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: The Jua Kali Solar Innovation

Otieno, a recent engineering graduate from Jetto University, designed a low-cost, portable solar-powered water purifier tailored for rural households in Kisumu County. To launch his enterprise, "Lake Clean Solutions," he invested his personal savings to build the first 50 units. In his first month, he focused purely on survival, selling each unit at an extremely low price to clear his stock and introduce the technology to the community.

While the product successfully improved local health standards, Otieno ran completely out of cash by month two and could not afford raw materials to build more units. Furthermore, local competitors noticed his success and immediately began producing cheaper, lower-quality imitations. Otieno now realizes he needs to completely restructure his business objectives,

transition from survival to long-term profitability, and protect his enterprise from market uncertainties.

Required:

a) Evaluate the **two** distinct business risks or uncertainties Otieno faced in this scenario, and propose an actionable, realistic strategy he can use to mitigate each. (4 Marks)

b) Analyze how the short-term goal of *Survival* pursued by Lake Clean Solutions directly conflicts with its long-term objective of *Profit Maximization*. (4 Marks)

c) Create one clearly defined, financially sound business objective for Lake Clean Solutions. Construct your answer by explicitly breaking down how this new goal satisfies every single parameter of the **SMART** framework. (7 Marks)

SECTION B:

ANSWER ANY THREE QUESTIONS FROM THIS SECTION

Question 2 **(15 Marks)**

Imagine you are hired as a retail consultant for a newly opened supermarket chain in Kisumu city. The owners are struggling to balance their inventory and financial performance because they do not understand the operational differences between types of goods and business goals.

a) Categorize the supermarket's inventory by contrasting *Consumer Goods* and *Producer Goods* using specific examples they buy or sell. (4 Marks)
b) Formulate a strategy from (a) above showing how the introduction of intangible *Services* can be used to drive consumer satisfaction. (4 Marks)
c) Critique the opposing viewpoints of a divided board where one faction wants *Sales Growth* and the other demands immediate *Profit Maximization*. (3 marks)
d) Appraise the operational consequences of both strategies from (c) above for a newly launched enterprise. (4 Marks)

Question 3 **(15 Marks)**

A large manufacturing multinational corporation (MNC) plans to set up a plastic packaging factory near the shores of Lake Victoria. While the factory promises to create 500 direct jobs for the local community, environmental activists are protesting due to potential industrial pollution and the destruction of the local ecosystem.

a) Analyze how the concepts of *Corporate Social Responsibility (CSR)* and *Corporate Governance* apply to this MNC's entry. (4 marks)
b) Create a balanced management approach from (a) above that aligns their primary goal of profit maximization with their social obligations to the local community. (4 Marks)
c) Critique the fundamental role of this factory as an economic activity. (3 Marks)

d) Explain how its entire supply chain—from raw material extraction to the final consumer—satisfies human wants while simultaneously generating wealth for private owners in a capitalist framework. (4 Marks)

Question 4 **(15 Marks)**

Consider a small-scale, family-owned bakery in Luanda town that has been operating successfully for five years. The owners practice *Profit Satisficing*—they make just enough money to live comfortably and have never changed their business model. Suddenly, a major national bakery franchise opens a highly automated branch down the street, offering cheaper bread and home delivery services.

a) Explain why the changing competitive environment forces this family bakery to revise its traditional business objectives. (4 marks)
b) Recommend for (a) above specific new short-term and long-term objectives they must adopt to survive this market disruption. (3 Marks)
c) Apply the core features of business studies to demonstrate how the bakery can leverage specific *Business Skills* and *Regularity of Transactions* to protect its customer base and withstand the aggressive price war. (8 Marks)

Question 5 **(15 Marks)**

A group of four alumni from ABC University decide to pool their financial resources to start a high-tech agricultural supply enterprise in Siriba. Two members want to register the business as a *Partnership* because it is easy to set up, while the other two members insist on incorporating a *Private Limited Company* to protect their personal wealth from potential business bankruptcy.

a) Compare and contrast a partnership and a private limited company. Your analysis must focus on how *buyer-seller contracts*, legal liability, and *financial capacity to reach goals* differ between these two organizational structures. (8 Marks)

b) Differentiate how this private, capitalist business model driven by profit maximization serves the local community compared to how a *state-owned enterprise* or a *not-for-profit firm* would operate in the same agricultural market. (7 Marks)

Question 6 **(15 Marks)**

An electronics assembly firm operating in the Kisumu Industrial Area handles a complex network of daily transactions. The firm imports machinery parts (*producer goods*), assembles digital televisions (*consumer goods*), and relies on external providers for freight logistics, security, and industrial warehousing.

a) Map out this firm's operational structure by distinguishing its *industrial activities* (secondary production) from its *commercial activities* (marketing and distribution). (4 Marks)

b) Analyze why continuous, *regular transactions* in both domains in (a above) are mandatory to maintain corporate viability. (4 Marks)

c) Distinguish between the two recent financial losses suffered by the firm: a catastrophic warehouse fire, and a sudden shift in market demand toward smart mobile devices that caused television prices to crash. (4 Marks)

d) Classify which loss in (c above) represents an insurable *Risk* and which represents an uninsurable *Uncertainty*, proving why the latter must be borne entirely by the entrepreneur. (3 Marks)