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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: 20TH APRIL 2023
Time: 8:30AM-10:30AM

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Define what is business Finance and discuss objectives of a business. (6 Marks)
- b) Discuss FOUR importance of cost of finance. (8 Marks)
- c) Elaborate FOUR functions of commercial banks in Kenya. (8 Marks)
- d) Describe FOUR importance of time value of money. (8 Marks)

QUESTION TWO (20 MARKS)

- a) Resilou limited intends to purchase a machine worth Kshs. 1,500,000 which will have a residue value Kshs. 200,000 after 5 years' useful life. The saving in cost resulting from the use of this machine are:

	Shs.
Year 1	800,000
Year 2	350,000
Year 3	-
Year 4	680,000
Year 5	775,000

Using NPV method, advise the company whether this machine should be purchased if the cut off rate is 14% and acceptable saving in cost is 12% of the cost of the investment. (8 Marks)

- b) Describe three limitations of ratio analysis. (6 Marks)
- c) Highlight three roles of Central banks toward the economy of Kenya. (6 Marks)

QUESTION THREE (20 MARKS)

- a) Highlight four various sources of finance. (8 Marks)
- b) Describe four various types of Agency Relationship and Explain the cause of conflict in each of them. (8 Marks)
- c) Explain two importance of Investment Decision. (4 Marks)

QUESTION FOUR (20MKS)

- a) Rudy will retire in 20years. This year wants to fund an amount of 15000 Ksh to become available in 20 years. How much does he have to deposit into pension plan earning 7% annually? (4 Marks)
- b) Explain four components of cost of finance. (8 Marks)
- c) Describe three types of ratios used in the organization. (8 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain four importance of working Capital management. (8 Marks)
- b) State four advantages of using Payback period in investment analysis. (4 Marks)
- c) Elaborate three factors to consider when selecting a source of finance. (6 Marks)
- d) Explain the meaning of financial institution. (2 Marks)