



**CCP FOUNDATION LEVEL**  
**BUSINESS ENVIRONMENT**

**WEDNESDAY: 4 December 2024. Afternoon Paper.**

**Time Allowed: 3 hours.**

**This paper has seven (7) questions. Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) Distinguish between “diversification strategy” and “penetration strategy”. (4 marks)
  - (b) Analyse **FOUR** approaches adopted by marketing departments that affect credit decisions in financial institutions. (8 marks)
  - (c) Discuss **FOUR** factors influencing terms of trade in a country. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Explain **FOUR** causes of market failure in an economy. (4 marks)
  - (b) Describe **FOUR** ways in which inflation affects the functions of money. (8 marks)
  - (c) Examine **FOUR** areas of relationship between business environment and credit management. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Highlight **SIX** negative implications of rural-urban migration. (6 marks)
  - (b) Identify **SIX** demerits of adopting the import-substitution strategy in developing countries. (6 marks)
  - (c) Discuss **FOUR** characteristics of emerging industries. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Outline **FIVE** goals of a country’s macroeconomic policy. (5 marks)
  - (b) Summarise **SEVEN** sources of diseconomies of scale. (7 marks)
  - (c) Discuss **FOUR** tools of business environment analysis. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Enumerate **SIX** elements of organisational culture. (6 marks)
  - (b) Describe **THREE** characteristics of a firm operating under “oligopoly”. (6 marks)
  - (c) Discuss **FOUR** methods used by countries to protect their industries. (8 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Outline **FOUR** advantages of business amalgamation. (4 marks)
  - (b) Analyse **FOUR** demerits of Multinational Corporations (MNCs) in developing countries. (8 marks)
  - (c) Examine **FOUR** aspects considered when analysing a specific company. (8 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

(a) The demand and total cost functions of a firm under perfect competition are given as:

$$Q = 25 - 0.6P$$

$$TC = 800 + 40Q$$

Where;

Q represents quantity

P represents price

TC represents total cost

**Required:**

- (i) Profit maximising level of output. (3 marks)
- (ii) Determine the corresponding price. (3 marks)
- (b) Outline **SIX** factors that determine the level of savings in an economy. (6 marks)
- (c) Assess **FOUR** monetary factors influencing the price trend in an economy. (8 marks)

**(Total: 20 marks)**

.....

Chopi.co.ke



CCP FOUNDATION LEVEL  
BUSINESS ENVIRONMENT

WEDNESDAY: 21 August 2024. Afternoon Paper.

Time Allowed: 3 hours.

This paper has seven (7) questions. Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

**QUESTION ONE**

- (a) With reference to business environment, explain the following terms:
- (i) Primary industries. (2 marks)
  - (ii) Tertiary industries. (2 marks)
- (b) Identify **FOUR** factors that might affect the degree of competition in an industry. (8 marks)
- (c) Discuss **FOUR** causes of demand-pull inflation. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Outline **FOUR** interests of consumers in a business. (4 marks)
- (b) Examine **FOUR** benefits of a firm operating in a monopolistic market. (8 marks)
- (c) Discuss **FOUR** types of business mergers. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) State **FOUR** limitations of a partnership, as a form of business. (4 marks)
- (b) Explain **FOUR** types of marketing policies. (8 marks)
- (c) With reference to international trade, evaluate **FOUR** sources of comparative advantage. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) With reference to the theory of production, describe **THREE** types of external economies of scale. (6 marks)
- (b) Explain **FOUR** negative implications of foreign direct investment. (8 marks)
- (c) Summarise **SIX** economic factors that positively impact business growth. (6 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Explain **FOUR** policy measures that could be used to correct balance of payment deficit for a country. (4 marks)
- (b) Summarise **FOUR** social trends that firms could analyse to ensure that their products achieve market appeal. (8 marks)
- (c) Discuss **FOUR** factors that contributes to slow growth of national income in a country. (8 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Describe **THREE** fiscal measures that affect business operations. (6 marks)
  - (b) Identify **THREE** types of synergies used by companies to boost their revenue. (6 marks)
  - (c) Explain **FOUR** factors that affects elasticity of demand. (8 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) Enumerate **FOUR** limitations of delocalisation of industries. (4 marks)
  - (b) Argue **THREE** cases against globalisation. (6 marks)
  - (c) Discuss Rostow's **FIVE** stages of economic growth. (10 marks)
- (Total: 20 marks)**
- .....



CCP FOUNDATION LEVEL  
BUSINESS ENVIRONMENT

WEDNESDAY: 24 April 2024. Afternoon Paper.

Time Allowed: 3 hours.

This paper has seven (7) questions. Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.

**QUESTION ONE**

- (a) (i) Explain the term “marketing philosophy”. (2 marks)
- (ii) Describe **THREE** philosophies of marketing. (6 marks)
- (b) State **SIX** characteristics of a limited liability company. (6 marks)
- (c) Discuss **THREE** merits of price decontrol in a country. (6 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Distinguish between a “floating exchange rate” and a “fixed exchange rate”. (4 marks)
- (b) Highlight **SIX** sources of monopoly power. (6 marks)
- (c) Discuss **FIVE** cases against international trade restrictions. (10 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Identify **FOUR** advantages of a firm operating under a duopsony market. (4 marks)
- (b) Suggest **FOUR** reasons for having a technology policy in an organisation. (8 marks)
- (c) Analyse **FOUR** forms of international business environment. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Enumerate **FIVE** monetary policy measures that might be used to control inflation. (5 marks)
- (b) Describe **FIVE** roles of the multiplier in an economy. (5 marks)
- (c) Discuss Porter’s **FIVE** forces of industry analysis. (10 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Highlight **FOUR** roles of international monetary fund (IMF). (4 marks)
- (b) Describe **FOUR** forms of international culture exchange. (8 marks)
- (c) Assess **FOUR** benefits of economic growth to a country. (8 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Identify **SIX** factors for consideration when examining the stability of a company’s market share. (6 marks)
- (b) Describe **THREE** types of external economies of scale. (6 marks)
- (c) Summarise **FOUR** features of globalisation. (8 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) Enumerate **SIX** objectives of a national budget. (6 marks)
- (b) State **SIX** objectives that are accomplished by multi-national corporations through international investments. (6 marks)
- (c) Explain **FOUR** phases in a business cycle. (8 marks)

**(Total: 20 marks)**

.....

Chopi.co.ke



**CCP FOUNDATION LEVEL**  
**BUSINESS ENVIRONMENT**

**WEDNESDAY: 6 December 2023. Afternoon Paper.**

**Time Allowed: 3 hours.**

**This paper has seven (7) questions. Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) State **FOUR** challenges encountered in developing countries during economic planning. (4 marks)
- (b) Outline **FOUR** assumptions of the circular flow of income for a closed economy without a government. (4 marks)
- (c) (i) Explain the term “point price elasticity of demand”. (2 marks)
- (ii) Describe **TWO** ways in which price elasticity of demand could be applied in business decision making. (4 marks)
- (d) Explain **THREE** negative effects of inflation in a country. (6 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) List **FOUR** political factors that could affect business growth adversely. (4 marks)
- (b) State **FIVE** objectives of monetary policies. (5 marks)
- (c) Most developing countries experience deficits in their balance of payments.
- Summarise **THREE** methods that developing countries could use to correct deficits in their balance of payments. (3 marks)
- (d) Explain **FOUR** conditions that favour the use of price discrimination in an economy. (8 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Outline **FOUR** benefits of studying the business environment. (4 marks)
- (b) Discuss **THREE** areas of conflict between corporate management and stakeholders. (6 marks)
- (c) Explain **FIVE** factors that could influence currency exchange rates in a country. (10 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Outline **SIX** roles of the marketing department in an organisation. (6 marks)
- (b) Summarise **FOUR** factors that have contributed to the growth of multinational corporations. (8 marks)
- (c) Analyse **THREE** strategies used by businesses to deal with cultural differences in foreign countries. (6 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) With reference to company analysis, enumerate **EIGHT** elements of a company profile. (8 marks)
- (b) Outline **SIX** reasons why the government control prices of commodities. (6 marks)
- (c) Summarise **THREE** functions of commercial banks. (6 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) State **FIVE** characteristics of a free market economy. (5 marks)
  - (b) (i) Differentiate between “economic growth” and “economic development” in a country. (4 marks)  
(ii) Describe **SIX** factors that could hinder economic development in developing countries. (6 marks)
  - (c) Outline **FIVE** limitations of the theory of comparative advantage. (5 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) Explain the following types of inflation:
    - (i) Imported inflation. (2 marks)
    - (ii) Full employment inflation. (2 marks)
    - (iii) Administered inflation. (2 marks)
  - (b) Summarise **FOUR** positive effects of inflation. (4 marks)
  - (c) (i) Summarise **FOUR** reasons why it is important to estimate the national income of a country. (4 marks)  
(ii) Discuss **THREE** challenges encountered when estimating national income in developing countries. (6 marks)
- (Total: 20 marks)**
- .....

Chopi.co.ke





**CCP FOUNDATION LEVEL**

**BUSINESS ENVIRONMENT**

**WEDNESDAY: 23 August 2023. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) Differentiate between “unit elasticity of demand” and “income elasticity of demand”. (4 marks)
- (b) Discuss **FIVE** frameworks used when analysing the competitive environment of a business. (10 marks)
- (c) Explain **THREE** factors that affect an organisation’s growth. (6 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Examine **FOUR** levels of regional integration. (8 marks)
- (b) Analyse **FOUR** categories of laws that affect business operations. (8 marks)
- (c) Distinguish between “industry analysis” and “strategic analysis”. (4 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Outline **FOUR** functions of market management. (4 marks)
- (b) State **SIX** steps of registering a limited company in your country. (6 marks)
- (c) Describe **FIVE** reasons why organisations carry out environmental scanning. (10 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Enumerate **FOUR** non-monetary policies used to control inflation. (4 marks)
- (b) Assess **FOUR** thematic areas that might be included by an organisation when formulating functional strategies. (8 marks)
- (c) Discuss **FOUR** merits of a mixed economic system. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Highlight **FOUR** effects of culture on consumer behaviour. (4 marks)
- (b) Examine **FIVE** economic policies applied by governments to promote economic growth. (10 marks)
- (c) Enumerate **SIX** factors that might lead to the changing scenario of international business. (6 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Outline **SIX** reasons for trade agreements between developed and developing countries. (6 marks)
- (b) Describe **FOUR** factors that influence pricing of products in international markets. (8 marks)
- (c) Explain **THREE** techniques of fiscal policies. (6 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) Highlight **FIVE** reasons for vertical mergers. (5 marks)
- (b) Summarise **SEVEN** stages of new product development. (7 marks)
- (c) Explain **FOUR** components of a financial system. (8 marks)

**(Total: 20 marks)**

.....

Chopi.co.ke



**CCP FOUNDATION LEVEL**

**BUSINESS ENVIRONMENT**

**WEDNESDAY: 26 April 2023. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) Explain the meaning of the following terms:
- (i) Conglomerate mergers. (2 marks)
  - (ii) Horizontal mergers. (2 marks)
- (b) Describe **FOUR** models of market structures. (8 marks)
- (c) Explain **FOUR** limitations of industry lifecycle model. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) (i) Distinguish between “Internal trade” and “international trade”. (2 marks)
- (ii) Outline **SIX** reasons for differences in terms of trade between countries. (6 marks)
- (b) Examine **THREE** determinants of elasticity of supply. (6 marks)
- (c) Summarise **THREE** forms of price discrimination. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) (i) Differentiate between “real flow” and “money flow” as used in circular flow of income. (2 marks)
- (ii) Describe **THREE** shortcomings of a fiscal policy. (6 marks)
- (b) Explain **THREE** types of stakeholders of a limited liability company. (6 marks)
- (c) Evaluate **THREE** components of internal business environment. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Discuss **THREE** factors that influence the amount of consumption in an economy. (6 marks)
- (b) Evaluate **THREE** costs of inflation. (6 marks)
- (c) Propose **FOUR** ways through which companies could enter foreign markets. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) State **SIX** types of relationships that exist between businesses and the government. (6 marks)
- (b) Describe **THREE** goals of marketing. (6 marks)
- (c) Explain **FOUR** tools of international business environment analysis. (8 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Enumerate **FOUR** roles of World Trade Organisation (WTO). (4 marks)
  - (b) Explain **FOUR** objectives of the World Bank. (8 marks)
  - (c) Examine **FOUR** effects of information technology on business operations. (8 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) (i) Distinguish between “deflation” and “disinflation”. (2 marks)
  - (ii) List **FOUR** negative effects of inflation in an economy. (4 marks)
  - (b) Summarise **THREE** advantages of SWOT analysis. (6 marks)
  - (c) Assess **FOUR** features of a perfect market structure. (8 marks)
- (Total: 20 marks)**
- .....

Chopi.co.ke



**CCP FOUNDATION LEVEL**

**BUSINESS ENVIRONMENT**

**WEDNESDAY: 7 December 2022. Afternoon Paper.**

**Time Allowed: 3 hours.**

**Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) (i) Describe the term “strategic alliances”. (2 marks)
- (ii) State **FOUR** reasons why multinational corporations engage in strategic alliances. (4 marks)
- (b) Outline **SIX** reasons why citizens could make use of the financial system in their country. (6 marks)
- (c) Explain **FOUR** benefits derived by businesses from setting clear objectives. (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Explain the following terms:
- (i) Aggregate demand. (2 marks)
- (ii) Multilateral trading system. (2 marks)
- (b) List **SIX** benefits of the concept of product life cycle. (6 marks)
- (c) With reference to internal economies of scale:
- (i) Analyse **TWO** features of marketing economies. (4 marks)
- (ii) Explain **THREE** features of technical economies. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Identify **FOUR** reasons why income inequality is unfavourable for business. (4 marks)
- (b) Explain **FOUR** types of government economic policies that affect business operations. (8 marks)
- (c) Examine **FOUR** measures that businesses could take to improve performance during inflation. (8 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) List **FOUR** causes of balance of payment disequilibrium. (4 marks)
- (b) Describe **THREE** disadvantages of secondary industries. (6 marks)
- (c) Analyse **FIVE** stages of an industry life cycle model. (10 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Outline **SIX** factors that could influence the cost behavior of a firm. (6 marks)
- (b) State **SIX** factors that have contributed to the growth of globalisation. (6 marks)
- (c) Summarise **FOUR** disadvantages of international trade restrictions. (8 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) (i) Distinguish between “absolute advantage” and “comparative advantage” theories. (4 marks)
  - (ii) Identify **FOUR** limitations of the comparative advantage theory. (4 marks)
  - (b) Enumerate **FOUR** objectives of multinational corporations. (4 marks)
  - (c) Explain **FOUR** determinants of foreign direct investments (FDIs). (8 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) Summarise **THREE** constraints of strategy formulation. (6 marks)
  - (b) Describe **THREE** advantages of fiscal policies. (6 marks)
  - (c) Analyse **FOUR** factors that could affect industry entry barriers. (8 marks)
- (Total: 20 marks)**
- .....

Chopi.co.ke



**CCP FOUNDATION LEVEL**

**BUSINESS ENVIRONMENT**

**WEDNESDAY: 3 August 2022. Afternoon paper.**

**Time Allowed: 3 hours.**

**Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) Explain the following pricing strategies:
- (i) Market penetration. (2 marks)
  - (ii) Market skimming. (2 marks)
- (b) Describe three categories of business cycles. (6 marks)
- (c) Discuss three harmful effects of high rate of inflation. (6 marks)
- (d) Enumerate four objectives of economic policies. (4 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Outline six limitations of market-driven globalisation. (6 marks)
- (b) Analyse four benefits of technology to business. (8 marks)
- (c) Describe three methods of evaluating a country's economic performance. (6 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Explain the following terms:
- (i) Market equilibrium. (2 marks)
  - (ii) Shortage. (2 marks)
  - (iii) Surplus. (2 marks)
- (b) Describe four types of a company's growth strategies. (8 marks)
- (c) Summarise six benefits of protectionism. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Enumerate six limitations to the industry life-cycle analysis. (6 marks)
- (b) State four advantages of a market system economy. (4 marks)
- (c) Discuss five characteristics of Modern Businesses. (10 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) Distinguish between market segmentation and market targeting. (4 marks)
- (b) Identify four reasons why a company must put in place a working organisation structure. (8 marks)
- (c) Describe four factors influencing the level of competition. (8 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Analyse six effects that an increase in the price of crude oil has on other commodities. (6 marks)
  - (b) Describe four benefits that accrue to a country as a result of engaging in international trade. (8 marks)
  - (c) Discuss three demographic factors that influence economic activities. (6 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) State six factors that affect the supply of a commodity. (6 marks)
  - (b) Describe three roles of cross elasticity. (6 marks)
  - (c) Analyse five components of financial system. (8 marks)
- (Total: 20 marks)**
- .....

Chopi.co.ke





**CCP FOUNDATION LEVEL**

**BUSINESS ENVIRONMENT**

**WEDNESDAY: 6 April 2022. Afternoon paper.**

**Time Allowed: 3 hours.**

**Answer any FIVE questions. ALL questions carry equal marks. Do NOT write anything on this paper.**

**QUESTION ONE**

- (a) List five benefits of customer segmentation. (5 marks)
- (b) (i) Explain the meaning of the term “monetary policy”. (2 marks)
- (ii) Describe three instruments of monetary policy used to control and regulate money supply by the Central Bank of your country. (6 marks)
- (c) Enumerate three features of a business environment. (3 marks)
- (d) Highlight four marketing philosophies that guide organisations in conducting their marketing activities. (4 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Describe three characteristics of international trade. (6 marks)
- (b) Explain the following types of budgets:
- (i) Deficit. (2 marks)
- (ii) Balanced. (2 marks)
- (iii) Surplus. (2 marks)
- (c) Identify four reasons why the high levels of public borrowing is an area of concern in any country. (4 marks)
- (d) Summarise four characteristics of a limited liability company. (4 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Enumerate six factors a credit analyst could consider in analysing the political-legal environment of an exporter during credit assessment. (6 marks)
- (b) In the context of international trade, explain the following terms:
- (i) Import trade. (2 marks)
- (ii) Export trade. (2 marks)
- (iii) Entrepot trade. (2 marks)
- (c) In the context of business analysis:
- (i) Explain the meaning of the term “culture”. (2 marks)
- (ii) Analyse three cultural dimensions that directly affect business. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) (i) Explain the term “optimum firm”. (2 marks)
- (ii) Suggest four conditions necessary for a firm to operate at optimum level. (4 marks)
- (b) Identify four Millennium Development Goals (MDGs). (4 marks)
- (c) Analyse three reasons why it is important for a company to undertake stakeholders’ analysis. (6 marks)
- (d) List four factors affecting the price elasticity of demand. (4 marks)

**(Total: 20 marks)**

**QUESTION FIVE**

- (a) (i) Explain the term “circular flow of income”. (2 marks)
- (ii) Summarise six assumptions of circular flow of income model. (6 marks)
- (b) Identify six features of underdeveloped economies. (6 marks)
- (c) Discuss three roles of marketing to a business. (6 marks)

**(Total: 20 marks)**

**QUESTION SIX**

- (a) Describe the three stages of a product life cycle. (6 marks)
- (b) Explain the meaning of the following terms:
  - (i) Environmental scanning. (2 marks)
  - (ii) Perfectly competitive market. (2 marks)
  - (iii) Opportunity cost. (2 marks)
- (c) Identify four roles of government in an economy. (4 marks)
- (d) Describe four forms of foreign capital that your country could attract for development. (4 marks)

**(Total: 20 marks)**

**QUESTION SEVEN**

- (a) Differentiate between the following terms:
  - (i) “Run-away inflation” and “hyper-away inflation”. (4 marks)
  - (ii) “Actual growth’ and “potential growth”. (4 marks)
- (b) Identify five reasons why the concept of price elasticity of demand is important in business decision making. (5 marks)
- (c) Assess four types of demographic changes that could affect the economy. (4 marks)
- (d) List three trade restrictions commonly imposed by countries to protect their markets. (3 marks)

**(Total: 20 marks)**

.....



**CCP FOUNDATION LEVEL**  
**PILOT PAPER**  
**BUSINESS ENVIRONMENT**

**December 2021.**

**Time Allowed: 3 hours.**

**Answer any FIVE questions.**

**ALL questions carry equal marks.**

**QUESTION ONE**

The Managing Director of Mich-Lima Movie Theatre Ltd. has hired you as a consultant to advise on the ticket-pricing strategy. As a basis for your recommendations, you consider historical ticket sales data which seems to suggest the following ticket sales elasticities:

Own price elasticity = -0.05  
Advertising elasticity = +0.70

**Required:**

- (a) The managing director is contemplating a moderate increase in ticket prices in order to increase revenue. Citing relevant economic reasons, explain whether this is a good idea. (2 marks)
- (b) The managing director is also contemplating a moderate increase in the advertising budget in order to increase revenue. Is this a good idea? Explain. (3 marks)
- (c) Enumerate the internal environmental weaknesses that will have a negative effect on the growth of Mich-Lima Movie Theatre Ltd. (5 marks)
- (d) Highlight the measures to be adopted by the business to improve its internal business environment. (5 marks)
- (e) Using the PESTEL model framework, outline the impact of external business environment on Mich-Lima Movie Theatre Ltd.'s credit rating. (5 marks)

**(Total: 20 marks)**

**QUESTION TWO**

- (a) Explain the impact of the economic environment on the performance of a business. (8 marks)
- (b) Differentiate between economies of scale and returns to scale. (4 marks)
- (c) The following cost function relates to XYZ limited over a given period.

$$TC = 1050 + 3Q + 12Q^2 + 15Q^3$$

**Required:**

- (i) Average fixed cost (AFC). (2 marks)
- (ii) Average variable cost (AVC). (2 marks)
- (iii) Average total cost (ATC). (2 marks)
- (iv) Marginal cost (MC). (2 marks)

**(Total: 20 marks)**

**QUESTION THREE**

- (a) The following demand and supply functions relate to commodity x over a given period:  
 $Q_d = 100 - 2P$   
 $Q_s = 40 + 4P$   
Compute the equilibrium price and quantity. (4 marks)
- (b) Ceteris paribus, use diagrams to illustrate and explain the effects on the values in (a) from:
- (i) Case of a fall in price of x's substitute. (5 marks)
  - (ii) A simultaneous increase in input prices and a rise in the consumer's income. (5 marks)
- (c) Highlight six key determinants of product demand. (6 marks)
- (Total: 20 marks)**

**QUESTION FOUR**

- (a) Distinguish between own-price elasticity of demand and cross-elasticity of demand. (4 marks)
- (b) Discuss the application of demand elasticity in business management and economic policy decision-making. (8 marks)
- (c) Enumerate the effects of the COVID 19 pandemic on the business environment. (8 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

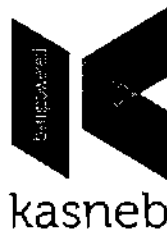
- (a) Highlight six reasons why the increased inflation rate is a major cause for concern especially for small businesses. (6 marks)
- (b) Suggest six remedy measures to alleviate the increased inflation rate. (6 marks)
- (c) Examine four main business growth strategies. (8 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Highlight the distinction between "monetary policy" and "fiscal policy". (4 marks)
- (b) Analyse the effect of government policies on the business environment. (8 marks)
- (c) Outline the measures undertaken by the business to ensure a conducive external business environment. (8 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) Define the concept of balance of payment. (2 marks)
- (b) Highlight the key causes of a deficit in the balance of payment. (5 marks)
- (c) With the aid of a relevant illustration, explain the theory of comparative advantage in international trade. (5 marks)
- (d) Citing relevant examples, discuss the effects of currency depreciation on the international business environment. (8 marks)
- (Total: 20 marks)**
- .....



CCP FOUNDATION LEVEL  
BUSINESS ENVIRONMENT

FRIDAY: 17 December 2021.

Time Allowed: 3 hours.

Answer any FIVE questions.

ALL questions carry equal marks.

**QUESTION ONE**

- (a) Explain the meaning of the following terms:
- (i) Inflation. (2 marks)
  - (ii) Economies of scale. (2 marks)
  - (iii) Diseconomies of scale. (2 marks)
  - (iv) Returns to scale. (2 marks)
- (b) Outline four forms of business entities that an investor could establish in Kenya. (4 marks)
- (c) Identify eight features of multinational enterprises (MNEs). (8 marks)
- (Total: 20 marks)**

**QUESTION TWO**

- (a) Discuss five benefits of analysing international environment to a company. (10 marks)
- (b) Describe three challenges that a company might face when adopting a new strategy. (6 marks)
- (c) Explain four elements of marketing mix. (4 marks)
- (Total: 20 marks)**

**QUESTION THREE**

- (a) Propose five reasons why organisations might require a conducive political environment. (10 marks)
- (b) Although Porter's Five Forces Model was not developed from a risk analysis perspective, applying it to an individual business environment does give insights into the forces that might positively or negatively affect the business's revenue and profitability in the future.

**Required:**

As a credit analyst, advise your credit committee how the Porter's Forces Model can be applied in credit assessment. (10 marks)

**(Total: 20 marks)**

**QUESTION FOUR**

- (a) (i) Define the term "company analysis". (2 marks)
- (ii) Explain four elements of company analysis. (8 marks)
- (b) (i) Define the term "elasticity of demand". (2 marks)
- (ii) Outline three variables that could affect elasticity of demand. (3 marks)
- (c) Highlight five factors that might influence currency exchange rates. (5 marks)
- (Total: 20 marks)**

**QUESTION FIVE**

- (a) (i) Enumerate four international trade theories. (4 marks)
  - (ii) Examine two advantages of comparative advantage theory. (4 marks)
  - (b) Identify three roles of each of the following organisations:
    - (i) International Monetary Fund (IMF). (6 marks)
    - (ii) World Bank. (6 marks)
- (Total: 20 marks)**

**QUESTION SIX**

- (a) Highlight five factors that might determine market structure. (5 marks)
  - (b) Describe four categories of economic market structures. (8 marks)
  - (c) The Central Bank of Kenya’s mandate is discharged through various functions. Highlight seven of these functions. (7 marks)
- (Total: 20 marks)**

**QUESTION SEVEN**

- (a) Distinguish between “marketing concept” and “selling concept”. (4 marks)
  - (b) In the context of balance of payments:
    - (i) Assess the significance of balance of payments to a country. (4 marks)
    - (ii) Explain three components of the capital account of balance of payments. (6 marks)
  - (c) Summarise six characteristics of strategic business decisions. (6 marks)
- (Total: 20 marks)**
- .....