KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

BBA 877: BUSINESS PLANNING AND DEVELOPMENT

DATE: Monday, 5th February 2018 **TIME: 5.30p.m-8.30p.m**

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER THREE

Question One

Case study

Persian Carpets for Sale

When Linda Mutua made a trip to Dubai, she was amazed at the low prices of Persian carpets. She was convinced that there was a market for the carpets as no store in Nairobi had such fine quality ones and the selling price would be at least four times the buying price.

On her return home, she talked the matter over with her husband, Eric and they agreed that she should voluntarily retire from the Civil Service and receive the "golden handshake" to open a Persian carpet import store.

Linda signed a one-year lease with The Mall and flew back to Dubai to negotiate the purchase of Ksh160,000 worth of carpets. Because she was purchasing such large quantities, she was able to buy a lot more than she had planned. By the time her store was fully stocked there was hardly any room even for the customers. She was excited. "The selection is so large, I should be able to satisfy all my potential customers' needs." She glowed. That was nine months ago. Since then Linda has sold only ten percent of her carpets. In the meantime, her monthly expenses have eaten up Sh15,300. Last month Linda ran a special 30 % discount sale. She spent Ksh2000 for the promotion but only took Ksh1,500 for her marketing efforts.

Last week Linda admitted to herself that she needed some business counseling. She consulted a friend in the import business. The friend suggested that she visit the District Trade Officer. The officer put her in touch with the Kenya Management Assistance Programme Director. The Director sent his extension officers to talk to her, analyze her operation, and develop a plan of action to help her out. The first thing one of the officers asked her for is her business plan. She looked at the officer and exclaimed, "I have a feeling there is more to running this business than I thought." She then confessed to the officers that she did not have such a plan.

a) what should Linda have put in her business plan? (10 marks)

b) If Linda had prepared a business plan, what four major problems could she have avoided? (10 marks)

c) Can a business plan help her now? (10 marks)

Question Two

a) Why is it important that an entrepreneur prepares a good business plan? (5 marks)

b) List and explain 5 (five) uses an entrepreneur may have for a business plan (5 marks)

Questions Three

a) What are the components of a business plan? (5 marks)

b) What is a marketing strategy? (5 marks)

Question Four

(a) During staffing, what should the entrepreneur bear in mind while preparing the business plan?

(b) The banks and lending institutions consider a business plan a vital key ingredient for loan evaluations. Explain why. (5 marks)

Question Five

"Many SME' are faced with many challenges in their operations" enumerate if the use of a good business plan can aid in resuscitating their declining states. (10 marks)