



22.0 BUSINESS STUDIES (565)

Business Studies was tested for the first time in the year 2006. The subject replaced Accounting, Commerce, Economics and Office Practice which were tested as separate subjects in previous years. Business Studies borrows from all these disciplines including Entrepreneurship. The objective among other things is to expose the candidates to broad areas of study and leave them to specialize at post secondary level. For those who will not go for further education, the objective is to prepare them for the development of self and the nation. The knowledge and skills gained should enable such candidates to start and operate a business.

Business Studies as such 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 and the candidate was expected to attempt five questions. The paper was marked out of 100 marks.

22.1 GENERAL CANDIDATES' PERFORMANCE

The table below shows candidates' overall performance in Business Studies (565) in the year 2006.

Table 25: Candidates Overall Performance in Business Studies in the Year 2006

Year	Paper	Candidature	Maximum Score	Minimum Score	Standard Deviation
2006	1		100	54.46	18.61
	2		100	38.02	18.19
	Overall	110,630	200	92.47	35.00

From the table above, the following observations can be made:-

- i) The subject proved its worth by attracting such a huge candidature in the first year that it was offered, as attested by the total of **110,630** candidates who sat for the examination.
- ii) Performance of candidates in the subject was average with a mean score of **92.47**.
- iii) Candidates performed better in Paper 1 (565/1) when compared with Paper 2 (565/2) as per the respective means **54.46** and **38.02**. This means that most candidates find it easier to tackle the short answer questions found in paper 1 (565/1) compared to extended answer questions in Paper 2 (565/2).

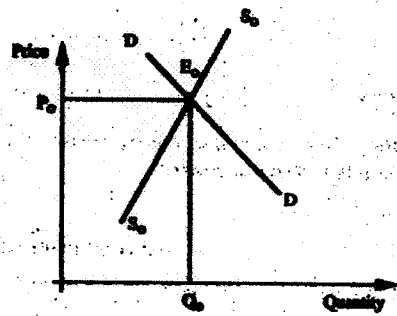
This report discusses some of the questions that candidates found challenging in the two papers offered for the Business Studies examination.

22.2 PAPER 1 (565/1)

Question 7

The diagram below shows the demand and supply curves of a certain commodity and the corresponding equilibrium price (P_e) and quantity (Q_e).

On the diagram, show the new equilibrium quantity and price as a result of an increase in the supply of the commodity.



This question required the candidate to show the new equilibrium quantity and price as a result of an increase in the supply of a commodity.

Weaknesses

The question was poorly performed because most candidates were ignorant of what was required and did not understand this was a shift to the right because increased supply of a commodity leads to a decrease in price of the commodity. As a result, candidates generally guessed and could not score well in the question. This area of supply and demand is poorly taught and candidates are ignorant and confused about the supply curve when supply of a commodity increases.

Expected Response

The expected response was a new supply curve S_1S_1 to the right of supply curve S_0S_0 (a shift) showing the new price P_1 and new quantity Q_1 on the diagram. Price P_1 is lower than P_0 because supply has increased from Q_0 to Q_1 . This area should be taught thoroughly.

Question 10

What benefits may accrue to a manufacturing firm that uses modern technology?

The question required the candidate to state the benefits that could accrue to a manufacturing firm that was modern technology.

Weaknesses

Candidates' performed poorly in this question because they did not grasp the requirement of the question. They gave general responses that were not relevant to the question. This was a question testing the application of knowledge and as such candidates needed to apply what they knew to a manufacturing firm in order to be relevant. They could not afford to be general. Candidates should be trained to apply knowledge in specific areas or circumstances. It is not enough to know. This skill of applying knowledge will always be tested just like other cognitive skills and teachers must wake up to this fact.

Expected Responses

- Increased level of output.
- Improvement service delivery/or product.

- Speeds operations.
- Makes it easier to standardize products.
- Lowers production costs.
- Improves the quality of products.
- Improves corporate image.
- Leads to reduction of waste.

Question 13

What factors may encourage entrepreneurship in Kenya?

The question required the candidate to state the factors that may encourage entrepreneurship in Kenya.

Weaknesses

This was a comprehension question that most candidates should have found relatively easy, but this was not the case. Candidates scored poorly in the question because they did not understand the term “*entrepreneurship*”. Some confused it with “*sole proprietorship*”. Candidates were poorly prepared in these areas of the syllabus and teachers are advised that all areas of the syllabus are examinable.

Expected Responses

- Use of relevant curriculum/vocational training.
- Government support in development of entrepreneurship.
- Existence of role models in entrepreneurship.
- Existence of consultancy institution.
- Access to capital.
- Positive cultural practices.
- Availability of infrastructure.
- Availability of market.
- The need to make more money.

Question 18

The following balances were extracted from the books of Chombo Wholesalers for the year ended 31 December, 2005.

	<i>Sh.</i>
<i>Sales</i>	<i>500,000</i>
<i>Purchases</i>	<i>320,000</i>
<i>Opening stock (1.1.2005)</i>	<i>80,000</i>
<i>Closing stock 31.12.2005</i>	<i>40,000</i>
<i>Debtors</i>	<i>140,000</i>
<i>Creditors</i>	<i>90,000</i>

Calculate

- (a) *Margin*
- (b) *Current ratio*
- (c) *Rate of stock turnover*

The candidate was required to calculate the margin, current ratio and rate of stock turnover.

Weaknesses

Performance in this question was poor because many candidates did not know which figures to use to calculate what or simply the formula for each calculation. This is as a result of inadequate preparation of candidates in this area. Teachers are advised to spread time to ensure adequate syllabus coverage and to facilitate a lot of practice in this area.

Expected Responses

$$(a) \text{ Margin} = \frac{\text{GP}}{\text{Sales}} \times 100 = \frac{500,000 - (320,000 + 80,000 - 40,000)}{500,000}$$

$$= \frac{140,000}{500,000} \times 100 = 28\% \text{ or } 0.28$$

$$(b) \text{ Current ratio} = \frac{\text{CA}}{\text{CL}} \\ = \frac{180,000}{90,000}$$

$$= 2:1$$

$$(c) \text{ Rate of Stock Turnover} = \frac{\text{cost of sales}}{\text{Average stock}} \\ = \frac{360,000}{\frac{80,000 + 40,000}{2}}$$

$$= \frac{360,000}{60,000}$$

$$= 6 \text{ times}$$

22.3 PAPER 2 (565/2)

Question 1 (b)

Over the years, Southern Star has grown into a large business enterprise. Explain five diseconomies of scale which it may experience.

This question required the candidate to explain the diseconomies of scale which a large firm may experience.

Weaknesses

The question was poorly done because many candidates did not know the concept of '*diseconomies of scale*'. To answer the question it was essential that they know the concept and that they relate the diseconomies to the large firm. This was an application question where the candidate was required to apply knowledge to a specific situation. It is clear that many

candidates have difficulties applying knowledge and teachers are advised to spend time training candidates on this important skill along with other skills.

Expected Responses

- Complex managerial functions due to expanded operations may cause firm to suffer from inherent problems.
- Delay in decision making due to increased bureaucracy/red tape.
- High cost of per unit product after the optimal size has been reached.
- Strained labour relations due to the impersonal nature of management of employees.
- Inflexibility due to shifting costs to other profitable lines.
- High cost of inputs due to exhaustion of the existing sources

Question 4 (b)

Explain five disadvantages that a country may experience from imposing trade restrictions on trading partners.

The candidate was required to explain the disadvantages that a country may experience if it imposes trade restrictions on trading partners. The question was generally poorly done because many candidates did not understand what was required. They failed to remember that other countries were bound to retaliate or hit back. This was a case of poor preparation of candidates. Candidates should be thoroughly grounded in the subject content so that they can be able to draw inferences or link facts.

Expected Responses

- Retaliation by other trading partners/countries leading to reduction of exports.
- Shrinking market due to reduced volume of trade.
- Reduced foreign exchange earnings due to reduced exports.
- Curtailed transfer of technology that may lead to poor quality of products/low output.
- Poor international relations which may lead to conflicts/frictions between partners.
- Limited variety of products which will limit consumer choice.
- This may lead to unemployment due to reduced output/trading activities.

22.4 ADVICE TO TEACHERS

- 22.4.1 Candidates should be trained to read and understand questions before they attempt them.
- 22.4.2 Candidates should be trained in various cognitive skills, for example: application of knowledge, analysis, synthesis and evaluation.
- 22.4.3 Teachers should ensure that teaching is interactive and that critical thinking is encouraged and developed.
- 22.4.4 All areas of the syllabus should be thoroughly covered because all areas are examinable.

- 22.4.5 Visits to places of business interest, for example: factories and offices should be encouraged so that candidates can relate knowledge to practice.
- 22.4.6 Use of resource persons like local entrepreneurs should be used to enrich learning.

22.5 CONCLUSION

Business Studies has started on a high note as the high enrolment indicates. The overall performance of candidates in this first attempt is a step in the right direction. It was encouraging. Keep it up.