy requires the firm to be located near the source of raw materials
- (e) Where the firm wants to control an important raw material
- (f) Where the raw materials are fragile/brittle
- (g) Where the raw material is dangerous to carry over long distances
- (h) Where the firm needs to ease handling of raw materials

### **Advice to Teachers**

Teachers should emphasize use of circumstantial questions. Learners should be exposed to higher order questions which call for application of knowledge.

### **Question 17**

Outline **four** measures which may be taken by a government to address the problem of underdevelopment. (4 marks)

Candidates were required to outline measures which may be taken by a government to address the problem of underdevelopment.

### **Weaknesses.**

Candidates wrote characteristics of underdevelopment and failed to write the specific measures to reverse them. They seemed not to have understood the term “address”

### **Expected responses**

- a) Increasing(government.) investments to create more job opportunities
- b) Control population explosion to reduce overdependence & pressure on resources
- c) Improve infrastructure to ease communication, movement and access to inputs
- d) Improve technology for maximum utilization of natural resources
- e) Improve education system to alleviate illiteracy & impart appropriate skills
- f) Income redistribution
- g) Invest in social amenities to foster welfare,
- h) Provision of incentives to promote the culture of savings and investment
- i) Encourage good governance to promote self reliance.  
Sensitizing and legislating on outdated cultural practices.

### **Advice to Teachers**

Train learners to explore various aspects of the topic in order to promote their problem solving skills.

### 3.5.3 Business Studies 2 (565/2)

#### Question 1(a).

Explain **five** measures that the government may take to solve youth unemployment in Kenya. (10 marks)

This question required candidates to explain the measures the government should take to solve youth unemployment in Kenya.

#### Weaknesses.

Many candidates lacked knowledge of the measures the government can take to resolve youth unemployment. Some still misinterpreted the question to mean the measures the government can take to assist the youth in their life.

#### Expected responses

- (i) Adoption of relevant education system that equips the youth with skills e.g. Artisan, carpentry, masonry.
- (ii) Adoption of favourable Government policies that encourage use of labour intensive methods of production.
- (iii) Diversification of economic activities that provide variety of production activities e.g. mixed agriculture, ICT.
- (iv) Increasing Government spending in projects that employ the youth e.g. kazi kwa vijana.
- (v) Partner with the private sector to steer community based projects that involve the youth.
- (vi) Encourage maximum utilization of evaluate natural resource.
- (vii) Encouraging rural development in order to attract firms and minimize rural-urban migration.

#### Advice to Teachers

Teachers should train students on the correct interpretation of questions. They should also help learners generate solutions to the problems facing our society.

#### Question 2 (a)

Explain **five** principles of Government spending. (10 marks)

This question required learners to explain the principles of government spending.

#### Weaknesses.

Most of the candidates displayed lack of knowledge of the principles of government expenditure and could not correctly explain them. Some wrote the principles of taxation and principles of insurance as responses. This showed a clear lack of tuition in this area.

#### Expected responses

- (i) **Sanction.**  
The expenditure must be sanctioned by parliament.

- (ii) **Economy.**  
Should be incurred in the most affordable way to avoid any possible wastage.
- (iii) **Accountability.**  
Public funds should be well managed and proper records maintained for auditing.
- (iv) **Flexibility.**  
The expenditure policy should be flexible to accommodate the changing/prevaling economic situations e.g. drought, floods, pandemics etc.
- (v) **Benefit.**  
Any expenditure must accord maximum benefit to the majority of the people.
- (vi) **Productivity.**  
The expenditure should be incurred in the most productive projects to ensure maximum social benefit.
- (vii) **Equity.**  
Should be incurred in a way that ensures fair income distribution.

**Advice to Teachers**

Teachers should help learners to clearly distinguish the concepts taught in different topics to avoid this kind of confusion.

**Question 3 (a)**

Post the following transactions to the relevant ledger accounts and balance them off:

- 1/3/2018 – Started a business with Ksh 100,000 at the bank.
- 2/3/2018 – Bought a motor vehicle worth Ksh 800,000 on credit from General Motors.
- 4/3/2018 – Withdrew Ksh 20,000 from bank for office use.
- 6/3/2018 – Bought stock worth Ksh 30,000 paying by cheque.
- 10/3/2018 – Made cash sales of Ksh 15,000.
- 10/3/2018 – Took cash Ksh 8,000 to pay hospital bills. (10 marks)

**Weaknesses.**

Many candidates gave incorrect account names and details in the ledger entries, could not observe the principles of double entry and wrongly balanced off the accounts.

**Expected responses**

Dr		CAPITAL A/C			Cr	Dr		BANK A/C			Cr
3/18	Bal. c/d	<u>10,000</u>	1/3/18	Bank	<u>100,000</u>	1/3/18	Capital	100,000	4/3	Cash	20,000
			30/3/18	Bal. b/d	100,000				6/3/18	Purchases	<u>30,000</u>
									30/3	Bal. c/d	<u>50,000</u>
						30/3/18	Bal. b/d	<u>10,000</u>			<u>100,000</u>
								50,000			

Dr.		Motor Vehicle A/c			Cr	Dr		CASH A/C				Cr
2/3/18	G. motor	<u>800,000</u>	30/3/18	Bal.	<u>800,000</u>	4/3/18	Bank	20,000	10/3/18	Drawing		80,000
30/3	Bal. b/d	80,000				10/3/18	Sales	<u>15,000</u>	10/3/18	Bal. c/d		<u>27,000</u>
								<u>35,000</u>				<u>35,000</u>
						30/3/18	Bal. b/d	27,000				

Dr.		GENERAL MOTOR			Cr	Dr		PURCHASES			Cr
30/3	Bal. b/d	<u>800,000</u>	2/3/18	Motor vehicle	<u>800,000</u>	6/3/18	Bank	<u>30,000</u>	30/3	Bal. c/d	<u>30,000</u>
			30/3/18	Bal. b/d	80,000	30/3/18	Bal. b/d	30,000			

Dr.		SALES A/C			Cr	Dr		DRAWING A/C			Cr
30/3	Bal. c/d	<u>15,000</u>	10/3	Cash	<u>15,000</u>	10/3/18	Cash	<u>8,000</u>	30/3	Bal. c/d	<u>80,000</u>
						30/3	Bal. b/d	8,000			

### Advice to Teachers

All topics in the syllabus should be taught exhaustively, exercises given and marked especially in the accounting topics.

### Question 4(b)

Explain five ways in which a warehouse may promote trade. (10 marks)

The candidates were required to explain the ways in which a warehouse promotes trade.

### Weaknesses.

Most candidates were able to identify the functions of a warehouse but were unable to demonstrate how these functions promote trade.

### Expected responses

- (i) Promote mass production by allowing the producer to continue producing goods since there is space for storage.
- (ii) Stabilizes prices by regulating the flow of goods by storing the surplus and releasing the goods when demanded.
- (iii) Ensures continuity of supply where seasonally produced goods are stored and gradually released to the market.
- (iv) It facilitates the preparation of goods for sale like branding, sorting, packaging e.t.c.
- (v) Creates time utility by ensuring that consumers get goods when required.
- (vi) Protection of goods from physical damage, theft and the damaging effects of weather.
- (vii) May add value to some goods, e.g. wine can improve in quality/taste better when they stay for long time.

### Advice to Teachers

The role of warehousing as an aid to trade should be made clear to the learners.