

## 29.0 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.

### 29.1 GENERAL CANDIDATES' PERFORMANCE

The table below shows candidates' overall performance in Business Studies (565), in the year 2010.

**Table 29: Candidates' Overall Performance in the year 2006, 2007, 2008, 2009 and 2010**

Year	Paper	Candidature	Maximum Score	Mean Score	Standard Deviation
2006	1		100	54.46	18.61
	2		100	38.02	18.19
	<b>Overall</b>	<b>110,630</b>	<b>200</b>	<b>92.47</b>	<b>35.00</b>
2007	1		100	64.03	18.76
	2		100	46.27	15.54
	<b>Overall</b>	<b>118,361</b>	<b>200</b>	<b>110.29</b>	<b>32.00</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>
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>
2010	1		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>

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

- 29.1.1 The subject is very popular as attested to by the candidature which was 159,567. This was an increase in candidature as compared to the year 2009 when enrolment was 147,212.
- 29.1.2 Overall performance of candidates in the subject was below average with a mean score of 79.49.
- 29.1.3 Candidates performed better in paper one (565/1), when compared with Paper 2 (565/2) as per the respective means of 42.68 and 36.81. 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).
- 29.1.4 Generally the paper registered an improvement in overall performance with the mean being 79.49 as compared to the previous year 2009, when the mean was 70.85.

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

### 29.2 PAPER 1 (565/1)

#### Question 2

Give five reasons why the government may find it necessary to start a parastatal. (5 marks)

The question required the candidates to justify the need for the establishment of government owned organizations.

**Weaknesses**

Quite a number of candidates failed to interpret the word parastatal correctly, leading them to give wrong answers.

**Expected responses**

- To provide strategic goods and services
- To increase revenue collection
- To encourage import substitution industries
- To encourage foreign investment
- To reduce foreign influence
- To address special social needs
- To take care of sensitive ventures like fire arms, and printing of money
- To take care of businesses that requires a large initial capital
- To create more employment opportunities
- To stimulate economic development
- To provide essential goods and services at low costs.

**Advice to Teachers**

Teachers should explain the terms and define them appropriately. They should also vary their testing skills to enable the students understand both direct questions and those that require application.

**Question 3**

Name the types of warehouses associated with each of the statements given below:

(4 marks)

Statement	Type of warehouse
(i) Goods can be stored before payment of customs duty.	.....
(ii) Individuals can hire storage facilities.	.....
(iii) Goods are stored from several manufacturers.	.....
(iv) Specialised goods are stored	.....

The question required the candidates to identify the warehouses associated with the given statements.

**Weaknesses**

Many candidates could not name the warehouses since they could not deduce the overall function or general characteristic referred to in the statements.

**Expected responses**

- Bonded warehouse
- Public warehouse
- Wholesalers warehouse
- Manufacturers warehouse

**Advice to Teachers**

After teaching the types of warehouses, teachers should give adequate examples of each type and also cover their overall characteristics with the students.

**Question 15**

Outline four ways in which government expenditure may stabilize the economy of a country. (4 marks)

This question required the candidates to outline the stabilizing effect that government expenditure has on the economy.

**Weaknesses**

Most candidates came up with the forms of government expenditure and omitted the stabilizing effect of the expenditure which was required by the question.

**Expected responses**

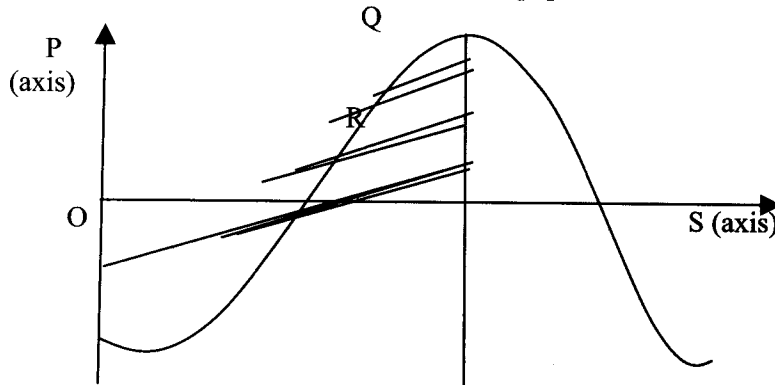
- Provision of security - This creates an enabling environment for economic activities
- Creation and maintenance of administrative departments. These are created for effective operation of a country's economy.
- Social services - This enhances the welfare of the population for effective participation in economic activities.
- Spending on infrastructure - It improves efficiency in production and distribution of goods and services in the economy.
- Advancement of non-interest earning capital to entrepreneurs during economic recess.
- Provision of basic goods and services through subsidies
- Promoting local industries by giving them incentives.

**Advice to Teachers**

Teachers must always encourage students to always read through questions and understand their requirements before embarking on responding to them.

**Question 19**

The diagram below represents the relationship between population and income per capita.



State what is represented by P and S axes, and letters R and Q. (4 marks)

- (i) P (axis).....
- (ii) S (axis).....
- (iii) R .....
- (iv) Q .....

This question required candidates to identify what the letters in the diagram showing the relationship between population and income per capita stood for.

**Weaknesses**

Most candidates thought that the letter P on the vertical axis stood for population, and therefore mistook the horizontal axis to be per capita income. They used a lot of guesswork in answering this question.

**Expected responses**

- P - Income per capita
- S - Population
- R - Under population
- Q - Optimum population

**Advice to Teachers**

Teachers should allocate enough time to teach learners various methods of answering question so as to avoid guess work.

**29.3 PAPER 2 (565/2)**

**Question 1 (a)**

Commodities A and B are substitutes. Using two diagrams, explain how an increase in the supply of commodity A will affect the equilibrium price and quantity of commodity B.

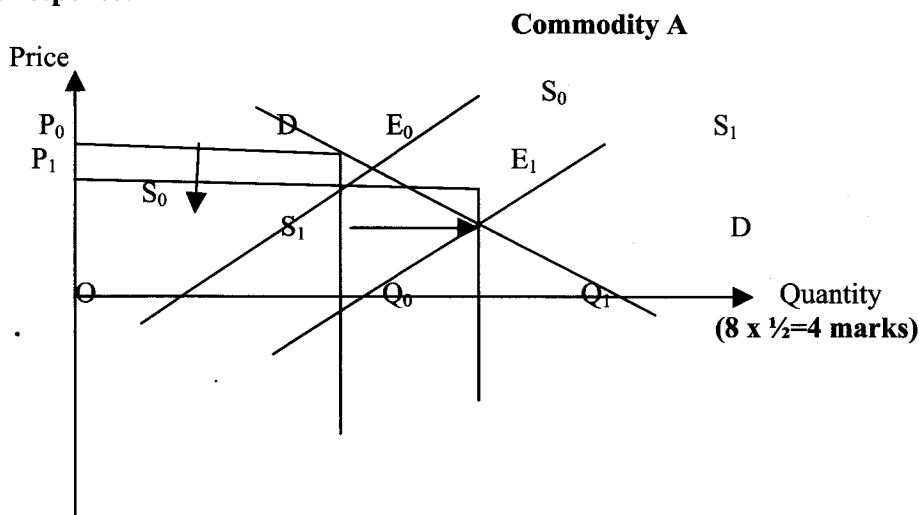
(10 marks)

This question required candidates to use two diagrams to explain the effect of increase in the supply of a commodity A, on the equilibrium price and equilibrium quantity of another B, to which it is a substitute.

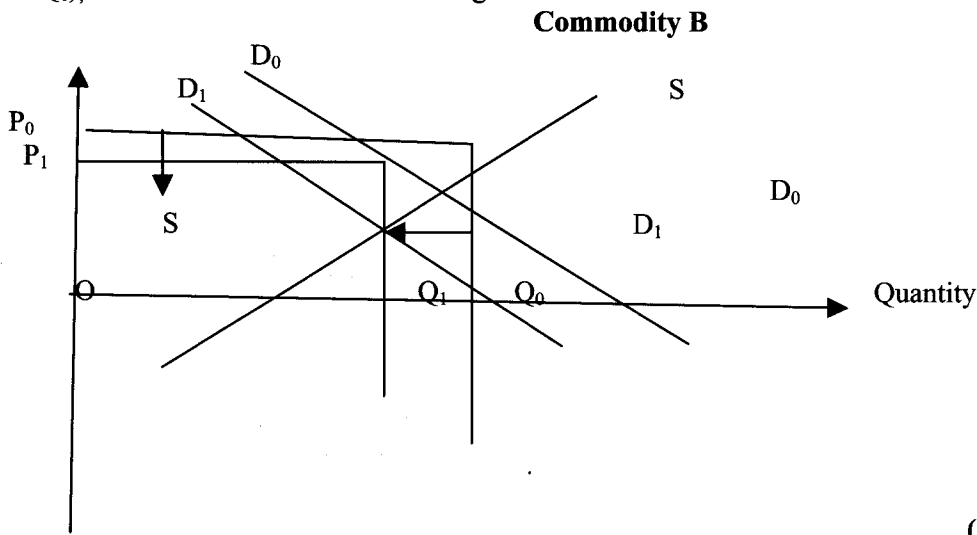
**Weaknesses**

A good number of candidates failed to label the diagrams, while others combined both commodities A and B on the same diagram. Some students also drew two diagrams for B while ignoring commodity A altogether.

**Expected responses**



Since the price of A has decreased, consumers are likely to buy more of A (as quantity moves from Q<sub>0</sub> to Q<sub>1</sub>), and less of B as shown in the diagram below.



Demand for commodity B reduces from Q<sub>0</sub> to Q<sub>1</sub> as the price also reduces from P<sub>0</sub> to P<sub>1</sub>. The effect is a shift in demand curve to the left, creating a new equilibrium quantity Q<sub>1</sub> and equilibrium price P<sub>1</sub> at equilibrium point E<sub>1</sub>. (4x1/2=2marks)

### **Advice to Teachers**

Students should be taught interrelated demand and supply as well as shifts in the demand and supply curves thoroughly.

### **Question 2 (a)**

Describe five principles that distinguish co-operative societies from other forms of business organizations.  
(10 marks)

This question required the candidates to discuss the uniqueness of co-operative societies from other business organizations based on their principles

### **Weaknesses**

Most candidates confused the principles of co-operatives with their functions, features, advantages and disadvantages.

### **Expected responses**

- Democratic control. Decisions are made by members on a one-man-one-vote basis.
- Voluntary membership:-members are affiliated to co-operatives freely and may also exit freely.
- Political/religious neutrality. Co-operative societies are not supposed to favour, align or identify with any political or religious grouping.
- C-operation with other co-operatives. They do this in order to share ideas and experiences at different levels.
- Limited interest on share capital. The capital paid is meant for running the society's affairs rather than generating interest.
- Promotion of education to members. The co-operatives are obliged to educate their staff, management and the members in general.
- Repayment of dividends. They distribute their surplus on a prorata basis.
- Offer of utmost service to members. They are formed to cater for members' interests and welfare.
- Limited number of shares to be held by any single member. This is to avoid dominance or control of the business by one or just a few members.

### **Advice to Teachers**

Teachers should exhaustively cover the principles of co-operatives and also expose learners to the differences between various forms of business organizations.

### **Question 5 (a)**

Discuss five problems that a country may face when measuring her national income using the output approach.  
(10 marks)

This question required candidates to single out the output approach in measuring national income and the problems that a country may face when using it to measure national income.

### **Weaknesses**

Most students seemed to be ignorant of the output approach and simply gave problems associated with the income approach and the expenditure approach.

### **Expected responses**

- Inadequate or incomplete data – difficulties will be experienced in valuation due to unavailability or inaccuracy of output figures.
- Determination of goods and services to be included – difficulties regarding which goods and services to include in the calculation of national income.
- Subsistence sector – problem arises in the valuation of output of the subsistence sector since the goods are never priced.

- Value of stock – There is a problem on what to assign to the stock of goods to be included in the national income, whether it should be value at cost or at market price.
- Price fluctuation – prices of goods may vary from time to time hence there is a problem of deciding whether to attach historical cost or market price.
- Double counting. It may be difficult to distinguish between primary and intermediate output or between intermediate and final output.
- Lack of qualified personnel who may be to compute and even collect data.
- Inadequate finance capital equipment and technology to be used when gathering and compiling data.

#### **Advice to Teachers**

Teachers should cover all the three approaches to measuring national income and teach the problems associated with each of them distinctly.

#### **Question 6(a)**

Discuss five benefits that a customer may get by using Automated Teller Machines (ATMS) for financial transactions. (10marks)

This question required the candidates to discuss the benefits that a customer may get by using ATMS.

#### **Weaknesses**

Majority of the candidates seemed unaware of ATMS.

#### **Expected responses**

- Customer can withdraw and deposit money at any time.
- Customer can pay utility bills through the ATMs.
- Fees charged FOR withdrawal is low compared to over-the-counter with draws.
- ATMs may be found even where banks are non-existent
- The customer has a pin number which guarantees confidentiality.
- Customer can use it to monitor his transactions with the bank by getting mini-statements.
- Customers can deposit money or cheques at any time since it offers a twenty-four hour service.
- Customers can make interbank withdrawals by use of visa cards.
- ATM cards are visible and very easy to carry around.

#### **Advice to Teachers**

Teachers should integrate emerging issues in their teaching.