

### 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 2019. The other years, 2015 to 2018 are also given for comparison purposes.

**Table 12: Candidates' Overall Performance for the last five years**

Year	Paper	Candidature	Maximum Score	Mean Score	Standard Deviation
2019	1	284,137	100	38.69	17.29
	2		100	37.33	21.53
	<b>Overall</b>		<b>200</b>	<b>76</b>	<b>37.7</b>
2018	1	276,058	100	32.76	18.18
	2		100	30.34	18.26
	<b>Overall</b>		<b>200</b>	<b>62.10</b>	<b>36.44</b>
2017	1	270,755	100	33.60	16.91
	2		100	28.54	17.35
	<b>Overall</b>		<b>200</b>	<b>62.12</b>	<b>32.8</b>
2016	1	256,671	100	37.77	18.79
	2		100	33.23	18.51
	<b>Overall</b>		<b>200</b>	<b>70.94</b>	<b>36.07</b>
2015	1	234,038	100	50.22	18.3
	2		100	37.32	19.99
	<b>Overall</b>		<b>200</b>	<b>87.52</b>	<b>36.37</b>

Going by the performance statistics presented in the table above, the following observations can be made:

- (i) The subject realised an increased enrolment of 8,079 candidates. The candidature in 2019 was 284,137 up from 276,058 in 2018. This was an increase of 2.9%.
- (ii) The subject registered a marked improvement in performance. The performance improved by 22.4%. The subject mean score for year 2019 was 76, an improvement of 13.9 as compared to year 2018 when the mean was 62.10.
- (iii) Candidate performance was almost at par in the two papers. Performance was however slightly better in paper one (565/1), when compared to Paper 2 (565/2) as per the respective means of 38.69 and 37.33. This implies that many candidates found it slightly 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 2

Outline **four** factors that make office managers to communicate in writing to their staff. (4 marks)

This question required candidates to outline the factors that favour use of written communication by managers in organizations.

#### **Weaknesses**

Many candidates failed to interpret the question correctly and gave the factors that bar effective communication.

#### **Expected responses**

- a. Confidentiality. The confidentiality of the message is enhanced by written means
- b. Accuracy. The message is delivered in its original form without distortion.
- c. Completeness of message. Written forms may be able to pass detailed illustrations.
- d. Future reference. The message may form a basis for decision making in the future.
- e. Reliability of the means. This is a trusted means of communicating in institutions.
- f. Economy. It is cost effective since it is affordable.
- g. Accessibility. It is easily accessible to all staff members.
- h. Acceptability. It is the acceptable means of official communication in institutions.

#### **Advice to Teachers**

Teachers should expose learners to the merits and demerits of each form of communication and help learners discuss the factors that favour the use of each form.

#### Question 5

(a) Outline **four** roles played by the Nairobi Securities Exchange in the Kenyan Economy. (4 marks)

This question required candidates to outline the roles played by the Nairobi Securities exchange in the Kenyan economy.

#### **Weaknesses**

Candidates performed poorly in this question since many of them misunderstood the term securities to imply the use of watchmen and the police.

#### **Expected responses**

- (a) A measure of the country's economic performance as reflected in the prices of shares.
- (b) Sets the price/value of securities based on the forces of demand and supply.
- (c) Ensures safety of transactions since the financial health of listed companies is usually verified.
- (d) Promotes economic growth through disinvestment and reinvestment

- (e) Promotes local ownership of companies through sale and purchase of shares.
- (f) Provides ready market for sale and purchase of shares hence improving liquidity.
- (g) Promotes saving and investment among the population.

**Advice to Teachers**

Teachers should vary the use of terms while covering the topic. The learners should be exposed to different terms like stock, securities and the terms used in the stock market in general.

**Question 6**

Name the basic concept in population described in the statements given below: (4marks)

- (a) Population size that is adequate for the full utilisation of available resources in a country. The average number of births per thousand women in a year.
- (b) When a country is experiencing higher death rates than birth rates.
- (c) Where a bigger proportion of the population is comprised of people who are above 55 years old.

This question required candidates to identify the basic concepts in the topic of population and employment.

**Weaknesses**

The candidates did not have mastery of the terms as used in population and employment. They therefore made wrong deductions from the statements that were given.

**Expected responses**

- (d) Optimum population.
- (e) Fertility rate/birth rate
- (f) Declining population
- (g) Ageing population.

**Advice to Teachers**

Teachers should teach this topic thoroughly exposing learners to the terms used in population and employment. Learners must be given the opportunity to discuss these terms to make them more familiar.

**Question 10**

By use of the book keeping equation, determine the missing values in the table below: (4 marks)

<b>FIXED ASSETS (Ksh)</b>	<b>CURRENT ASSETS (Ksh)</b>	<b>CAPITAL (Ksh)</b>	<b>LIABILITIES (Ksh)</b>
1,593,600	(a).....	900,900	1,151,600
812,700	1,953,750	(b).....	2,172,100
(c).....	781,295	1,010,000	664,030
1,320,920	1,450,050	1,260,860	(d).....

This question required candidates to apply their knowledge of the book keeping equation in calculating the missing values in the table.

### Weaknesses

Many candidates committed arithmetic errors ending up with the wrong answers. Many others did not establish the relationship between the book keeping equation and the items in the balance sheet. They failed since the normal approach is where assets and liabilities are not separated into their components.

### Advice to Teachers

Teachers should give learners many questions for practice. This should include where assets are separated into fixed assets and current assets, and liabilities also separated into long term and short term liabilities.

### Expected responses

- (a) 458,900
- (b) 594,350
- (c) 892,735
- (d) 1,510,110

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

#### Question 1(b)

Explain **five** differences between a sole proprietorship and a public limited company. (10 marks).

This question required candidates to distinguish between a sole proprietorship and a public limited company.

### Weaknesses

Many of the candidates confused public limited companies with public corporations hence gave wrong differences

### Expected responses

NO	SOLE PROPRIETORSHIP	NO	PUBLIC Ltd COMPANY
i	Formed by one person.	i	Formed by a minimum of seven promoters.
ii	Proprietor has unlimited liability.	ii	Shareholders have limited liability.
iii	Existence depends on the life of sole trader.	iii	Has perpetual life irrespective of life or death of shareholders.
iv	Main source of capital is personal savings.	iv	Main source of capital is sale of shares.
v	Managed by the sole trader.	v	Managed by a board of directors.
vi	Few legal formalities required in formation.	vi	Formation procedure is long requiring many legal formalities.
vii	Require little capital to start.	vii	Require a huge amount of capital to start.
viii	Quick/fast decision making process.	viii	Slow decision making process since directors and shareholders must be consulted.
ix	Maximum ownership is one person	ix	No maximum number of owners

### **Advice to Teachers**

Teachers should emphasize on the features of each form of business unit. Learners should discuss the characteristics of the business units, distinguishing each from the other especially public limited companies from public corporations.

### **Question 3 (b)**

Explain **five** measures that may be taken to increase the volume of exports. (10 marks)

This question required candidates to explain the measures that may be taken to increase a country's exports.

### **Weaknesses**

Majority of the candidates displayed lack of knowledge in this area of international trade and simply wrote responses that were irrelevant.

### **Expected responses**

- (i) Through export compensation scheme where exporters are allowed to claim a certain percentage of the value of their exports.
- (ii) Diversifying foreign markets to expand the market for exports. This increases the selling opportunities for local products in other countries.
- (iii) Lobbying for removal of trade restrictions imposed by trading partners on the country's exports. This makes it easy to sell local goods in foreign markets.
- (iv) Devaluation of a country's currency which makes its exports cheaper hence more attractive to foreign buyers.
- (v) Encourage foreign investments in the country e.g. EPZ's. This ensures production of quality goods that meet specifications of foreign countries.
- (vi) Reduction of bureaucracy in acquisition of export licenses. This makes it easy and attractive to engage in foreign trade.
- (vii) Subsidizing export oriented businesses. This increases the profit margin for exporters making the trade more attractive.
- (viii) Use of commercial attaches to promote the country's products abroad. Aggressive promotion of the country's exports leads to increased sales in those countries.
- (ix) Customs draw back where part of import duty paid on imported raw material is refunded if used to produce goods for export.
- (x) Lower tax/duty on exports to enable them be sold at lower prices that attract foreign buyers.

### **Advice to Teachers**

Extensive tuition should be offered to learners in the topic of international trade adequately covering all the sub topics.

### **Question 6(b)**

Outline **five** assumptions associated with the circular flow of income in a two sector economy. (10 marks)

This question required the candidates to bring out the basic assumptions that define the existence of the circular flow of income in a two sector economy.

### **Weaknesses**

A majority of the candidates displayed lack of knowledge in this question. Others simply explained the circular flow of income in a two sector economy.

**Expected responses**

- (i) There are only two sectors/players in the economy, that is, households and firms.
- (ii) Households spend all their income on goods and services without making any savings.
- (iii) Firms spend all their revenues on factors of production without reserving any profits for expansion.
- (iv) There is no government interference through taxation, licensing etc.
- (v) The economy is closed to international trade.
- (vi) All output produced by firms is purchased by households.
- (vii) There is no financial sector to inject income through investment/lending or withdraw the incomes through savings.

**Advice to Teachers**

Teachers should teach and explain the assumptions of circular flow of income in a two sector economy as they introduce this concept.