



DEDAN KIMATHI UNIVERSITY OF TECHNOLOGY
UNIVERSITY EXAMINATIONS 2014/2015
FOURTH YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE IN
BACHELOR OF SCIENCE IN FOOD SCIENCE AND TECHNOLOGY

FST 2403: BUSINESS MANAGEMENT FOR FOOD TECHNOLOGISTS

DATE: 12TH AUGUST 2014

TIME: 11.00AM-1.00PM

INSTRUCTIONS: Answer all questions in section A and any other two in section B

SECTION A - [30 MARKS]

SECTION A

1. a) Briefly explain what is production management; (3 marks)
b) Outline some six performance objectives of a production department (6 marks)
c) Using a sentence or two summarize the main objective of production management (1 mark)

2. Briefly explain the five main management functions. (10 marks)
3. a) What is breakeven analysis and give its two disadvantages (4 marks)
b) Dedan Kimathi Dairy Processing Unit is considering producing an ice cream brand called So-cool. The Institute of Food Bioresources Technology has been tasked to carry out study and have analyzed the processing needs as well as the market analysis of the ice cream. The estimated variable cost per piece is Kshs 10 and the variable cost per year is Kshs 50, 000.
 - i) If the selling price is Kshs 25, how many must he sell to break even considering that in manufacturing no ice cream gets spoilt? (3 marks)
 - ii) If the University sells 4000 pieces, what would be the contribution to the profit (3 marks)

SECTION B

ANSWER ANY TWO QUESTIONS

4. a) What is capital budgeting and state its importance in a food manufacturing business (3 marks)

b) There are two types of drinking water packaging machines in the market. Bottled water is in high demand and processors cannot yet meet the market requirements. One machine is type A which has a higher capacity than type B. Both machines have a full capacity life of 25 years. Their costs and annual cash inflows are presented below.

MACHINE	A	B
INITIAL COST	1, 000, 000	400, 000
Year 1	100, 000	60, 000
Year 2	130, 000	100, 000
Year 3	300, 000	100, 000
Year 4	300, 000	100, 000
Year 5	300, 000	100, 000
Year 6	300, 000	100,000

Which of the two would you advise a manufacturer to buy based on payback period strategy given that capital is not an issue to him. Justify your advice. Now using your own analysis and not bound by the payback method which machine would you buy (10 marks)

c) You have been tasked to advise the board of directors on factors to be considered when purchasing a milk factory. Give seven of the factors that you would have considered (7 marks)

5. Leopold's Foods has the capacity to produce 120, 000 Kgs of roasted macadamia packets per year. The following are their projections for the year 2015.

TRANSACTION	KSHS
Sales (100, 000 units @ Kshs 20)	2, 000, 000
Manufacturing costs	
Variable cost per unit	8
Fixed cost	400, 000
Marketing and Administrative costs	
Variable cost per unit	3
Fixed cost	200, 000

REQUIRED

- a) What is the expected level of profit (8 marks)
- b) A customer is offering a special order of 10, 000 packets at Kshs 15 per unit. Variable marketing expenses associated with this order would be Kshs 2 per packet. Should the company accept the new offer? What would be the new total profit for the year (12 marks)
6. a) As the Head of Production in Hortfresh, a company that is engaged in receiving, sorting and pack housing (cold storing) baby corns, explain what managerial responsibilities you have to your employees working in the night shift. (5 marks)
- b. Write short notes on the following (10 marks)
- i. Performance appraisal
 - ii. Potential appraisal
 - iii. Career planning
 - iv. Succession planning
 - v. Employees welfare and quality working life
- c. Explain some two ways you can motivate employees performing monotonous work (5 marks)