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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR**  
**THIRD YEAR, FIRST SEMESTER EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF BUSINESS INFORMATION TECHNOLOGY**

Date: 4<sup>th</sup> August, 2022  
Time: 8.30am –10.30am

**KBA 2305 – BUSINESS ECONOMICS**

**INSTRUCTIONS TO CANDIDATES**

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**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE (30 MARKS)**

The objective of business economists and managers when taking decision related to business is not only to maximize profit or shareholder value but also to serve and protect the interest of other members of the society like consumers, workers and the community as a whole. However, a business enterprise should develop, produce and supply goods and services to customers which needs to be done in such a way that allows companies to make profits, that in turn demands far more than just skills in companies on fields and processes. The role of business in societal development can be measured in many ways. If a company wants to progress and develop, it must nurture its relation with its stakeholder, of which there may be plenty. Some have a strong influence and are of fundamental importance for the survival of the business; this includes customer, suppliers and employees. The authorities, media, local resident and trade union are others stakeholders with a vital influence. The role of business in society as well as accompanying responsibility that transpire from that role is a highly contentious and debated concept.

The long term survival of companies is partly dependent on maintaining the relationship of trust. The economist Milton Friedman famously contended that the “business of business is business” and is because it has only one responsibility: to generate profit for shareholder. In the contrary of that argument is thinking that recognizes business as a system in society which is affected by and affects other systems in a society, for example government body, natural environment, surrounding community other types of organization etc. Thus, business required to work with this system to attain its economic goals in a way that will also benefit the society as whole.

- a) Explain any three fundamental concepts and techniques that can help a business manager to take correct decisions.  
(6 Marks)
- b) Describe the Social Responsibilities of a business enterprise.  
(6 Marks)
- c) In your view, which responsibilities do you think a business economist has towards helping business managers generate more profit for a business enterprise?  
(6 Marks)

- d) Identify six benefits of a business enterprise to the society. (6 Marks)
- e) State five basic elements of business ethics while running a business enterprise (6 Marks)

**QUESTION TWO (20 MARKS)**

- a) “Business economics facilitates forward planning and decision making”. Discuss. (10 Marks)
- b) Define Capital budgeting as used in Business Economics and explain why Capital budgeting decisions are vital to any business enterprise. (10 Marks)

**QUESTION THREE (20 MARKS)**

- a) Once a firm decides to enter a foreign market the question arises as to the best mode of entry. Identify and explain five different modes entry to foreign markets by a business enterprise. (10 Marks)
- b) A company produces 1000 typewriters per annum. Total fixed cost is KES. 100,000 per annum. Direct material cost per typewriter is KES. 200 and direct labour cost is KES.100. Compute the following:
- i. Total variable cost for the company (4 Marks)
  - ii. Total cost (2 Marks)
  - iii. Average cost (2 Marks)
  - iv. Marginal cost (If output is increased by one typewriter) (2 Marks)

**QUESTION FOUR(20 MARKS)**

- a) Talia a hairdresser, wants to set up a business for herself. In other words, she has a potential Business Start Up. Describe five factors according to Michael Porter’s believes that will put pressure on Jane’s business and affect its likelihood of success. (10 Marks)
- b) Discuss the impacts of Globalization on companies. (10 Marks)

**QUESTION FIVE (20 MARKS)**

- a) The net present value method is a modern method of evaluating investment proposals since it takes into consideration the time value of money and attempts to calculate the return on investments by introducing the factor of time element. Highlight the necessary steps to be followed for adopting this method of evaluating investment proposals and state its limitations in application. (10 Marks)
- b) Explain the usefulness of Business economics knowledge to business management. (10 Marks)