

## BUSINESS STUDIES (565)

Business Studies is an integrated area of study that comprises five thematic fields 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.

### GENERAL CANDIDATES' PERFORMANCE

The table below shows candidates' overall performance in Business Studies (565), in the year 2018. The other years, 2014 to 2017 are also given for comparison purposes.

*Table 13: Candidates' Overall Performance in the years, 2014, 2015, 2016, 2017 and 2018*

Year	Paper	Candidature	Maximum Score	Mean Score	Standard Deviation
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>
2014	1	215,394	100	51.75	21.30
	2		100	41.95	20.02
	<b>Overall</b>		<b>200</b>	<b>93.64</b>	<b>39.53</b>

The following observations can be made from the table above:

- (i) The subject realised a slight increase in enrolment of 5,303. The candidature in 2018 was 276,058, up from 270,755 in 2017. This was an increase of 1.96%%
- (ii) The overall performance in the subject remained almost unchanged. The subject mean score for 2018 was 62.10 which was almost the same for 2017 when the mean was 62.12
- (iii) Candidates performed slightly better in paper one (565/1), when compared to Paper 2 (565/2) as per the respective means of 32.76 and 30.34. This implies that most candidates find 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).

- (iv) In terms of paper performance; paper one registered a drop of 0.84. The mean for year 2018 was 32.76 down from 33.60 in 2017. Paper two however registered a slight improvement in performance of 1.80. The mean for 2018 was 30.34 up from 28.54 in 2017.

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 12

State **three** circumstances under which firms would form a cartel. (3 marks)

This question required candidates to state the circumstances under which firms would form a cartel

#### Weaknesses

Many candidates didn't understand what a cartel is and mistook it for a merger. Still, many failed to use the relevant words that depict circumstances like; when, where, if, or in case of.

#### Expected responses

- When there is need to control output by each firm.
- When there is need to be in control of market prices.
- When there is need to eliminate stiff competition among the firms.
- When there is need to restrict entry of new firms into the market.
- When there is need to increase the firms' bargaining power.
- When there is need to guarantee the income and financial strength of the firms.

#### Advice to Teachers

Teachers should use a variety of teaching/learning resources and approaches to expose learners to the modern trends in business formation.

#### Question 17

State the line of communication involved in each of the following: (4 marks)

- The manager of ABC Company Ltd talking to the manager of XYZ Company Ltd.
- A secretary asking for time off from her boss
- The Production Manager giving instructions to the Secretary of the Sales Manager
- The Store Keeper giving explanations to Chief Accountant.

This question required candidates to identify the lines of communication stated in the statements.

#### Weaknesses.

This question was poorly performed since most candidates could not identify the communication link. They failed to identify the relevant lines of communication. Many of them seemed to only know horizontal and vertical communication and could not link these to be taking place upward or downward

#### Expected responses

- Horizontal communication
- Upward vertical communication

- (c) Downward diagonal communication
- (d) Upward diagonal communication.

### **Advice to Teachers**

Teachers should use a variety of course books to teach this area since there is very limited content in this area from the available course books.

### **Question 25**

Highlight **four** ways in which the introduction of money helped eliminate problems faced in barter trade. (4marks)

This question required candidates to state the ways in which the introduction of money helped solve the problems faced in the conduct of barter trade

### **Weaknesses.**

Most candidates simply stated the functions of money without linking the responses to the problems faced in barter trade.

### **Expected responses**

- (a) Money eliminates the need for double coincidence of wants since it is a medium of exchange.
- (b) Stores the value of perishable goods by selling them and keeping the money for future use.
- (c) Ensures that commodities exchanged are of comparable value, by offering a standard measure of value.
- (d) Help in the exchange of indivisible commodities since it can be divided into smaller denominations without losing value..
- (e) Money provides a unit of account by which goods and services are valued unlike in barter trade.
- (f) Money is a standard for deferred payment whereas it was not possible to make payments in the future under the barter system.
- (g) Money enables the exchange of fixed property like land.

### **Advice to Teachers**

Teachers should enrich their teaching to include learning for problem solving. They should also vary their testing techniques to help learners acquaint themselves with application and other higher order testing cognitive levels.

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

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

Explain **five** types of direct taxes that the government may use to collect revenue from individuals and companies.

This question required candidates to explain the direct taxes that the government may put in place for collecting revenue.

### **Weaknesses.**

A majority of candidates gave general sources of government revenue which were not relevant to this question. Others gave types of indirect taxes.

### Expected responses

(i) **Personal Income Tax (P.A.Y.E.).**

This is tax charged on an individual's income which may be from salaries, wages and profits made from businesses. This tax is usually progressive in nature.

(ii) **Corporation Tax.**

This tax is usually charged on the profits made by companies and other incorporated business. It is a fixed percentage of the profits.

(iii) **Capital Transfer Tax.**

This tax is charged when there is change of ownership of capital investment from one person to another.

(iv) **Stamp duty.**

This tax is charged on the transfer of land or securities from one person to another.

(v) **Capital gains tax.**

This tax is charged when an asset is sold at a price that is higher than its book value.

(vi) **Estate (death) duty.**

This tax is levied when property is transferred to an inheritor/ heir after the death of the original owner.

(vii) **Wealth tax.**

This tax is levied on personal wealth that goes beyond a certain limit. This wealth may include realizable assets like land, houses, accumulated profits and even savings.

(viii) **Withholding tax.**

This tax is levied on savings like pension dividends and any moneys held by individuals.

### Advice to Teachers

Teachers should cover the topic on public finance adequately and clearly help learners distinguish between direct taxes and indirect taxes.

### Question 4(b)

Describe **five** forms of economic integration that countries may join to promote international trade.

This question required candidates to identify the forms of economic integration in international trade and explain how countries can benefit from them.

### Weaknesses

Majority of the candidates displayed total ignorance of economic integrations. They were unable to identify the right forms of economic integration. Some gave examples of trading blocs but could not place them into the right forms of economic integration.

### Expected responses

(i) **Preferential Trade Area.**

In this form of integration, trade barriers are reduced among the member nations while the barriers are applied at normal rates for trading activities with non-member nations.

(ii) **Free trade area.**

This is economic integration where all trade barriers are removed between the member countries while each country retains its own barriers towards non-members.

(iii) **Customs union.**

In this form of integration, tariffs and other trade barriers are removed between member countries while their trade policies are harmonized with regard to treatment of trade with the rest of the world.

(iv) **Common market.**

This integration goes beyond harmonizing trade policies and removal of trade barriers but also allows for free movement of labour and capital among member nations.

(v) **Economic union.**

In this form of integration, member countries set up common institutions like central banks, adopt use of common currency (monetary system) and have common public services like railways network.

(vi) **Political unions/legislative/State union.**

This involves unification of several countries sharing a central government and recognized by other states as one country. They then form centralised institutions that guide the operations of the institutions in the member states.

**Advice to Teachers**

Extensively cover the topic of international trade guiding learners to learn to classify the trading blocs into their various forms of economic integration.

**Question 5(b)**

The following opening balances were extracted from the books of Mageta Traders on 1st July 2016:

<b>Details</b>	<b>Sh</b>
Furniture	56,000
Capital	80,000
Creditors	20,000
Debtors	25,000
Bank	11,000
Cash	8,000

The following transactions took place in the course of the month:

- Paid a creditor Sh 4,500 in cash.
- Took Sh 3,000 from the bank for family use.
- Bought stock Sh 18,600 on credit.
- Acquired a 10 year bank loan Sh 165,000 which was credited to the business bank account.
- Purchased land worth Sh 82,000 paying by cheque.
- Converted a family table worth Sh 5,500 to business use.
- Recieved Sh 7,300 in cash from a debtor.

**Required:** Prepare Mageta Traders Balance Sheet at the end of July 2016.

This question required the candidates to analyse the transactions and prepare a final balance sheet after effecting the changes.

**Weaknesses.**

A majority of the candidates were not able to effect the changes that the transactions had on the individual balance sheet items. They were not able to prepare the balance sheet with the correct values after the transactions.

Expected responses

**Mageta Traders  
Balance Sheet  
As at 31<sup>st</sup> July, 2016**

	<b>Shs</b>	<b>Shs</b>		<b>Shs</b>
<b>FA</b>			<b>Capital</b>	82,500
Furniture		61,500	<b>L.T.L.</b>	
Land		<u>82,000</u>	10 year bank	165,000
			loan	
<b>Total FA</b>		143,500	<b>S.T.L.</b>	
<b>CA</b>			Creditors	34,100
Stock	18,600			
Debtors	♦ 17,700			
Bank	91,000			
Cash	<u>10,800</u>			
<b>Total C.A.</b>		<u>138,100</u>		
		<b><u>281,600</u></b>		<b><u>281,600</u></b>

Advice to Teachers

Teachers should expose learners to this topic by giving them a lot of exercises. This will enable learners to master the techniques of effecting changes on balance sheet items resulting from transactions through regular practice.