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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY  
UNIVERSITY EXAMINATION, 2016/2017 ACADEMIC YEAR  
DIPLOMA IN BUSINESS ADMINISTRATION**

**DBA 015 - BUSINESS FINANCE**

Date: 12<sup>th</sup> August, 2016.  
Time: 5.30pm – 7.30pm

**INSTRUCTIONS TO CANDIDATES**

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

**QUESTION ONE (30 MARKS)**

- a) Explain the objective of Business firm. (10 Marks)
- b) Explain the following terms;
- i) Bill of exchange
  - ii) Mortgage
  - iii) Sale and lease back
  - iv) Amortization of loans
  - v) Payback period
- (10 Marks)
- c) The firm borrows 100,000; the loan is to be paid in equal 4 equal payments at the end of each of the next 3 years. The lender charges 6% interest rate on the loan balance outstanding at the beginning of year. Required;
- Prepare loan amortization schedule. (10 Marks)

**QUESTION TWO (20 MARKS)**

- a) Explain the services offered by commercial banks. (10 Marks)
- b) Explain why money market is not developed in Kenya (10 Marks)

**QUESTION THREE (20 MARKS)**

- a) Explain the functions Central bank Kenya (10 Marks)
- b) Explain the following terms as used in Business Finance;
- i) Compounding
  - ii) Discounting
  - iii) Annuity
  - iv) Money market
  - v) Capital market
- (10 Marks)

**QUESTION FOUR (20 MARKS)**

- a) Explain five types of debentures. (10 Marks)
- b) Explain the advantages and disadvantages of ordinary shares. (10 Marks)

**QUESTION FIVE (20 MARKS)**

A company is considering the following investment projects;

	I0	y1	y2	y3
A	800	900		
B	800	700	700	
C	800	300	400	1200
D	800	200	400	550

- a) Rank the projects according to payback period if the initial investment is shs 1, 200 (10 Marks)
- b) Explain the advantages and disadvantages of net present value (NPV). (10 Marks)