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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2022/2023 ACADEMIC YEAR
FOR THE CERTIFICATE IN BANKING AND FINANCE
CBF 020- BUSINESS FINANCE

Date: 16th December 2022
Time: 8:30am-10:30am

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Outline the four important managerial finance functions/decisions (4 Marks)
- b) List five agency relationships that exists in a business environment. (5 Marks)
- c) Suppose Camila deposited sh.10, 000 in a bank account where it earns interest 10% p.a for five years and interest is compounded annually. How much future sum:
 - i) Calculate the total Camila would receive after Five years (3 Marks)
 - ii) Calculate the total interest for the five years (2 Marks)
- d) Highlight any four routine functions of the finance manager of a company of your choice. (4 Marks)
- e) Firms have to make a number of key financial management decisions, which when acted upon, will ensure their success. One of such decisions is financing decision. In light of the above statement, highlight the advantages of debt financing to a firm. (6 Marks)

QUESTION TWO (20 MARKS)

- a) Explain the main goals/objectives of a business. (10 Marks)
- b) Discuss the characteristics of a sole proprietorship type of a business. (10 Marks)

QUESTION THREE (20 MARKS)

- a) Discuss five sources of conflicts between the management and the shareholders. (10 Marks)
- b) Explain five solutions to the conflicts between shareholders and management. (10 Marks)

QUESTION FOUR (20 MARKS)

- a) Discuss five uses/application of ratios to a company. (10 Marks)
- b) Suppose Tina deposited an amount of sh. 5, 000 for 4 years in a bank that gives an interest of 15% per year. Calculate the simple interest and the total amount to be received by Jane after the four years. (10 Marks)

QUESTION FIVE (20 MARKS)

- a) Discuss the various sources of finance available to a company listed at the Nairobi Securities Exchange (NSE) under;
 - i) Short-term sources (5 Marks)
 - ii) Long-term sources (5 Marks)
- b) Ratio analysis is one of the methods used to analyse the performance of a business through its financial statements. Discuss five limitations of using ratios to analyse a company's performance. (10 Marks)