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**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**UNIVERSITY EXAMINATION, 2023/2024 ACADEMIC YEAR**  
**FOR THE CERTIFICATE IN PROCUREMENT AND SUPPLY CHAIN**  
**MANAGEMENT**  
**CPS 020: BUSINESS FINANCE**

Date: 20<sup>TH</sup> 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:

	<b>Shs.</b>
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)