

SULIMO – JULY 2025

MARKING SCHEME PP1 BUSINESS STUDIES

1. Highlight any **four** benefits of a business to the society **(4marks)**

- i) To make use of the available raw materials**
- ii) creates employment**
- iii) provides variety of goods and services to society**
- iii) to utilize the spare/idle time well**
- iv) to pursue personal interests and hobbies**
- v) to commercialize skills and talents**

2. State **four** reasons why consumers have to make a choice between competing needs **(4marks)**

- i) because resources available are scarce**
- ii) human wants vary in urgency and intensity**
- iii) variation interests and preferences of human wants**
- iv) human wants are too many to be satisfied at once**
- v) due to quality of goods in the market**
- vi) due to government policy**

3. State whether each of the following falls under manufacturing or constructive production. **(4marks)**

Activity	Manufacturing or constructive production
a) Food processing	manufacturing
b) House building	Constructive
c) Cloth making	Manufacturing
d) Juice processing	Manufacturing

4. One of the causes of a business success is proper management of workers. Outline any **four** indicators that show workers are not properly motivated. **(4marks)**

i) **absenteeism or being late to work**

ii) **zoning out in meetings or withdrawing from contributing**

iii) **missed deadlines**

iv) **apathetic behavior such as switching off the phone, inciting other colleagues, complaining about minor issues like food, cleaners etc**

v) **quitting or leaving from job too early**

5. For each of the business transaction given below, name the ledger account to be debited and to be credited.

Transaction	DR	CR
a) Proprietor took goods worth 1,000 for family use	Drawings a/c	Purchases a/c
b) Brought in personal computer and made it to be a business asset.	Computer a/c	Capital a/c
c) Transferred sh 6,000 cash to a private bank account	Drawings a/c	cash a/c
d) Made a profit of ksh 10,000 from sale of a business car	Capital a/c	Motor vehicle a/c

6. Outline **four** documents required by the registrar of companies to facilitate the registration of a limited liability company. **(4marks)**

i) **Memorandum of Association**

ii) **Articles of Association**

iii) **A list of directors**

iv) **Statement of company share capital**

v) **Declaration form**

7. Highlight **four** measures that may be taken by a government to attract firms to an area.

i) **offer free or cheap land**

ii) **offer subsidies**

iii) **offer direct financial support**

iv) **tax exemptions/holidays**

v) improved infrastructure

8. Outline any **four** items included in calculation of national income using **income approach** method. **(4marks)**

i) salaries/wages/personal earnings by households

ii) interest received for use of capital

iii) profits made by public enterprises

iv) dividends received by shareholders

v) rent received for use of land

vi) ploughed back profits

vii) stock appreciation

viii) transfer payments

ix) depreciation on capital

x) income from exports

xi) payments for imports

9. **four** advantages of using courier services in sending mail and parcels. **(4marks)**

i) readily available

ii) convenience as it offers door to door services

iii) it fast in delivery of goods

iv) its reliable

v) Provide secure delivery options

vi) senders and recipients can track parcels in real time (transparency)

vii) Services like same day, overnight can schedule deliveries make it easier to choose based on urgency and budget.

viii) They are relatively cheaper

10. Natasha and Cynthia bought a house jointly for ksh 6,400,000 with Cynthia contributing Ksh 4,800,000 .They ensured the house against fire for Ksh 5,600,000. Fire destroyed part of the building valued Ksh 3,200,000. Calculate how much each will get as compensation. Give a reason for your answer. **(4marks)**

Compensation = (value of the policy ÷ value of property) × loss

(Ksh 5,600,000 × Ksh 3,200,000) ÷ ksh 6,400,000 =ksh 2,800,000

Ratio of Natasha to Cynthia = 1,600,000 : 4,800,000

1:3

Natasha got $\frac{1}{4} \times 2,800,000 = \text{ksh } 700,000$

Cynthia got $\frac{3}{4} \times 2,800,000 = \text{ksh } 2,100,000$

Reason; the property was under-insured hence the loss is shared between the insurer and the insured.

11. Highlight any **four** measures that the government has taken to reduce road carnage on the Kenyan roads. **(4marks)**

- i) introduction of traffic lights on busy roads**
- ii) introduction of digital speed governors**
- iii) introduction of strict traffic laws such as use of Alco blows to tame drunk drivers**
- iv) mandatory vehicle inspections**
- v) road safety campaigns**
- vi) retesting of drivers and review of licenses**
- vi) Use of road safety technology ie cctv**
- vii) Improvement of road infrastructure**

12. Kenya exports flowers to Netherlands. Describe any **four** channels that the Kenyan flower farmers would use to ensure their goods reach consumers in Netherlands. **(4marks)**

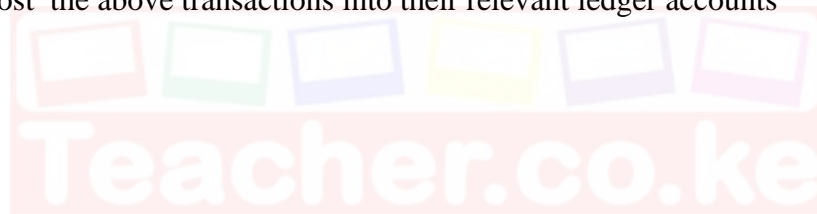
13. Outline **four** indicators of economic development in a country (4marks)

- i) improved infrastructure
- ii) improved medical facilities
- iii) access to food and shelter
- iv) high level of research and development
- v) high level of technology
- vi) high level savings and investments

14. The following transactions were extracted from the books of **South C. traders** (4marks)

1st April 2024, Sold goods worth ksh 12,000 to Onyango and payment was made by cash.
3rd April 2024, purchased furniture worth ksh 14,500 on credit.

Required: Post the above transactions into their relevant ledger accounts



15. Indicate whether each of the following documents comes from the buyer or seller. (4marks)

- a) I owe You...buyer
- b) Goods returned note...buyer
- c) Advice note...seller
- d) Consignment note...seller/ accept transporting company

16. The following information relates to Sulimo traders for the year 2024.

- i) Closing capital (31.12.2024) Ksh. 300,000
- ii) Sulimo traders converted his personal motorcycles valued at Ksh60,000 into business use.
- iii) Sulimo traders had been taking goods monthly worth sh 5,000 for personal use.
- iv) Incurred losses amounting to Ksh 35,000

Required; Determine Sulimos' initial capital as at 1.1.2024. (4marks)



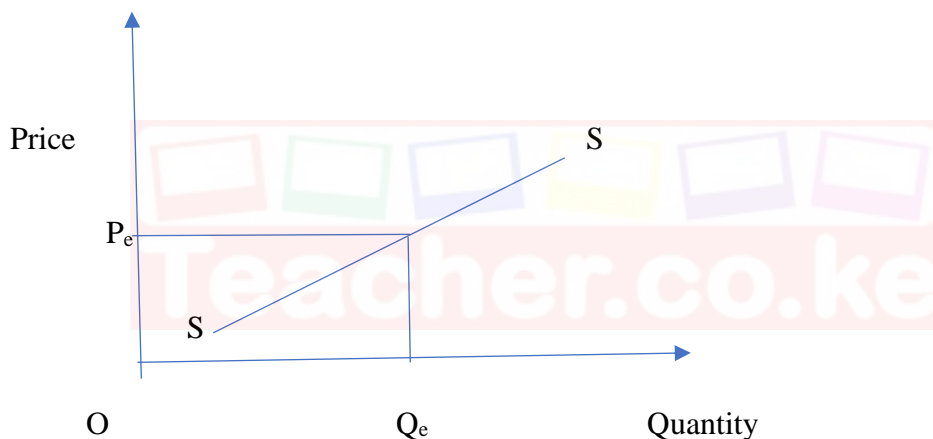
17. Name the form of economic integration described by each of the following situations (4marks)

- a) Free trade exists but common external tariffs exist on non-member states. **Custom union**
- b) Has policies of freedom of movement of factors of production among member states. **common market**
- c) Members abolish tariffs ,quotas and other barriers of trade among themselves. **Free trade area**
- d) Members states establish common infrastructure among themselves. **economic union**

18. Record the following transactions in the relevant subsidiary books. (4marks)

On 10th June 2024 office furniture worth sh 80,000 was sold on credit to MEC Cafeteria for sh 90,000. On 15th June 2024 purchased motor van on credit from General motors for sh 25,000.

19. . The diagram below shows the current supply of hides. (4marks)



a) What is the effect of a decrease in the price of beef on the supply for hides? (1mark)

Increase in the supply of hides

b) Draw a new supply curve on the diagram above to show the effect of a decrease in price of beef on the supply for hides. (3marks)

20. State any **four** factors influencing the amount of money held for precautionary motives. (4marks)

i)level of income

ii)family status

iii)age of the individual

iv)number of dependants

v)individuals temperament

vi)duration between incomes

21. The cost of consumer goods for a representative household is given below:

YEAR	PRICES(KES)
2020	5000
2024	9000

Calculate the increase in the consumer price index (CPI) using 2020 as the base year. (4marks)

22.Outline **four** features of monopolistic competition as a market structure. (4 marks)

i)free entry and exit

ii)product differentiation

iii) presence of non- price competition

iv) many firms though each is too small to attract either market

v) there's wide of the market conditions for both seller and buyer

vi) firms sell products that are relatively close substitute of one another

23.Highlight **four** principles of a good tax system. (4marks)

- i) equitable**
- ii)economical**
- iii)simple to understand**
- iv)diversity or wide base**
- v) certainty**

24.Highlight **four** ways in which the Food and Drugs Act protects consumers against exploitation. (4marks)

- i) ensure that producer or trader do not include any substance in the commodities which might be harmful to consumers health**
- ii) by having a requirement that those who sell certain types of foods and drugs must be licensed.**
- iii) ensuring that labels and packages for foods, drinks and medicine show the ingredients used in making the commodity**
- iv) ensure side effects are indicated so to warn consumers**

25. Given below are some tasks performed by office machines. Identify the machine used to perform each task. (4 marks)

TASK	MACHINE
(a) Sending and receiving verbal messages	telephone
(b) Cutting papers into the required sizes	Guillotines
(c) Printing stamp impressions on envelopes	Franking machine
(d) Sending printed diagrams, charts, maps, etc.	Fax machine