

TECHNICAL UNIVERSITY OF MOMBASA
Faculty of Business and Social Studies

DEPARTMENT OF BUSINESS ADMINISTRATION
DEPARTMENT OF ACCOUNTING AND FINANCE

DIPLOMA IN BUSINESS ADMINISTRATION
DIPLOMA IN ACCOUNTANCY

BAC 2205: BUSINESS FINANCE

END OF SEMESTER EXAMINATIONS

SERIES: APRIL SERIES

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES:

- This paper consists of **FIVE** Questions.
- Answer Question **ONE (Compulsory)** and any other **TWO** questions.
- Do **NOT** Write on the question paper.
- You are only allowed to have writing materials, an Answer booklet and a scientific non programmable calculator in the examination room.
- Mobile phones are not allowed in the examination room.
- Cheating leads to disqualification.
- This paper consists of Three printed pages*

QUESTION ONE (COMPULSORY)

a. Identify and describe any FIVE sources of Short Term financing. **(10 marks)**

b. Explain the role of Capital Markets Authority **(10 marks)**

c. The following information was extracted from Wanje Traders for the period 2007 and 2008

	2007	2008
	Sh.	Sh.
Stock-Raw Materials	20,000	27,000
Work in Progress	14,000	18,000
Finished goods	16,000	24,000
Purchases	96,000	130,000
Cost of goods sold	140,000	180,000
Sales	160,000	200,000
Debtors	32,000	48,000
Creditors	16,000	19,500

Required:

Compute the Average Operating Cycle **(10 marks)**

QUESTION TWO

a. Explain **FIVE** roles of Central Bank of Kenya in the Kenyan Economy. **(10 marks)**

b. Find the Future Value of Sh. 200,000 compounded at 6% for 3 years:

i. Annually **(2 marks)**

ii. Semi-annually **(4 marks)**

iii. Quarterly **(4 marks)**

QUESTION THREE

- a. Dream Venture Ltd expects to pay a dividend of Sh. 5.50 in one year. The current market price per share is Sh. 45. Dream Venture Ltd expects the future earnings to grow by 6% per annum due to the undertaking of several projects. The company issued 10% debenture at a nominal value of Sh. 100, the market price is Sh. 90 ex interest. Ignoring taxation,

Required:

- i. Cost of Equity Capital **(5 marks)**
 - ii. Cost of Debt Capital **(5 marks)**
- b. Explain the functions of a finance manager in an organizational set-up. **(10 marks)**

QUESTION FOUR

- a. The following information is provided in respect to a project:

Project X cost Sh. 500,000 **Scrap value** Sh. 100,000

The stream of income before depreciation and taxes are as follows:

	Shs.
Year 1	100,000
Year 2	150,000
Year 3	130,000
Year 4	160,000
Year 5	200,000

Assuming a tax rate of 50% and depreciation on straight line basis,

Required

Calculate the ARR/ROCE. **(15 marks)**

- b. Highlight **FIVE** limitations of the use of ratios as a basis of financial analysis **(5 marks)**

QUESTION FIVE

State and describe any **FOUR** financial markets **(20 marks)**