

**W1-2-60-1-6**

## JOMO KENYATTA UNIVERSITY

**OF**

**AGRICULTURE AND TECHNOLOGY**

# University Examinations 2014/2015

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DIPLOMA IN BUSINESS ADMINISTRATION**

**HCB 0211 : BUSINESS FINANCE**

**DATE: APRIL 2015 TIME: 1½ HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND**

**ANY OTHER TWO QUESTIONS.**

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**QUESTION ONE (20 MARKS)**

(a) Define the term finance. [2 marks]

(b) Distinguish between real and tangible assets. [4 marks]

(c) Explain any three non-financial goals of a business enterprise.

[6 marks]

(d) What are the weaknesses associated with profit maximization goals of a firm? [8 marks]

**QUESTION TWO (20 MARKS)**

(a) The following information was extracted from Nyaseme’s books of accounts:

|  |  |
| --- | --- |
|  | **Ksh.** |
| Stock 1.1.1994 | 40,000 |
| Stock 31.12.1994 | 60,000 |
| Net sales | 354,000 |
| Net purchases | 320,000 |
| Indirect expenses | 4,000 |
| **Current assets:** |  |
| Stock | 90,000 |
| Debtors | 70,000 |
| Cash in hand | 20,000 |
| **Current liabilities:** |  |
| Bank overdraft | 40,000 |
| Creditors | 50,000 |
| Capital | 250,000 |

**Required:** Calculate the following financial ratios:

1. Gross profit margin. [2 marks]
2. Mark up percentage. [2 marks]
3. Liquidity ratio. [2 marks]
4. Current ratio. [2 marks]
5. Return on capital employed. [2 marks]

(b) Discuss the limitations of financial statement analysis. [10 marks]

**QUESTION THREE (20 MARKS)**

(a) Explain the meaning of financial markets. [2 marks]

(b) Discuss any five roles of capital market in Kenya. [10 marks]

(c) Explain any four money market instruments. [8 marks]

**QUESTION FOUR (20 MARKS)**

(a) Explain the meaning of time value of money. [2 marks]

(b) Highlight the role of time value of money in finance. [10 marks]

(c) Mr. Korir wishes to deposit 30,000/= at the end of each year for the next five years. If the discounting rate is 16%, compute present value of this annuity. [8 marks]