Where Leaders are Made

UNIVERSITY EXAMINATIONS: 2026/2027

PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

MAY- AUGUST 2026

INTRODUCTION TO BUSINESS STUDIES

BCM 101 / BIT 101

END TERM EXAMINATION

DATE: AUGUST, 2026 **TIME: 3 HOURS**

INSTRUCTIONS: Question One is Compulsory, Choose Three Other Questions

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SECTION A: COMPULSORY

Question 1 **(15 Marks)**

Case Study: EcoWrap Kenya

Apondi is a young entrepreneur who noticed that local open-air markets use too many plastic carrier bags, which harm the environment. To solve this problem, she started a small business called "EcoWrap Kenya" to make biodegradable packaging bags out of local banana fibres.

To make sure her business survived its first few months, Apondi decided to sell her bags at the exact cost price (no profit margin) to local vegetable vendors. Because her prices were so low, her bags became very popular, and she quickly sold all of them. However, because she made zero profit, she did not have any savings or spare cash. In her third month, her main production machine broke down, and she could not afford to pay for repairs, forcing her to stop production. At the same time, a large plastic factory in Kisumu lowered its prices to take away her customers. Apondi now

realizes she needs to change her strategy, set clear goals, and learn how to balance her environmental passion with financial reality.

Required:

a) Explain how Apondi's decision to sell bags at cost price helped her short-term survival but hurt her business in the long run. (4 Marks)

b) Identify the **two** main risks that Apondi faced in her third month of business. (2 Marks)

c) Suggest one simple solution for each of the **two** risks you identified above to help her business stay open. (4 Marks)

d) State one clear SMART business goal for EcoWrap Kenya that will help Apondi fix her broken machine. (2 Marks)

e) Explain how your goal in (d) above meets all 5 parts of the SMART framework. (3 Marks)

SECTION B: ANSWER ANY THREE QUESTIONS FROM THIS SECTION

Question 2 (15 Marks)

A new wholesale and transport business is starting its operations in Kisumu City. The owners need to understand the basic types of goods and services they will be handling.

a) Explain the difference between Consumer Goods and Producer Goods, and give one clear example of each. (4 Marks)

b) Give **two** examples of commercial Services (intangible aids to trade) that this logistics company can use to make its operations run smoothly. (4 Marks)

c) Define the terms Profit Maximization and Profit Satisficing as used in business. (4 Marks)

d) Explain how a business that only focuses on maximizing profits treats its customers differently from a business that practices profit satisficing. (3 Marks)

Question 3 (15 Marks)

A large mining company wants to scoop sand for construction along the riverbanks near Lake Victoria. The project will create 300 new jobs for the local youth. However, the local community is worried that the project will destroy the riverbanks, harm the environment, and displace local fishermen.

a) Explain what Corporate Social Responsibility (CSR) means, and how it applies to this mining company. (4 Marks)

b) Discuss **two** things the mining company can do to protect the environment and keep the local community happy while still making a profit. (4 Marks)

c) Describe the journey of a resource like sand from the moment it is extracted (raw material), processed, and sold to the final consumer. (3 marks)

d) Explain how this entire process creates wealth for the business owner. (4 Marks)

Question 4 **(15 Marks)**

A family-owned tailoring shop in Luanda town has successfully made clothes for ten years using traditional, manual sewing machines. Recently, a large modern clothing factory opened in the same neighborhood. This new factory uses automated digital sewing machines, produces clothes very quickly, and uses heavy social media advertising.

a) Discuss **two** ways this new competitor forces the small family tailoring shop to change its business goals. (4 Marks)

b) Recommend **one** short-term goal and one long-term goal the family shop should set to survive this competition. (3 Marks)

c) Explain how the family shop can use specialized business skills (like customer loyalty and custom-made clothing) to keep its local customers during this price war. (8 Marks)

Question 5 **(15 Marks)**

Three friends who just graduated from university want to start a dairy processing business to sell milk and yoghurt. One friend wants them to register the business as a Partnership, while the other two friends prefer a Private Limited Company.

a) Compare a Partnership and a Private Limited Company using the following guidelines:

- Who is responsible for business debts (Legal Liability)? (4 Marks)
- Which format can raise more money (Capital) to grow the business? (4 Marks)

b) Explain how a private capitalist business focuses on making a profit, and contrast this with how a Government-owned business or a Church-based NGO would distribute milk to the community. (7 Marks)

Question 6 **(15 Marks)**

A vehicle assembly plant in an industrial area imports parts from overseas, puts together agricultural trailers, and hires external companies to transport and insure its goods.

a) Differentiate between Industrial Activities (making the trailers) and Commercial Activities (selling and transporting the trailers) performed by this business. (4 Marks)

b) Discuss the importance of business buying and selling goods regularly without stopping. (2 Marks)

c) Explain happens to the business if this cycle in (b) breaks down for a month (2 Marks)

d) The assembly plant experienced two unfortunate events: an accidental electrical fire that burnt down part of the factory, and a sudden change in government laws that reduced taxes on imported foreign trailers, making local prices drop.

- Explain which of these two events is an Insurable risk (4 Marks)
- Discuss which of these two events is an Uninsurable Uncertainty. (3 Marks)