INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - AUGUST 2025

PROGRAMME: MBA
YEAR/SEM: YEAR 1/SEMESTER 2
COURSE CODE: MBA 722
NAME: MANAGERIAL ECONOMICS AND STRATEGIC PLANNING

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

SECTION A IS COMPULSORY, CHOOSE AND ATTEMPT ONE CASE STUDY ONLY-(40MARKS@)

Question 1:

CASE STUDY ONE

Expansion Dilemma at Zima Agro-Tech Ltd.

Zima Agro-Tech Ltd. manufactures and distributes organic farming inputs such as fertilizers, compost, and biological pest control products in Eastern Uganda. Due to increasing demand from commercial farms and government subsidies for green agriculture, the company is considering expanding its production capacity.

The expansion would require a loan of UGX 2 billion, with projected annual returns of 15% over five years. However, the Central Bank has raised interest rates, increasing borrowing costs. Additionally, Zima faces foreign exchange volatility, as some raw materials are imported.

The management team must decide whether to proceed with the expansion or adopt a wait-and-see approach. The CEO is particularly concerned about long-term profitability, economies of scale, and global competition from foreign agri-tech firms entering the region.

Exam Questions:

a). Discuss how rising interest rates influence investment decisions in managerial economics. **(10marks)**

b). Analyze the role of economies of scale in Zima Agro-Tech's potential expansion strategy. **(10marks)**

c). Evaluate the impact of exchange rate fluctuations on production and pricing decisions for firms importing raw materials. **(10marks)**

d). Propose and justify a decision on whether Zima should expand now or delay, based on risk and return analysis. **(10marks)**

Question 2:

CASE STUDY 2

PRICING STRATEGY AT KAWA COFFEE LTD.

Kawa Coffee Ltd. is a fast-growing Ugandan coffee chain that operates in Kampala, Entebbe, and Jinja. The firm sources coffee from smallholder farmers and focuses on

premium blends for middle- and high-income customers. As competition increases from both international chains like Starbucks and local startups, Kawa Coffee is facing challenges in setting competitive prices while maintaining profitability.

The company has observed that customers are becoming price-sensitive due to inflation and reduced disposable incomes. Management is debating whether to lower prices, introduce value combos, or increase the use of loyalty programs.

The operations team has suggested adopting price discrimination based on location and time of day, while the finance team advises against lowering prices, fearing reduced margins. The CEO wants to make an informed decision based on elasticity of demand, cost structures, and market competition.

Questions:

1. Analyze how price elasticity of demand can influence Kawa Coffee’s pricing strategy. (10marks)

2. Explain the potential benefits and risks of applying third-degree price discrimination in the Ugandan coffee market. (10marks)

3. Evaluate how inflation and changing consumer behavior impact managerial pricing decisions. (10marks)

4. Recommend a suitable pricing strategy for Kawa Coffee and justify your approach using economic reasoning.

(10marks)

SECTION B

CHOOSE AND DO THREE QUESTIONS ONLY-(20MARKS@)

Question 1:

a) As a manager, explain what managerial economic means to you and how is it important to your respective career. You are required to cite a career and industry you are working in or looking to work in (10marks)

b) Using any company as a case study, explain how the process of managerial decision making can be important in improving strategic growth of that company. **(10marks)**

Question 2:

a) Explain the role of managerial economics in business decision-making. **(10marks)**

b) Discuss how the concept of opportunity cost is applied in managerial decision- making. **(10marks)**

Question 3:

a) Evaluate the significance of demand forecasting in business planning and strategy. **(10marks)**

b) How does the law of demand apply to real-life business situations? Use relevant examples. **(10marks)**

Question 4:

a) Discuss the factors that determine the price elasticity of demand and their relevance to managers. **(10marks)**

b) Explain the difference between short-run and long-run production costs and their strategic importance to managers. **(10marks)**

Question 5:

a) Using examples, explain how marginal analysis can guide optimal production and pricing decisions. **(10marks)**

b) Describe the major types of market structures and how they influence managerial pricing decisions. **(10marks)**

Question 6:

a) Analyze the implications of perfect competition and monopoly for consumer welfare and business strategy. **(20marks)**

Question 7:

a) Critically examine how firms can use cost-benefit analysis to make investment decisions. **(20marks)**

Question 8:

a) Define strategic planning and explain its relevance to modern business management. **(10marks)**

b) Discuss the main stages of the strategic planning process and their practical applications. **(10marks)**

Question 9:

a) Using real-world examples, discuss how organizations use innovation as a strategic tool. **(20marks)**

Question 10:

a) Examine how globalization affects managerial economic decisions and strategic approaches. **(10marks)**

b) Explain the concept of economies of scale and how it contributes to strategic growth. **(10marks)**

Question 11:

a) Evaluate the role of risk and uncertainty in managerial economics and strategic planning. **(10marks)**

b) Discuss how firms can use forecasting and scenario planning in uncertain economic environments. **(10marks)**

Question 12:

a) Critically examine the strategic implications of technological change for firms operating in competitive industries. **(20marks)**