



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR
FIRST YEAR, FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
(BUSINESS ADMINISTRATION)

Date: 7th December, 2023
Time: 2.30pm –4.30pm

KBA 101 - INTRODUCTION TO BUSINESS

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

THE RISE AND FALL OF UCHUMI SUPERMARKET

Uchumi Supermarket Limited was a public limited company incorporated in 1975 under the Companies Act. In 1976 under Standa SPA management, Uchumi opened three branches with the Market Branch being the first. In the 1990's Uchumi spearheaded the hypermarket concept in Kenya with specialty shops within the supermarket floor. It emphasized growth away from city center focusing energies on residential shoppers. The growth was smooth until early 2000s when Uchumi started to experience financial and operational difficulties. This was occasioned by a sub-optimal expansion strategy together with weak internal control systems. Consequently, this resulted in a marked contraction of the Company's resources which culminated to its inability to meet its daily obligations and operational targets. This prompted the initial restructuring of Uchumi which ironically did not project the deteriorating performance of the Company.

Due to the trend, the Board of Directors on 31st May 2006, resolved that the Company ceases operations. This was followed by unprecedented step whereby on 2nd June 2006, the Debenture Holders placed the Company under receivership. Contemporarily, the Capital Markets Authority (CMA) suspended the Company's listing on the Nairobi Stock Exchange (Uchumi Supermarket Ltd, 2008a). The company was revived and commenced operations from 15th July, 2006 under Specialized Receiver Manager and interim management. The revival was accessioned by a framework agreement between the Government of Kenya, suppliers and debenture holders. By the end of 2008 financial year, Uchumi returned a profit of Kshs 106 million against a loss of Kshs 257 million the previous year marking a turnaround of Kshs 356 million. In the year 2011, it was revealed that Uchumi fell because of an ambitious expansion programme, weak management, coupled with poor resource policy and unsuitable financing.

Uchumi embarked on an ambitious expansion programme which resulted in serious cash-flow problems and the subsequent fall. Inappropriate business models characterized by unsuitable merchandising policy and costly lease termination options were some of the other factors that made it fall. Currently, customers are deserting Uchumi for the competitors because of empty shelves, and poor customer service.

- a) Classify the business form of Uchumi Supermarket and highlight its disadvantages. (5 Marks)
- b) Explain the rights of a debenture holder that made it possible for Uchumi debture holders to place the supermarket under receivership. (6 Marks)
- c) State the benefits of control which Uchumi may have failed to gain from. (5 Marks)
- d) According to your understanding state which department may have failed to guide Uchumi and justify your answer. (6 Marks)
- e) Explain how environmental analysis could have helped Uchumi. (5 Marks)
- f) State the internal factors that may have contributed to Uchumi's profitability in 2008. (4 Marks)

QUESTION TWO (20 MARKS)

- a) You have been chosen by members of your business owners association to represent them in a meeting with the ministry of trade cabinet secretary. Analyze several incentives the government can introduce to encourage investments like tax holiday subsidies . (6 Marks)
- b) GHT Company is in the business of making “all comfort in-house shoes” which can be classified as a ‘want’. Discuss Maslow’s hierarchy of needs model and state how it affects businesses. (6 Marks)
- c) Commerce involves all the activities that facilitate trade. Discuss the hindrance that could hinder the free and smooth flow of goods from a producer to the consumers. (8 Marks)

QUESTION THREE (20 MARKS)

- a) The organizational structure is how the company delegates roles, responsibilities, job functions, accountability and decision-making authority. The organizational structure often shows the “chain of command” and how information moves within the company. As the general manager in XYZ Ltd, explain to the management the benefits of a good organization structure to justify the upcoming restructuring. (6 Marks)
- b) You have come together as a group of friends to start a business venture. Explain to your partners the characteristics of a goods business. (8 Marks)
- c) Before venturing into a business, the owner manager should determine the capital needs of his/her business. Explain the factors that a businessman should consider before selecting a source of fund. (6 Marks)

QUESTION FOUR (20 MARKS)

- a) Your company is considering the option of venturing into e-commerce and you have been requested to prepare a presentation to convince those who are against the idea. Explain the advantages of e-commerce to achieve this objective (7 marks)
- b) Mega Ltd is looking for additional funds to expand its business. Advise the directors on the factors that they should consider before selecting a source of fund. (6 Marks)
- c) Business stakeholders are normally affected by organizational decisions made in the course of trying to improve on profitability and productivity. Explain to the managing director the stakeholders who are likely to be affected by the decision to eliminate some products. (7 Marks)

QUESTION FIVE(20 MARKS)

- a) Your company has decided to pay all employees a bonus equivalent to their one month salary. Your friend Mary intends to invest in stock market instead of paying school fees for the masters course. Explain to Mary the disadvantages of investing in stock. (6 Marks)
- b) Midal Ltd is in the process of selecting an auditor for the company. Some of the directors are of the opinion that the auditors work is not involving and therefore it should not cost the company by engaging auditors. Explain to them the uses of the financial statements that the auditors will be expected to prepare fo the company. (7 marks)
- c) Kitun Ltd has been operating for many years without a purchasing department. The purchasing function is done at the departmental level. Explain to them the objectives of the purchasing function. (7 marks)