

28.0 BUSINESS STUDIES (565)

Business Studies is comprised 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 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.

28.1 GENERAL CANDIDATES' PERFORMANCE

The table below shows candidates' overall performance in Business Studies (565), in the year 2009.

Table 33: Candidates' Overall Performance in the year 2006, 2007, 2008 and 2009

Year	Paper	Candidature	Maximum Score	Mean Score	Standard Deviation
2006	1		100	54.46	18.61
	2		100	38.02	18.19
	Overall	110,630	200	92.47	35.00
2007	1		100	64.03	18.76
	2		100	46.27	15.54
	Overall	118,361	200	110.29	32.00
2008	1		100	43.79	15.96
	2		100	31.65	16.81
	Overall	127,500	200	75.45	31.28
2009	1		100	38.93	15.77
	2		100	31.95	15.35
	Overall	147,212	200	70.85	29.75

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

- 28.1.1 The subject is very popular as attested to by the candidature which was 147,212. This was an increase in candidature as compared to the year 2008 when enrollment was 127,500.
- 28.1.2 Performance of candidates in the subject was below average with a mean score of 70.85.
- 28.1.3 Candidates performed better in paper one (565/1), when compared with Paper 2 (565/2) as per the respective means of 38.93 and 31.95. 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).

Generally the paper registered a drop in overall performance with the mean being 70.85 as compared to the previous year 2008, when the mean was 75.45. This report discusses some of the questions that candidates found challenging in the two papers offered for the Business Studies examination.

28.2 PAPER 1 (565/1)

Question 8

State **four** items that usually appear on the credit side of the current account of a country

The question required the candidate to give only those items that are recorded on the credit side of the current account of a country.

Weaknesses

The question was poorly performed since most candidates did not realize that a country only keeps one current account from international trade transactions. Most of them thought it was a bank account, while some who knew gave items that are normally recorded in the debit side of the current account.

Expected Responses

- (i) Receipts from exports of goods
- (ii) Receipts from exports of services
- (iii) Receipts from investments abroad
- (iv) Deficit balance.

Advice to Teachers

Teachers should ensure that they cover the balance of payment accounts and that the candidates are well versed in the contents of the current accounts.

Question 14

Country X has been experiencing an upward trend in the price of petrol as a result of a rise in inflation. State **four** steps that can be taken to minimize expenditure on this product. (4 marks).

This question required the candidates to give the steps that can be taken to reduce expenditure on petrol.

Weaknesses

The question was poorly performed as most candidates gave responses related to how to curb inflation and not how to reduce expenditure on petrol.

Expected Responses

- Pooling people who are travelling to the same direction.
- Use of alternative sources of energy.
- Encourage use of public service vehicles with higher carrying capacity.
- Encourage public service vehicles/machines with lower engine capacity/fuel saving engines.
- Set maximum price through legislation.
- Reduce price on petrol/give subsidy.
- Improve road network.
- Encourage regular maintenance of vehicles/machines.
- Switch off engines when not in use.

Advice to Teachers

Teachers should expose learners to emerging issues and current problems affecting business activities in their environment. Candidates must be made to apply their knowledge of business studies to tackle real problems in society.

Question 18

Outline **four** reasons why hypermarkets are becoming increasingly popular in Kenya.

This question only required candidates to give advantages of hypermarkets.

Weaknesses

Many candidates did not understand the meaning of hypermarkets and therefore gave answers that were not relevant.

Expected Responses

- Easily accessible.
- One-stop shop. A range of goods and services may be obtained.
- Parking space is available.
- Availability of auxiliary services.
- Operate for longer hours.
- Accept credit/debt cards.
- Offer after-sales services.
- Security is guaranteed.
- Located away from the hassles of the costly.
- Attractive and convenient to shop in.
- Saves on land rates.

Advice to Teachers

Teachers should cover the syllabus thoroughly. Hypermarkets is part of the large scale retailers contained in the syllabus and should therefore be taught. Use of field trips to expose students to such business ventures should be employed to improve their grasp of such topics.

28.3 PAPER 2 (565/2)

Question 2(b)

The trial balance of Zakayo Traders as at 1st June 2008 is given below:

	Dr	Cr
	<u>Shs</u>	<u>Shs</u>
Stock	76,500	
Creditors		450,000
Debtors	350,000	
Bank	260,400	
Fixed Assets	970,200	
Cash	120,500	
Capital		1,300,000
Lighting due		27,200
	<u>1,777,600</u>	<u>1,777,600</u>

During the month, the following transactions took place:

2008

June 5: Paid a creditor shs.228,000 by cheque in full settlement of a debt after deducting 5% cash discount.

June 15: Withdrew Shs.100,000 from bank for office use.

“ 28: Received Shs.160,000 cash from a debtor after allowing cash discount of Shs.40,000.

Record the above transactions in the relevant ledger accounts and balance them off. **(10 marks).**

The question required the candidate to record the transactions in their relevant ledger accounts and balance them off.

Weaknesses

The question was poorly performed since many candidates were not able to give the correct account titles, some did not prepare the requisite ledger account columns and still some did not understand the sides into which the figures were to be entered. Candidates generally showed lack of mastery of the double entry concept and therefore lost focus of the question.

Expected Responses

Cash A/c			Bank A/c		
Dr	Shs	Cr	Dr	Shs	Cr
June 1 Bal b/d	120,500		2008		
" 15 Bank	100,000	June 30 Bal c/d	June 1 Bal b/d	260,400	June 5 Creditors
" 28 Debtors	160,000		" 30 Bal c/d	67,600	" 15 Cash
	<u>380,500</u>	<u>380,500</u>		<u>328,000</u>	
					<u>328,000</u>

Debtors A/c			Creditors A/c		
Dr	Shs	Cr	Dr	Shs	Cr
2008		2008	2008		
June 1 Bal b/d	350,000	June 28 Cash	June 5 Bank	228,000	June 1 Bal b/d
		" 28 Disc All	" 5 Disc Rec'd	12,000	
		" 30 Bal c/d	" 30 Bal b/d	210,400	
	<u>350,000</u>	<u>350,000</u>		<u>450,400</u>	<u>450,400</u>

Discount Allowed A/c			Discount Received A/c		
Dr	Shs	Cr	Dr	Shs	Cr
2008		2008	2008		
June 28 Debtors	40,000	June 30 P&L A/c	June 30 P&L A/c	12,000	June 5 Creditors
		<u>40,000</u>			<u>12,000</u>

Advice to Teachers

The ledger must be taught thoroughly and candidates be exposed to a lot of exercises on the double entry concept to enhance their grasp of this topic.

Question 4(b)

Analyse the following document issued by Sheikh Traders.

Sheikh Traders

P.O. Box 2354
 Nairobi
 No. 4262
 12th October 2008

Debt
 Kamau Limited
 P.O. Box Y125
 Molo.

Terms: 10 Percent one month on furniture only

Quantity	Items	Rate	Shs	Shs
60	Dining Tables-Mvuli	4,000	240,000	
4	Beds	2,000	8,000	
50	Coffee Tables	1,000	50,000	
			298,000	
	Less: Trade discount 10%		29,800	268,200
4	Floor Carpets	2,500	10,000	
	Less: Trade discount 10%		1,000	9,000
	Carriage			7,500
	F & O.E		Total	284,700

- (i) Name the document above
 (ii) Calculate the amount paid for the goods, if the debtor paid on 28th October 2008.

Weaknesses

Quite a number of candidates were unable to identify the document and calculate the amount payable after determining cash discount.

Expected Responses

- (i) The document is an invoice
 (ii) By paying for the goods in 28th October 2008, the debtor qualifies for the cash discount on furniture:

$$\begin{aligned}
 \text{Amount paid} &= (268,200 \times 90\% + 9,000 + 7,500) \\
 &= 241,380 + 9,000 + 7,500 \\
 &= \text{shs. } 257,880
 \end{aligned}$$

Advice to Teachers

Teachers must ensure that candidates are exposed to samples of the documents used in home trade and also help them practice the calculation of discounts (both trade and cash discounts).