



TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS STUDIES

UNIVERSITY EXAMINATIONS FOR DEGREE IN
BACHELOR OF BUSINESS ADMINISTRATION
BACHELOR OF COMMERCE

BFI 4103: BUSINESS FINANCE

END OF SEMESTER EXAMINATIONS

SERIES: APRIL 2015

TIME: 2 HOURS

INSTRUCTIONS:

- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do not write on the question paper

This paper consists of Three printed pages

QUESTION 1 (Compulsory)

- a) Explain the following terms as used in financial analysis or ratio analysis:
- i) Trading ratios **(2 marks)**
 - ii) Dividend ratios **(2 marks)**
 - iii) Current ratios **(2 marks)**
 - iv) Liquidity ratio **(2 marks)**
 - v) Price earnings ratios **(2 marks)**
- b) The following financial statement is extracted from the books of Siwezi Traders for the year ended 31st December 2014

| | Dr. | Cr. |
|---------------------------------|----------------|-----------------------|
| | Shs. | Shs. |
| Profit and loss accounts | | |
| Sales | | 750,000 |
| Less cost of goods sold: | | |
| Opening stock | 80,000 | |
| Add purchases | <u>320,000</u> | |
| | 400,000 | |
| Less closing stock | <u>70,000</u> | <u>(330,000)</u> |
| Gross Profit | | <u>420,000</u> |
| Less depreciation | 15,000 | |
| Salaries and wages | 220,000 | |
| Other expenses | <u>35,000</u> | <u>270,000</u> |
| Net profit | | 150,000 |
| Balance sheet: | | |
| Fixed assets | | |
| Equipment at cost | 100,000 | |
| Less depreciation | <u>30,000</u> | 70,000 |
| | Dr. | Cr. |
| Current assets | | |
| Stock | 70,000 | |
| Debtors | 100,000 | |
| Bank | <u>12,500</u> | |
| | 182,500 | |
| Less current liabilities | | |
| Creditors | <u>100,500</u> | <u>82,000</u> |
| | | 152,000 |
| Financed by: | | |
| Capital | | |
| Balance at start of year | | 72,000 |
| Add Net Profit | | <u>150,000</u> |
| | | 222,000 |
| Less Drawings | | <u>(70,000)</u> |
| | | <u>152,000</u> |

Required:

Calculate:

- | | |
|--|------------------|
| i) Gross Profit as a percentage of sales | (3 marks) |
| ii) Net Profit as a percentage of sales | (3 marks) |
| iii) Return on capital employed | (3 marks) |
| iv) Fixed assets turn over | (3 marks) |
| v) Current ratio | (3 marks) |

vi) Acid test ratio (3 marks)

c) Comment on the performance of the company in relation to the analysis drawn above. (2 marks)

QUESTION 2

a) Explain **FIVE** factors that can be considered when choosing a source of finance. (10 marks)

b) Okoa Jahazi wishes to invest shs. 1,000,000 which will generate the following cashflows:

| Years | Shs. |
|-------|---------|
| 1 | 600,000 |
| 2 | 100,000 |
| 3 | 400,000 |
| 4 | 300,000 |
| 5 | 500,000 |

Required:

If the discounting rate is 10% compute the Net Present Value of the cashflows.

QUESTION 3

a) Discuss any **FIVE** characteristics of money markets in Kenya. (10 marks)

b) Explain the limitations of accounting ratios. (10 marks)

QUESTION 4

Explain the reasons why a number of qualifying companies are not quoted at the Nairobi Stock Exchange. (20 marks)

QUESTION 5

Explain the following selling prices of shares

a) Cum-dividend or Ex-dividend (5 marks)

b) Cum-right or Ex-right (5 marks)

c) Cum cap or Ex-cap (5 marks)

d) Cum All or Ex-Au. (5 marks)