PAN AFRICA CHRISTIAN UNIVERSITY

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY AND BACHELOR OF SCIENCE IN INFORMATION TECHNOLOGY

END OF SEMESTER EXAMINATION

DEPARTMENT:	**COMPUTING AND INFORMATION TECHNOLOGY**
COURSE CODE:	**BIT310**
COURSE TITLE:	**BUSINESS PLAN DEVELOPMENT**
CAMPUS:	**ONLINE**
EXAM DATE:	**TUESDAY**
TIME:	**5:3OPM -8:30PM**

INSTRUCTIONS

- This exam script has **TWO (2)** sections.
- Read all questions carefully before attempting.
- Answer All questions in Section **A** and any other Three questions in Section **B.**
- Write only your **student number** on the answer booklet provided.

SECTION A

(Answer ALL questions in this section)

Question 1:

Read the case below and answer the following:

GoPro

The GoPro camera is popular with extreme sports enthusiasts who want to record their activities. This innovation made its founder, Nicholas Woodman, a billionaire. The camera can be used to record activities such as surfing, mountain biking and skiing. The camera can record videos or photographs at timed intervals. One of the reasons for the success of GoPro was its price.

Nick Woodman had set up a business before. His previous venture was a website Funberg, which was a gaming platform with cash prizes. He raised nearly $4 million but the company failed and it was one of the dotcom era's biggest failure stories. To recover, Nick Woodman went travelling to Indonesia and Australia. He wanted a camera that he could strap onto his wrist when he went surfing. He used rubber bands, wrist strap and a casing all in one.

The first protoytpe was made using his mother's sewing machine and a drill.The cameras were initially sold in specialist surfing shops.They were also sold on television shopping channel QVC.

Nick Woodman raised the initial start-up costs by selling 600 belts from Indonesia and he made a profit of $10,000.His parents then invested a sustantial amount of money.He then raised venture capital fom various sources and he saw his share of the company valued at $1 billion. By 2012, the company had sold over 2 million cameras and the business was floated in 2014.

a) Identify TWO innovative factors about GoPro. **(2 Marks)**

b) Explain TWO ways how the earlier failure helped Nick Woodman made a success of GoPro. **(4 Marks)**

c) Discuss TWO advantages of each source of funding used in the case above. **(4 Marks)**

SECTION B

(Answer any THREE (3) questions in this section)

Question 2:

a) Discuss THREE sources of internal finance a business might use. **(6 Marks)**

Your friend Simon owns a small fish restaurant. He employs two chefs and three workers who serve in the restaurant. Simon has been looking at the financial performance of his business. An extract is shown in the table below.

Extract from income statements (Ksh000)		
	Last year	Current year
Revenue	**X**	300
Cost of sales	180	150
Gross profit	120	150
Expenses	90	**Y**
Profit	30	15

b) Calculate the values of X and Y. Show your workings. **(4 Marks)**

Question 3:

a) You are a member of the senior management team tasked with spearheading the company entry into a new market in Africa. A penetration pricing strategy favours your entry. Explain this pricing strategy and THREE conditions which make it favorable**.**

(6 Marks)

b) Describe FOUR benefits of competition to an enterprise. **(4 Marks)**

Question 4:

Amos after doing his degree from a reputed college opened two chemist shops in two different localities of his home town. Encouraged with the success of these shops, he started six more shops in different counties. His strategy was to cut price, focus on lower- and middle-class patients and open shops near hospitals. He operated on very thin margins. But he was not able to maintain sufficient funds to meet the day-to-day expenses of the business. The staff of the shops did not give much attention to the customers and there was very poor system of control.

Because of this mismanagement he started incurring huge losses and his business failed.

a) Based on the case explain FOUR causes of business failure of Amos. **(8 Marks)**
b) Identify the characteristics of a good business opportunity. **(2 Marks)**

Question 5:

a) Using examples, discuss THREE advantages of a franchise form of business to a franchisee. **(6 Marks)**

b) Describe FOUR roles of an angel investor in an entrepreneurial venture. **(4 Marks)**

Question 6:

Juma owns a car repair business which operates in the private sector. It is a small business with 2 full-time employees. Juma wants to find out the best way for a business to increase added value. Juma's business needs finance for many reasons. Juma wants to know how an economic recession might affect his business.

a) Identify two reasons why a business might remain small. **(2 Marks)**
b) Explain TWO reasons why Juma might need each of the following types of finance:
    i. Short-term finance **(2 Marks)**
    ii. Long-term finance **(2 Marks)**

c) Discuss TWO ways Juma can increase added value in his business. **(4 Marks)**

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