



CCP FOUNDATION LEVEL

BUSINESS ENVIRONMENT

THURSDAY: 24 April 2025. Afternoon Paper.

Time Allowed: 3 hours.

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

QUESTION ONE

- (a) Identify **FOUR** objectives of a company's stakeholders. (4 marks)
- (b) Explain **FOUR** functions of the Central Bank in your country. (8 marks)
- (c) Discuss **FOUR** challenges of an ageing population to an economy. (8 marks)

(Total: 20 marks)

QUESTION TWO

- (a) State **FOUR** benefits of using per capita income in measuring the standards of living of a country. (4 marks)
- (b) Describe **FOUR** factors considered when analysing a company's market share. (8 marks)
- (c) Evaluate **FOUR** factors that could influence a shift in the supply curve. (8 marks)

(Total: 20 marks)

QUESTION THREE

- (a) Enumerate **FOUR** positive effects of inflation. (4 marks)
- (b) Assess **FOUR** market factors that could influence the marketing mix in a company. (8 marks)
- (c) Summarise **FOUR** reasons why the government may intervene in the economy. (8 marks)

(Total: 20 marks)

QUESTION FOUR

- (a) Outline **FOUR** functions of the African Development Bank (ADB). (4 marks)
- (b) Propose **FOUR** strategies for dealing with cultural differences in foreign countries in the context of business management. (8 marks)
- (c) Discuss **FOUR** sources of differences in technological innovations among countries. (8 marks)

(Total: 20 marks)

QUESTION FIVE

- (a) Highlight **SIX** objectives of a country's fiscal policies. (6 marks)
- (b) Explain **SIX** factors that an organisation could consider when analysing international political-legal environment. (6 marks)
- (c) Describe **FOUR** measures that could be adopted by an organisation to overcome challenges at the decline stage of the business lifecycle. (8 marks)

(Total: 20 marks)

QUESTION SIX

- (a) State **SIX** features of emerging economies in business environment. (6 marks)
 - (b) Describe **THREE** types of retrenchment strategies. (6 marks)
 - (c) With reference to market segmentation, analyse **FOUR** elements of demographic segmentation. (8 marks)
- (Total: 20 marks)**

QUESTION SEVEN

- (a) Outline **SIX** benefits of economic integration. (6 marks)
 - (b) Enumerate **SIX** causes of cost-push inflation. (6 marks)
 - (c) Discuss **FOUR** features of imperfect competition. (8 marks)
- (Total: 20 marks)**
-

Chopi.co.ke



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 contribute 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.

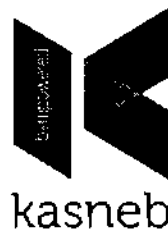
(5 marks)

- (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)**
-