

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.

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, while *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 CANDIDATES' GENERAL PERFORMANCE

The table below shows candidates' overall performance in Business Studies (565) in the year 2008. Performance statistics for the years 2006 and 2007 are also provided for comparison.

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

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

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

28.1.1 The subject attracted an increased candidature of **127,500** in the year 2008 up from **118,361** in the year 2007.

28.1.2 Candidates performed better in *paper 1 (565/1)* when compared with *paper 2 (565/2)* as per the respective means of **43.79** and **31.65**. This implies that most candidates found it easier to tackle the short answer questions found in *paper 1 (565/1)* compared to extended answer questions in *paper 2 (565/2)*.

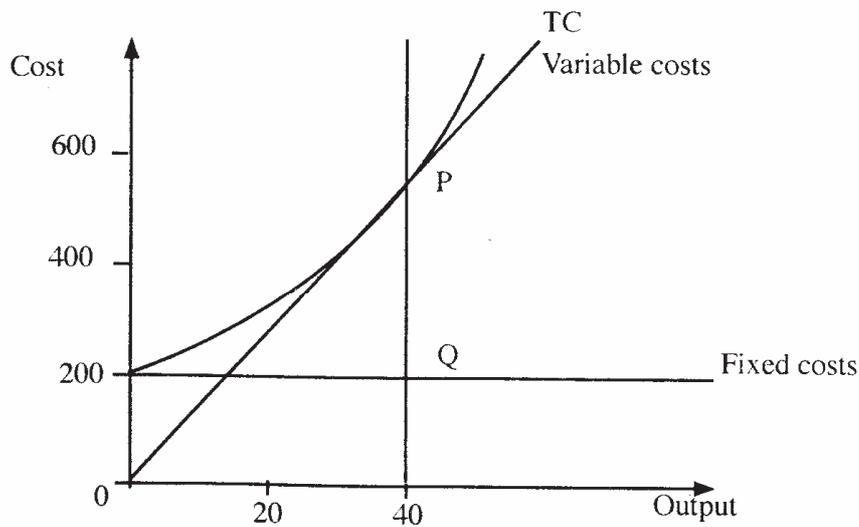
28.1.3 Performance in the subject declined in the year 2008 (*mean of 75.45*) when compared to the year 2007 (*mean of 110.29*).

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 4

The diagram below shows total cost curve of a firm in the short-run.



Calculate the average variable cost of the firm.

This question required the candidate to calculate the average variable cost of the firm using the diagram.

Weaknesses

The question was poorly performed since most candidates were unable to determine the cost values from the diagram. They seemed to be very ignorant in the application of knowledge from this area of the syllabus.

Expected Response

$$\frac{PQ}{40} = \frac{500 - 200}{40} = \frac{300}{40} = 7.50$$

Advice to Teachers

Teachers should ensure that the topic on costs is thoroughly covered and enough practice given to candidates because it seems this topic is neglected. Students should be exposed to such diagrams to be able to interpret them well.

Question 9

The following balances were extracted from the books of Solai Traders as at 31st May 2006:

	Sh.
Current assets	220,000
Capital	425,000
Net profit	85,000
Creditors	98,200
Accrued expenses	11,800

Determine:

- (a) Working capital
- (b) Return on capital

The question required candidates to use the figures given to determine the values of Working capital and Return on Capital.

Weaknesses

The question was poorly performed because most candidates mixed up the figures and were unable to use them correctly when calculating working capital and return on capital.

Expected Responses

$$\begin{aligned} \text{(a) Working capital} &= \text{CA} - \text{CL} \\ &= 220000 - (98200 + 11800) \\ &= \text{Shs.}110000 \end{aligned}$$

$$\begin{aligned} \text{(b) Return on Capital} &= \frac{\text{Net Profit}}{\text{Capital Invested}} \times 100 \\ &= \frac{85000}{425000} \times 100 \\ &= 20\% \end{aligned}$$

Advice to Teachers

Teachers should be able to explain to candidates when different balances (figures) are applied in different formulae. Formulae should be emphasized and exercises given to internalize them.

Question 10

On 31 December 2005, Kiwa had accrued expenses of Sh.24,000. On 31st December, 2006, the accrued expenses were Sh.30,000. In 2006 expenses paid for amounted to Sh.85,000.

Determine the expenses for the year 2006.

The question required the candidates to determine the expenses for the year.

Weaknesses

Most candidates were unable to determine the expenses for the year when given accrued expenses

at the beginning and at the end of the year respectively. Learners showed clear lack of knowledge in this area.

Expected Responses

Expenses for the year		Expenses A/c	
	<u>Shs</u>		<u>Shs</u>
Cash (paid)	85000		24000
Bal c/d (31 Dec. 2006)	<u>30000</u>	31 st 2005 Bal. b/d	<u>91000</u>
	<u>115000</u>		<u>115000</u>
<u>OR</u>			
Expenses paid for 2006	85000		
Add: Accrued expenses (31/12/06)	<u>30000</u>		
	115000		
Less: Accrued expenses (31/12/05)	<u>24000</u>		
	91,000		

Advice to Teachers

A lot of exercises should be given to learners in this area. Practice should be enhanced to enable learners tackle such questions from all the angles.

Question 15

State **four** reasons why ethical practice is necessary in Product Promotion.

The question required candidates to give reasons why ethical practice is necessary in product promotion.

Weaknesses

Most candidates seemed not to understand the meaning of the term “*ethical practice*”. They mostly gave advantages of product promotion.

Expected Responses

- To encourage selling of quality goods.
- To safeguard cultural practices.
- To encourage disclosure of information about the product.
- To ensure compliance with existing Government Legislation.
- To curb environmental degradation.
- To safeguard competitors in the market.
- To safeguard consumers against misleading advertisements.

Advice to Teachers

Teachers should expose their students to the various terms as used in content areas in the syllabus. Such terms must be used during teaching, exercises given and regularly evaluated. Learners should also be made aware of emerging issues in business

Question 24

Visitors to the offices of Triple B Enterprises have been complaining of lack of etiquette from the secretaries. Highlight **four** measures that the secretaries can take to improve the office etiquette.

Weaknesses

Most candidates missed the point by giving what the firm or the management would do to improve the etiquette, yet the question required measures that could be taken by the secretaries themselves. Many candidates also confused the office etiquette with the other qualities of an office worker.

Expected Responses

- Show respect to both colleagues and visitors.
- Observe courtesy in dealing with people.
- Be organized at work at all times.
- Be honest/truthful in performing duties.
- Co-operate with other workers, management and visitors.
- Be punctual for work and when offering service.
- Be loyal to the organization.
- Cultivate diplomacy when dealing with people.
- Be of good judgment.
- Be accurate in execution of work.
- Have initiative in offering solutions.

Advice to Teachers

Teachers should clearly show their students the three categories of the qualities of a good office worker; personal attributes, basic knowledge, skills, and office etiquette.

28.3 PAPER 2 (565/2)

Question 1 (b)

With the aid of a diagram, explain the behaviour of average cost curve in the short run for a firm with fixed production capacity.

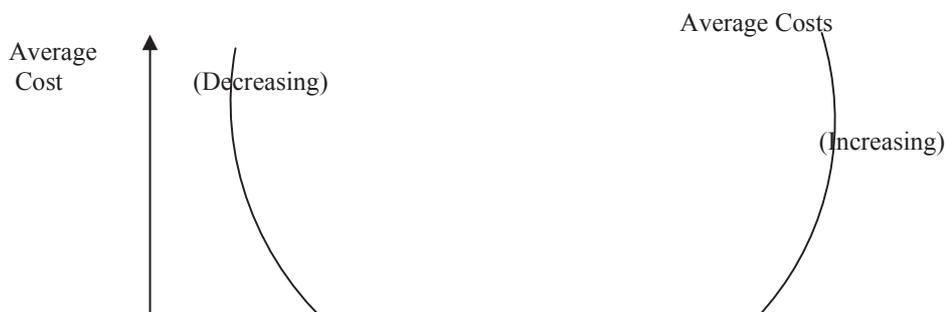
The question required the candidates to draw a diagram and use it to explain the behavior of the average cost curve of a firm with fixed production capacity, in the short run.

Weaknesses

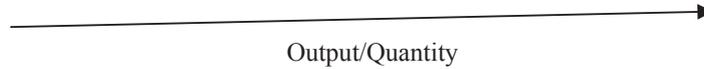
Majority of the candidates displayed lack of knowledge of the behavior of the average cost curve. Many candidates guessed and therefore drew irrelevant curves.

Expected Responses

b)



(Optimum output)



Explanation:

For a firm with fixed production capacity, the average costs are high in the beginning as they are divided among few production units. As production increases, the average costs fall as they are divided among more production units (as the firm experiences economies of scale). The average costs will continue falling to a minimum level, then start to rise as more costs are incurred over time (as a firm starts experiencing diseconomies of scale).

Advice to Teachers

Teachers should emphasize the different characteristics of the cost curves. Regular practice must be given in this topic.

Question 4 (b)

Memon Traders does not keep a complete set of accounting records. The following information relates to the year ended 31 December 2006.

(i) Extract of cash summary was:

Cash receipts

Cash sales	420,200
Commission received	36,400

Cash payments

Purchases	260,000
General expenses	50,000
Insurance	14,800

(ii) Extract of assets and liabilities:

	1.1.06	31.12.06
	Sh.	Sh.
Stock	65,000	92,500
Insurance paid in advance	16,200	4,000
Commission receivable	8,400	10,200
Unpaid General expenses	48,000	70,000

Additional information

Included in credit sales are drawings of stock valued at Sh 25 000.

For the year ended 31 December 2006, determine the following:

- (i) Total sales
- (ii) Total purchases
- (iii) Commission receivable
- (iv) Insurance expense
- (v) General expenses

The question required candidates to determine the values of Total Sale, Total Purchases, Commission receivable, Insurance expenses and General expenses using the information given.

Weaknesses

Most candidates were unable to determine the sales, purchases, commission receivable, insurance expenses and general expenses using the information given. This was a clear lack of knowledge in incomplete records. This area of the syllabus is seemingly ignored by teachers, or learners are rushed through the topic.

Expected Responses

(i) Total sales for the year

Sales	=	Case Sales – drawings
	=	420200 – 25,000
	=	Shs.395200

(ii) Total Purchases

Purchases	=	Cash Purchases
	=	Shs.260,000

(iii) Commission receivable for the year

Commission Receivable a/c			
	Shs		Shs
Bal b/d	8400	Cash	36400
Profit Loss A/c	<u>38200</u>	Balance c/d	<u>10200</u>
	<u>46600</u>		<u>46600</u>

Cash Received OR 36400

Add: Balance c/d	<u>10200</u>	
		46600
Less: Balance b/d	<u>8400</u>	
Commission Receivable (P&L) c/d	<u>38200</u>	

(iv) ***Insurance expenses for the year A/c***

	Shs.			Shs
Balance b/d		16200	Profit and Loss	27000
Cash		<u>14800</u>	Balance c/d	<u>4000</u>
		<u>31000</u>		<u>31000</u>

OR

Cash Paid	14800
Add: Balance b/d	<u>16200</u>
	31000
Less: Balance c/d	<u>4000</u>
	<u>27000</u>

(v) ***General expenses***

General Expenses A/c

	Shs			Shs
Cash		50000	Balance b/d	48000
Balance c/d		<u>70000</u>	Profit & Loss A/c	<u>72000</u>
		<u>120000</u>		<u>120000</u>

OR

Cash Paid	50000
Add: Balance c/d	<u>70000</u>
	120000
Less: Balance b/d	<u>48000</u>
General Expenses	<u>72000</u>
(Profit & Loss A/c)	

Advice to Teachers

Teachers should teach end of year adjustments as it forms an integral part of updating incomplete records. Learners must be given sufficient practice in this topic.