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KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS

**2020/2021 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER
MAIN EXAMINATION**

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCO 112

COURSE TITLE: BUSINESS ENVIRONMENT

DATE: 25/02/2021

TIME: 2.00PM-4.00PM

INSTRUCTION TO CANDIDATES

- 1) The paper contains **FIVE** questions
- 2) Attempt **THREE** questions
- 3) Question **ONE** is Compulsory

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

QUESTION ONE

Read the case study below and answer questions that follow

CASE: WHAT AFFECTS THE ECONOMY

Last year's sluggish economy has done little to dampen the taxman's spirit as the Organizations expressed optimism that it will still hit its revenue targets. The firm says tax reforms and improved compliance will enable it meet the Sh1.5 trillion collection target set by Treasury for the financial year ending this month. The firm senior assistant commissioner, Mr. Mike Ley, said tax collection strategies centred on automation and legal reforms will also enable it hit the newly set target of Sh1.7 trillion spelt out in the budget statement last week. Commissioner General Mr. Tom Thompson has been accused of corruption, mismanagement and cronyism even as he is faced with a suit that could see him retire. Kahawa Tungu has learned that the taxman has apparently been missing targets since Mr. Thompson took office in March 2012 when he was appointed by President, then Finance Minister. For instance, firm was short Sh40 billion in the first four months of the 2017/18 (July-June) fiscal year and for the financial year 2016/17, the taxman again missed the target by Sh50 billion.

Also implicated in Mr. Thompson's unscrupulous ways is Justice Nelson Wire who apparently received Sh25 million to 'subvert justice.' Justice Wire on January 2, 2018 while ruling on a suit filed by the Human Activist said the case should be concluded before March 3, the same date the firm boss is expected to vacate office. The honourable judge also said: "Mr. Thompson is a man of means and can be ordered to refund whatever money he would have received as an firm boss, if the court finds that he is in office illegally." Mr. Thompson apparently has an income of Sh1.5 million every month but rakes in Sh30 million. Also a part of the 'illegal' deal is lawyer, Geoffrey Stanley. He apparently has a Tax Compliance Certificate Checker (TCC) which allows one to confirm the validity of a tax compliance certificate. In fact, the source says, Mr. Stanley evades taxes as he is well connected. During some of his trips, he is accompanied by his supposed mistresses; Grace Williams, Ruth Pius (Head of Large Taxpayers Office) and Ann Horizon, a deputy commissioner who two years ago was a 'mere assistant commissioner.' Ms. Pius, the source intimates, helps Mr. Thompson siphon his money specially from the large excise manufacturers. Word has it that before heading the LTO, she was just a dentist.

- a) What do think are the probable reasons for the taxman to miss targets since Mr. Thompson took office in March 2012? **(10 marks)**
- b) In general, the financial performance of firm has not been impressive over the years compared to the private owned companies. What could be the probable reasons for this? **(10 marks)**
- c) What are the suggestions to help the firm to address the short falls in the financial year 2018/2019? **(10 marks)**

QUESTION TWO

- a) Discuss ways in which the internal business environment affects business operations. **(10 marks).**
- (b) Explain the advantages of multinational corporations to the societies in which they exist. **(10 marks)**

QUESTION THREE

- a) Discuss why entrepreneurs should practice business ethics. **(10 marks)**
- b) Describe FIVE reasons why managers of firms need to understand business environment in which they operate in. **(10 marks)**

QUESTION FOUR

- a) A manufacturing firm has been consistently releasing toxic wastes into the neighbourhood. Outline and explain five measures you can take to stop the firm from such malpractices. **(10 marks)**
- b) Briefly explain any **FIVE** ways business operations have been affected by COVID-19 Pandemic **(10 marks)**

QUESTION FIVE

How are the businesses affected by:

- i) Economic? **(5 marks)**
- ii) Political? **(5 marks)**
- iii) Social? **(5 marks)**
- iv) Cultural? **(5 marks)**