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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR DEGREE IN BACHELOR OF ECONOMICS & FINANCE**

Date: 15th April, 2024
Time: 2.30pm –4.30pm

KEC 2100: PRINCIPLES OF ECONOMIC MANAGEMENT

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

Optimizing Production and Cost Functions for Enhanced Managerial Decision-Making

In the competitive world of consumer electronics, ABC Electronics, a leading multinational company, faces the challenge of balancing production costs and meeting consumer demands for cutting-edge technology. The company operates in a dynamic market influenced by various economic principles, micro and macroeconomic perspectives, and consumer behaviour. ABC specializes in manufacturing high-end smartphones and smart gadgets. The market demands constant innovation, requiring the company to stay at the forefront of technological advancements. As the Head of Operations, Sarah Mei, navigates the economic landscape to make informed decisions that align with the company's goals.

During a period of economic downturn, ABC Electronics faced a challenge due to increased import costs caused by unfavourable exchange rates. Sarah Mei responded by renegotiating contracts with suppliers, exploring alternative sourcing options, and implementing cost-cutting measures without compromising product quality. This proactive approach not only shielded ABC Electronics from the financial storm but also fortified its competitive position in the market, underscoring Sarah Mei's proficient leadership and strategic insight in navigating the sophisticated economic currents that affect the consumer electronics industry.

From the case study, answer the following questions;

- a) Explain how ABC Electronics can use various micro-economic principles to understand consumer behaviour and make decisions about product features and pricing strategies.

(5 Marks)

- b) Discuss the tools and techniques to be employed by Sarah Mei in economic analysis for evaluating different production methods. **(5 Marks)**
- c) Based on real-world challenges faced by ABC Electronics, elaborate on the strategies and decisions that can be made to address increased import costs during an economic downturn. **(5 Marks)**
- d) Based on its characteristics, describe the market in which ABC Electronics is operating. **(5 Marks)**
- e) In the context of ABC Electronics' focus on constant innovation, explore the macroeconomic perspectives that can influence the company's strategic decisions. **(5 Marks)**
- f) Discuss the challenges ABC Electronics faces in balancing production costs while striving to meet consumer demands for the cutting-edge technology **(5 Marks)**

QUESTION TWO (20 MARKS)

- a) Explain the significance of Economic management analysis on the economic life of a nation or entity. **(10 Marks)**
- b) Pricing and output decisions are intricately linked to the market structure within which a firm operates. Describe five key factors considered in the pricing and output decisions across markets. **(10 Marks)**

QUESTION THREE (20 MARKS)

- a) Describe the following economic management concepts:
 - i. The multiplier effect **(3 Marks)**
 - ii. Exchange Rates **(3 Marks)**
- b) Explain various channels through which efficient management of money markets contributes to overall economic stability and effective policy making in organizations. **(8 Marks)**
- c) State and explain any six key Strategies that economic managers can use to achieving price stability. **(6 Marks)**

QUESTION FOUR (20 MARKS)

- a) Discuss how the following factors influence consumer's decision making:
 - i. Psychological Factors **(4 Marks)**
 - ii. Personal factors **(4 Marks)**
 - iii. Social Factors **(4 Marks)**
- b) Explain the relationship between the following as applied in managerial decision making:
 - i. Economic Conditions and Business Environment **(4 Marks)**
 - ii. Market Dynamics and Competition **(4 Marks)**

QUESTION FIVE (20 MARKS)

- a) Using relevant examples, explain how managers use economic indicators such as GDP growth, inflation, and interest rates to assess the overall economic environment. **(6 Marks)**
- b) Evaluate the role of currency hedging strategies in managing the risks associated with exchange rate fluctuations **(5 Marks)**
- c) Discuss the implications of elasticity on managerial decision making. **(9 Marks)**