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**(UNIVERSITY OF CHOICE)**

**MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**(MMUST)**

**MAIN /WEBUYE /BUNGOMA/MUMIAS**

**UNIVERSITY EXAMINATIONS**

**ACADEMIC YEAR 2018/2019**

**FIRST YEAR SECOND SEMESTER EXAMINATION**

**MAIN EXAMINATION**

**FOR CERTIFICATE  
IN  
BUSINESS MANAGEMENT**

**COURSE TITLE: FUNDAMENTALS OF FINANCE**

**COURSE CODE: CBB `105B**

**DATE………………………… Time: 2 hrs**

*Answer Question* ***ONE which*** *is COMPULSORY and any other* ***TWO*** *questions*

MMUST observes ZERO tolerance to examination cheating

**QUESTION ONE 30 MARKS (COMPULSORY)**

1a. Calculate the future value of sh 100,000 compounded at an interest rate of 10% per annum for a period of 10 years, if compounding is done:

1. Half a year ( 4marks)
2. Quarterly (4 marks)

1b. The concept of time value for money serves as a foundation for all nations in finances, individual prefer to have current income than future income, explain 4 reasons underlining such preference (8marks)

1c. Loan finance is classified a source of debt finance , state 6 reasons why commercial bank prefer to lend short term loans (12marks)

**QUESTION TWO 20 MARKS**

2a. Describe any five sources of government revenue in Kenya (10marks)

2b. A bond is a long term debt instrument representing issuers obligation to pay interest periodically and the principal at maturity, state five features that can be used to describe the a bond (10marks)

**QUESTION THREE 20 MARKS**

3a. The Central bank of Kenya plays a key roles in the country. Explain five function of central bank   
 (10marks)

3b. briefly explain five monetary measures which may be used by central bank to control amount of money in the economy (10marks)

**Question four 20 MARKS**

4a. critically state the role of capital market authority as a chief regulator of financial market I n Kenya   
 (10 marks)

4b. briefly explain the followinginstruments as used in money market (10marks)

1. Commercial papers
2. Treasury Bills
3. Bank acceptance
4. Bankers certificate of deposit
5. Repurchase agreement