INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - DECEMBER 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

Question 1:

A company, FreshFruits Ltd., produces organic fruit juices. recently, it has observed fluctuations in the demand and supply of its products due to changes in consumer preferences, input costs and competitor actions.

a) Based on the scenario, identify and explain five factors that could cause the demand for FreshFruits Ltd.'s organic juices to increase or decrease. (10 marks)

b) Explain how an increase in the cost of organic fruits, which is a key raw material, would affect the supply curve of FreshFruits Ltd. (10 marks)

c) Explain the relationship between input costs and the supply curve. (10 marks)

d) Evaluate the managerial lessons that firms can learn about demand and supply management in crises. (10 marks)

Question 2:

ABC Manufacturing is a mid-sized firm producing consumer electronics. The management team is exploring how to improve decision-making processes and ensure better allocation of resources by applying principles of managerial economics.

a) Define managerial economics and explain its role in decision-making within ABC Manufacturing. **(10 marks)**

b) How does managerial economics differ from traditional

economics? Provide examples relevant to ABC Manufacturing. **(10 marks)**

c) Discuss why managerial economics is considered a bridge between economic theory and business practice. **(10 marks)**

d) Analyze how the managerial economic environment (macro) affects the company’s profitability. **(10 marks)**

SECTION B

ATTEMPT ANY THREE QUESTIONS FROM THIS SECTION

Question 1:

Explain how managerial economics assists managers in planning, forecasting, and controlling business activities. **(20 marks)**

Question 2:

A consumer increased the consumption of product X from 40 to 50 units, reduced the amount of commodity Y by 20 units from the original 50 units, and continued buying 10 units of commodity Z, all after realizing an increase in his income from 100,000= to 200,000= per month.

a) Determine the coefficients of income elasticity of demand for commodities X, Y and Z. **(10 marks)**

b) Identity the commodities X, Y and Z. **(10 marks)**

Question 3:

a) Explain the concept of demand elasticity in managerial economics. **(5 marks)**

b) Discuss the different types of demand elasticity and their significance in managerial decision-making. **(15 marks)**

Question 4:

a) Define the concept of demand in managerial economics. **(5 marks)**

b) Explain the determinants of demand and analyze how changes in these determinants impact business decisions. **(15 marks)**

Question 5:

Discuss the major factors influencing consumer behaviour in managerial economics. **(20 marks)**

Question 6:

a) Explain the basic model of the firm in managerial economics. **(5 marks)**

b) Discuss the assumptions underlying this model and its relevance for understanding the behavior of firms in real-world markets. **(15 marks)**

Question 7:

a) Discuss the limitations of profit as the sole objective of firms. **(10 marks)**

b) Discuss the role of profit as a key driving force in a market economy. **(10 marks)**

Question 8:

a) Explain in detail why the demand curve slopes downwards. **(10 marks)**

b) Define Giffen goods and explain the key characteristics that distinguish them from normal goods. **(10 marks)**

Question 9:

Critically discuss five key exceptions to this law, highlighting the managerial implications for firms operating in both local and international markets. **(20 marks)**

Question 10:

a) Define the concept of supply in managerial economics**. (5 marks)**

b) Discuss the major factors that influence the supply of a commodity in a competitive market. **(15 marks)**

Question 11:

Explain the two main areas covered under the scope of managerial

economics:

(a) Microeconomic analysis for business decision-making, and

(b) Macroeconomic analysis for business environment understanding.

Discuss how both are relevant for effective management decisions. **(20 marks)**

Question 12:

a) Define profit in the context of managerial economics. **(5 marks)**

b) Discuss the role of profit in a market economy and explain how it influences production, investment, and resource allocation. **(15 marks)**