

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

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY**

# **UNIVERSITY EXAMINATIONS 2014/2015**

THIRD YEAR SEMESTER ONE EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

**HBC 2119: BUSINESS FINANCE**

**DATE: JULY 2014 TIME: 2 HOURS**

**INSTRUCTIONS:**

**ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS**

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**QUESTION ONE**

1. Discuss the meaning and scope of business finance. [4 marks]
2. Explain the main objectives of a firm. [4 marks]
3. Explain the various sources of funds in a firm. [4 marks]
4. Describe the meaning and significance [4 marks]
5. Briefly explain the concepts of Time Value of money. [4 marks]
6. Explain the two types of cash – flow methods in business finance.[4 marks]
7. Risk – Return trade off is a concept in business finance. Discuss it in detail. [6 marks]

**QUESTION TWO**

1. Explain the concept of value creation through capital restructuring in detail. [10 marks]
2. Using an ideal diagram, discuss the structure of cash flow statement in detail. [10 marks]

**QUESTION THREE**

1. Discuss the significance of financial markets in the economy. [10 marks]
2. The following information was extracted from KANNAN HOLDINGS. Use the data to prepare a cash-flow statement of the financial year ended 31. July. 2013.

Dividends paid on ordinary shares 98

Purchase of government bills 400

Issue of ordinary share capital 200

Reduction in inventories 50

Corporation tax paid 240

Interest paid 68

Bank balance as at 31.07. 2013 1054

Purchase of machinery 918

Sale of government bills 200

Interest received copyright purchase intangible

assets 1560

Depreciation charge for the year 814

Purchase of a building 860

Sale of a patent (intangible non-current assets) 390

Increase in trade receivables 70

Decrease in trade payables 170

Bank and cash balance as at 1st August 2012 684

[10 marks]

**QUESTION FOUR**

1. Discuss the meaning and significance of industrial analysis in relation to business finance. [10 marks]
2. Briefly explain the meaning of financial ratios and discuss the following terms as used in business finance.
3. Gearing ratio
4. Leverage
5. Dividend cover
6. Interest cover