



(University of Choice)

# **MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY (MMUST)**

**UNIVERSITY EXAMINATIONS**

**2022/2023 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER EXAMINATIONS**

**FOR THE DEGREE**

**OF**

**BACHELOR OF SCIENCE IN ACCOUNTING  
&**

**BACHELOR OF SCIENCE IN ECONOMICS**

**COURSE CODE: BCA 111**

**COURSE TITLE: CRITICAL THINKING**

**DATE: Wednesday 21<sup>ST</sup> December 2022    TIME: 12.00-2.00PM**

---

## **INSTRUCTIONS TO CANDIDATES**

Answer question **ONE** and any other **TWO** questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

## **QUESTION ONE – COMPULSORY QUESTION (30 MARKS)**

*Read the text below and answer the questions that follow:*

### **CHALLENGES FACE BY SMALL AND MEDIUM ENTERPRISES IN KENYA**

Small and Medium enterprises popularly known as SMEs are engines of growth, vital to most economies. Research suggests that micro businesses and SMEs account for 95 percent of firms in most countries, create jobs, contribute to GDP, aid industrial development, satisfy local demand for services, innovate and support large firms with inputs and services. In Africa, SMEs create 80 percent of employment, establishes a new middle class and stimulates the demand for new goods and services. The region is set to have a decline in economic growth with less than 3 percent average growth forecast for 2017. Nevertheless, pockets of countries in Africa, mainly non-resource intensive countries such as Côte d'Ivoire, Ethiopia, Kenya and Senegal, are foreseen to continue to grow at more than 6 percent.

According to the IMF, growth in these countries has been supported by infrastructure investment efforts and strong private consumption. Many African countries are turning to entrepreneurs to support future growth. With entrepreneurship playing a vital role in the development of a vibrant and formal small business-sized sector, there is much scope for SMEs to support African growth. In Kenya, SMEs play a key role in economic development and job creation.

Although the country has generally made progress in making it easier to start a business, there are questions as to how easy starting a business is especially for SMEs.

Kenya stands to significantly benefit through integration and skills development of its large, yet unproductive, informal sector. Fortunately, Vision 2030 acknowledges the need to support the informal sector to raise productivity and distribution, jobs, owners' incomes and public revenues. Vision 2030, the country's development blueprint to transform Kenya into a newly industrializing middle-income country, aims to increase annual GDP growth rates to an average of 10 percent. Under its economic pillar, apart from supporting the informal sector, the country hopes to accelerate economic growth by increasing national savings, implementing governance and institutional reforms and addressing poor infrastructure and high energy costs. The government is currently involved in some infrastructure developments, which have the potential to ease some of the constraints to doing business, such as the lack of electricity and accessible roads.

Despite the fundamental role SME's play in the Kenyan economy, these enterprises are not able to operate to their optimum level due to the challenges they face. More often than not small and medium enterprises establish managerial strategies through trial and error mechanism. Their managerial techniques only focus on operational plans rather than strategic plans of their organization. In addition, these managerial techniques are not standard with those of other global managers. Consequently, managers of small and medium enterprises are not able to adequately handle challenges facing enterprises. Further, Many small and medium enterprises do not have access to finance and credit especially from financial institutions such as commercial banks. This is because of the lending conditions given to them such as collateral for the loan. These enterprises may not be able to provide collateral such as immovable assets due to their small asset base. Consequently, most of these enterprises resort to borrowing from friends and relatives. However, this type of finance is inadequate to cater for all the needs of the medium and small enterprises. As a result, lack of credit forces the management to use cheap and local technology which most times are inappropriate.

Technology change also poses a big challenge to the growth of small and medium enterprises. Most of these enterprises are not able to adopt new technology due to its high initial and installation costs. In addition, this new technology, more often than not, does not suit the needs of these enterprises. For instance, a small enterprise located in a rural area cannot reap the full benefits of internet connection due to lack of rural electrification. Adapting to new technology has also been hampered by the slow rate of economic growth in Kenya. Apart from technology

change, new laws and regulations also affect small enterprises. Every day, the government and other stakeholders continue to introduce new regulations for industries and enterprises in Kenya. New laws are being enacted in a bid to regulate the operations of enterprises. These laws are also meant to spearhead sustainable economic growth in the country. However, such regulations sometimes pose tremendous threat to the growth of small and medium enterprises in Kenya. This is because some of these laws are too tough.

Managerial training is also a challenge. Every managerial position regardless of whether in a small shop, supermarket chain or an enterprise warrants for adequate education and skill. However, research reveals that most of the managers of these enterprises in Kenya lack adequate education. In addition, they are not well informed in terms of managerial knowledge and skills. Other challenges facing small and medium enterprises include poor infrastructure, poor management of resources and inadequate support from the government. Small and medium enterprises should not be ignored. They can serve as the backbone of restoring our crippled economy back on its feet. Therefore, the government should intervene and help these enterprises gain momentum.

**Source:** *Kenya Agribusiness and Agroindustry Alliance*

**Required:**

- a) Making reference to the text:
  - i. Discuss the benefits that accrue to the country from Small and medium enterprises (6 marks)
  - ii. Critically examine the challenges facing small and medium enterprises in Kenya today (12 marks)
- b) Assuming you are a Business expert employed by the government in an economic advisory role, and in light of the challenges identified, advise the government on necessary interventions to alleviate these challenges (12 marks)

**QUESTION TWO**

- a) You have been appointed to be a key note speaker during the Association of Kenyan Managers' annual general meeting in Mombasa. You are to enlighten them on the *decision-making* role and its importance to the management profession. Explain some of the obstacles that they ought to be alive to that may prevent them from performing this role effectively (12 marks)
- b) Discuss **FOUR** elements that an argument must possess in order for one to arrive at a conclusion (8 marks)

**QUESTION THREE**

- a) "We fail as a country because we start projects that are not feasible but only supported by fallacious arguments from politicians," Prof. Hekima stated in his talk during a symposium organized by Accounting and Economics students of Kenyan universities to analyse Kenya's Economic performance in the last five years. "For an argument to withstand the test of time, it should be structurally strong to the extent that there is evidence that adequately supports the conclusion. Anything contrary is fallacious." Using examples of fallacies, support Prof. Hekima's assertion. ( 16 marks)
- b) Distinguish formal logic from informal logic (4 marks)

**QUESTION FOUR**

- a) Explain the contribution of the following philosophers to critical thinking:
  - i. Rene Descartes

- ii. John Dewey (10 marks)
- b) Accountants and Economists are expected to critically think when carrying out their professional roles. Examine some of the barriers to critical thinking that may affect them. (10 marks)

**QUESTION FIVE**

- a) “An argument is different from a quarrel.” Justify this statement by explaining purposes of an argument. (12 Marks)
- b) Accountants and Economists usually make presentations to various audiences in the course of their duty. To successfully do so, they are expected to adequately prepare for such sessions hence have to use higher order thinking skills. These skills if well utilized will enable one to advance his/her views effectively. Discuss (10 marks)

**END**