



(University of Choice)

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

MAIN EXAMINATION

**UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR**

FIRST YEAR FIRST SEMESTER EXAMINATIONS

DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION

COURSE CODE: PBA 900

COURSE TITLE: ECONOMIC ANALYSIS

DATE: TUESDAY 13/12/2022

TIME: 2:00 -5:00

INSTRUCTIONS TO CANDIDATES

ATTEMPT QUESTION ONE AND ANY OTHER TWO

TIME: 2 Hours

**MMUST observes ZERO tolerance to examination
cheating**

This Paper Consists of 2 Printed Pages. Please Turn Over

QUESTION ONE (40 MARKS)

- a) As a newly employed manager in Fly 660 Airlines, you have been given an assignment of examining the business costs and expenditures in the business venture. Comprehensively discuss the Cost determinants and type costs this industry will face and the managerial decision that should be made (20 Marks)
- b) what is break-even point? Explain the important managerial uses of break-even analysis. (8 Marks)
- c) Discuss the economic effect of collective bargaining in an organization of your choice bargaining. (12 marks)

QUESTION TWO (20 MARKS)

- a) Explain how multicollinearity may be detected when using multiple regression models with time series data, and what the likely consequences would be if a multicollinearity problem exists.(5 marks)
- b) Discuss any two of the following methods of demand forecasting
- i) Delphis method
 - ii) Market survey
 - iii) Exponential smoothing (10@5marks each)
- c) Briefly explain the contribution of forecasts to the decision-making process in organizations? (5 marks)

QUESTION THREE (20 MARKS)

For each of the following events, assume that either the supply curve or the demand curve (not both shifted). Explain which curve shifted, indicate the direction of the shift using a well labelled diagram for each case finally give the managerial implication in decision making process;

- a) From 1950 to 1979 the wages paid to fruit pickers increased while the number of fruit pickers employed decreased. (5 Marks)
- b) During the same period the price of radio sets declined, while the number of radio sets purchased increased. (5 Marks)
- c) Housing prices are rising but more houses are sold. (5 Marks)
- d) Kenya airways s reduces its average plane fare by 30 percent in order to attract more customers. (5 Marks)

QUESTION FOUR (20 MARKS)

- a). Explain seven (7) main factors that influence investment. [7 marks]
- b). A company is considering two mutually exclusive projects requiring an initial cash outlay of ksh 10,000 each and with a useful life of 5 years. The company required rate of return is 10% and the appropriate corporate tax rate is 50%. The projects will be depreciated on a straight-line basis. The before depreciation and taxes cash flows expected to be generated by the projects are as follows.

Year	1	2	3	4	5
Project A	Ksh 4,000	Ksh 4,000	Ksh 4,000	Ksh 4,000	Ksh 4,000
Project B	Ksh 6,000	Ksh 3,000	Ksh 2,000	Ksh 5,000	Ksh 5,000

Required : calculate for each project

- (i) The payback period [8 marks]
- (ii) The net present value [5 marks]

Which project should be accepted under each method? Why?

QUESTION FIVE

Strategic and Risk Managers in firms operating under different market structures are faced with responsibilities of managing and ameliorating risk associated with various projects under their control; and determining a pricing scheme that the firms should adopt.

State and explain five long-run determinants of market structures (5 Marks)

- a) State and explain five strategies that a Strategic and Risk Manager in a firm under telecommunications industry can use to prevent entry and reduce the risk associated with entry of other firms in that industry (5 Marks)
- b) Briefly discuss four main pricing decisions that a Strategic Manager of a firm can use in order maximize the profits of the firm and the increase the value of a firm (5 Marks)
- c) From the four pricing decisions discussed under (d), what pricing scheme will you recommend for a firm in an oligopolistic telecommunications industry in Kenya to use when pricing its products or services? Explain and give reasons (5 Marks)

QUESTION SIS (20 MARKS)

- (a) Explain six (5) determinants of price elasticity of demand. [10 marks]
- (b) Differentiate the following concepts as used in managerial economics:
 - i. Consumer-producer rivalry and Consumer-consumer rivalry (2marks)
 - ii. Price ceiling and price floor (4marks)
 - iii. Producer surplus and consumer surplus (4marks)

