

WOMEN'S UNIVERSITY IN AFRICA



Addressing gender disparity and fostering equity in University Education

FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES

MASTERS DEGREE IN BUSINESS ADMINISTRATION

MAIN PAPER

MBA118: MANAGERIAL ECONOMICS AND BUSINESS ANALYSIS

INTAKE 23: FIRST YEAR FIRST SEMESTER

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer Question **1** and any other **two**.

Question 1

The 2019 novel coronavirus disease (COVID-19) was first reported in China as an infectious upper respiratory disease. The virus has since spread worldwide presenting one of the most serious global health crises in history, with high socio-economic costs. While the health impacts are directly through contagion, the economic impacts are largely a consequence of the preventive measures adopted by the respective governments to curtail its spread. These measures have generated significant setbacks for African economies. Specifically, these measures have significantly strained almost all key growth enhancing sectors of many economies, and ultimately, on their overall income. Consequently, different institutions have put forward estimates of the anticipated economic losses that could follow the introduction of these measures. For example, the International Air Transport Association (IATA) projected revenue losses of up to US\$113 billion¹ and the United Nations Economic Commission for Africa (UNECA) estimated at least US\$65 billion in revenue losses among Africa's top 10 fuel exporting economies. The World Trade Organization (WTO) projected a decline in world trade of between 13% and 32% in 2020³. Overall, an unprecedented global recession is being envisaged with a world GDP slump ranging between 0.5% and 3.8%. While the regional and country specific impacts could be similar in Europe and Asia depending on which sectors were severely hit, Africa faces greater risks of seriously negative impacts from COVID-19 for several reasons. Although the rest of the world is slowly reopening businesses to emerge from the global slowdown, the trend in African economies entails the possibility of a deeper recession.

Source Gondwe (2020)

Required to;

- (a) Examine five ways in which companies have been indirectly affected by the COVID-19 [10]
- (b) Explain how the International Air Transport Association (IATA) has been affected [5]
- (c) Examine how the United Nations Economic Commission for Africa (UNECA) has been affected [5]
- (d) Discuss how the COVID-19 has affected international trade [5]
- (e) Discuss why African companies are at a greater risk to the COVID-19 [10]
- (f) Examine strategies that managers of companies in Africa must put in place to reduce exposure to the risk of the COVID-19 [5]

Question 2

(a) The total production table of Xerox Company is shown below

| Units of labour | Output | Marginal productivity of labour |
|-----------------|--------|---------------------------------|
| 1 | 2 | |
| 2 | 10 | |
| 3 | 30 | |
| 4 | 40 | |
| 5 | 48 | |
| 6 | 49 | |
| 7 | 48 | |
| 8 | 47 | |

You are required to

(a)

- i) Fill in the marginal productivity of labour statistics [4]
- ii) Draw the total production curve and discuss its structure [4]
- iii) Draw the marginal productivity of labour curve [4]
- iv) Determine the optimum output [2]

(b) Company C is planning to undertake a project requiring initial investment of \$105 million.

The project is expected to generate \$25 million per year in net cash flows for 7 years.

- i) Calculate the payback period of the project. [3]
- ii) Examine the limitations of the payback period method in investment analysis [3]

Question 3

The table below shows the cost structures of a manufacturing company

| Output | Average Fixed Cost | Average Total Cost | Average Variable Cost | Marginal; cost |
|--------|--------------------|--------------------|-----------------------|----------------|
| 1 | 100 | 150 | f | j |
| 2 | 50 | e | 40 | k |
| 3 | b | 67 | 33 | l |
| 4 | c | 53 | g | m |
| 5 | 20 | 50 | h | n |
| 6 | e | 53 | 37 | o |
| 7 | 14 | 79 | i | p |
| 8 | d | 93 | 80 | q |

You are required to

- (a) Fill in the missing statistics [8]
- (b) Draw the average fixed cost curve, average total cost curve, average variable cost curve and the marginal cost curve [8]
- (c) Indicate the optimum out that the company must produce [4]

Question 4

- (a) During a year of operation, a firm collects \$175,000 in revenue and spends \$80,000 on raw materials, labor expense, utilities, and rent. The owners of the firm have provided \$500,000 of their own money to the firm instead of investing the money and earning a 14 percent annual rate of return.

You are required to calculate;

- i) The explicit costs [3]
- ii) The implicit costs [3]
- iii) The economic profit [5]
- iv) The accounting profit [5]
- v) Comment on the validity of the decision taken [4]

Question 5

Examine output and price determination in the following market structures

- (a) Perfectly competitive in the short run making a loss [6]
- (b) Monopoly in the long run [6]
- (c) Perfect competition in the long run [6]

Question 6

Illustrate how the following changes affects equilibrium price and quantity

- a) The price of the raw materials falls; [4]
- b) Incomes of consumers increase and the commodity is normal; [4]
- c) Technology becomes obsolete; [4]
- d) Decrease in preference towards a product and [4]
- e) The company tax is reduced. [4]

END