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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**FOR THE CERTIFICATE IN BANKING AND FINANCE**  
**CBF 020: BUSINESS FINANCE**

Date: 14<sup>TH</sup> DECEMBER 2023

Time: 8:30AM-10:30AM

**INSTRUCTIONS TO CANDIDATES**

**ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS**

**QUESTION ONE (30 MARKS)**

- a) Ann and Mary Starts a Business and contributes Capital in a ratio of 3:1 and form Ann Mary enterprise.

**Required**

- i) Discuss THREE types of Business. (6 Marks)  
ii) Explain THREE differences between Public Company and Private company. (6 Marks)
- b) A central bank is a public institution that is responsible for implementing monetary policy. Explain FOUR functions of Central Bank of Kenya. (8 Marks)
- c) Alice will retire in 20 years. This year wants to fund an amount of 18000 Ksh to become available in 20 years. How much does he have to deposit into pension plan earning 7% Annually? (4 Marks)
- d) Discuss THREE components of cost of finance (6 Marks)

**QUESTION TWO (20 MARKS)**

- a) Ratio is the comparison of two or more financial data which are used for analyzing the financial statements of companies. Discuss 4 types of ratio analysis. (8 Marks)
- b) Describe TWO components of time value of money. (4 Marks)
- c) What is working capital management briefly explain FOUR importance of working capital management. (8 Marks)

**QUESTION THREE (20 MARKS)**

- a) ABC limited intends to purchase a machine worth Shs. 1,500,000 which will have a residue value Shs.100,000 after 4 years useful life. The saving in cost resulting from the use of this machine are:

	<b>Shs.</b>
Year 1	600,000
Year 2	300,000
Year 3	245000
Year 4	500,000
Year 5	800,000

- Using NPV method, advise the company whether this machine should be purchased if the cut off rate is 12% and acceptable saving in cost is 10% of the cost of the investment. (8 Marks)
- b) When choosing a Source of Finance, we consider various factors like Amount of money needed. Discuss FOUR factors to consider when selecting a source of finance. (8 Marks)
- c) State FOUR advantages of Sole Proprietorships compared to Partnership. (4 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Discuss FOUR importance of business finance. (8 Marks)
- b) Explain FOUR sources of finance. (8 Marks)
- c) Discuss FOUR uses of ratio Analysis. (4 Marks)

**QUESTION 5 (20 MARKS)**

- a) Describe FOUR various types of Agency Relationship and Explain the cause of conflict in each of them. (8 Marks)
- b) Explain FOUR roles of micro finance institution in Kenya. (8 Marks)
- c) Highlight FOUR Advantages of Npv method. (4 Marks)