PAN AFRICA CHRISTIAN UNIVERSITY

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: THURSDAY 30TH JULY , 2026 **TIME: 3 HOURS**

INSTRUCTIONS: Question One is Compulsory, Choose Three Other Questions

SECTION A: COMPULSORY (15 MARKS)

Question 1 **(15 Marks)**

Case Study: Dala Fresh Juices

Amina, a recent school leaver, started a small business called "Dala Fresh Juices" in Kondele, Kisumu County. She buys fresh mangoes and passion fruits from local village farmers. Using a simple manual juice press in her kitchen, she extracts the juice, packages it in plastic bottles, and sells them to school children and local workers.

In her first month, Amina's primary objective was simple Survival. To attract customers quickly and clear her stock daily, she set an extremely low price of Sh30 per bottle, which barely covered the raw material costs. She successfully sold 100 bottles every day. However, by the second month, her manual juice press broke due to heavy use. Amina found herself completely out of cash and could not afford to repair the machine or buy new fruits. To make matters worse, a large beverage depot opened down the street, selling mass-produced factory juices at Sh25 and offering free plastic cups. Amina now realizes she must restructure her business goals, move

from survival to long-term profitability, and protect her small enterprise from market competition.

Required:

a) Explain two distinct business risks Amina faced in this scenario, proposing one practical strategy she can use to handle each risk. (4 Marks)

b) Using illustrations from the case, explain how Amina's short-term goal of Survival directly conflicted with her long-term objective of Profit Maximization. (4 Marks)

c) Formulate one clearly defined SMART business objective that can help Amina buy an electric blending machine (1 mark)

d) Demonstrate how your objective in (c) above satisfies all 5 elements of the SMART framework. (3 Marks)

e) Outline **three** benefits that a small enterprise like Dala Fresh Juices provides to the economic development of the local Kondele community. (3 Marks)

SECTION B: ANSWER ANY THREE QUESTIONS

Question 2 (15 Marks)

A new supermarket has opened its doors in Naivasha city. The management is setting up its warehouse and store layouts but is struggling to balance inventory types and business goals.

a) Distinguish between Consumer Goods and Producer Goods by providing **two** specific examples of each category that the supermarket handles. (6 Marks)

b) Explain how the supermarket can introduce Services (intangible activities) to improve customer satisfaction and support the sale of its physical goods. (4 Marks)

c) The supermarket board is divided. One group wants to focus entirely on Sales Growth (high volume), while the other demands immediate Profit Maximization. Discuss **two** operational dangers of pursuing *only* sales growth for a new retail business. (5 Marks)

Question 3 (15 Marks)

A multinational manufacturing firm plans to establish a large plastic packaging factory near the shores of Lake Nakuru. The factory will create 500 direct jobs for local youth, but environmental activists are protesting against potential pollution of the lake ecosystem.

a) Explain the concept of Corporate Social Responsibility (CSR) and how it applies to this manufacturing firm. (4 Marks)

b) Discuss **three** practical actions the factory management can take to balance its profit-making goals with its social and environmental obligations to the local community. (6 Marks)

c) Define the term Economic Activity and state why this factory is classified under secondary production. (5 Marks)

Question 4 (15 Marks)

A small family-owned bakery in Luanda town has operated successfully for five years. The owners practice Profit Satisficing—they aim to 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 changes in the competitive environment force this family bakery to revise its traditional business objectives. (4 Marks)

b) Recommend one short-term objective and one long-term objective that the family bakery must adopt immediately to withstand this market disruption. (4 Marks)

c) Discuss how the bakery can leverage basic Business Skills and Regularity of Transactions to protect its customer base from the new competitor. (7 Marks)

Question 5 (15 Marks)

Four university alumni decide to pool their financial resources to start a high-tech agricultural supply shop in Siriba. Two members want to register the business as a Partnership, while the other two members insist on incorporating a Private Limited Company.

a) Compare a Partnership and a Private Limited Company by analyzing how they differ in terms of legal liability of the owners and capacity to raise capital. (8 Marks)

b) Differentiate between a private capitalist business model and a State-Owned Enterprise (Parastatal) in terms of ownership and primary operational goals. (7 Marks)

Question 6 (15 Marks)

An electronics assembly shop operating in the Kisumu Industrial Area handles a complex network of daily transactions. The firm imports machinery parts, assembles digital televisions, and relies on external providers for transport logistics and warehousing.

a) Outline this firm's operational structure by separating its Industrial Activities from its Commercial Activities, using examples from the text. (6 Marks)

b) Explain why Regularity of Transactions is a mandatory feature for maintaining the financial viability of this electronics shop. (4 Marks)

c) The firm suffered two financial losses: a warehouse fire destroyed physical stock, and a sudden shift in customer taste toward smart mobile devices caused television prices to crash. Classify each loss as either an insurable risk or an uninsurable uncertainty, giving a reason for your choice. (5 Marks)