



OFFICE OF THE DEPUTY VICE CHANCELLOR
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2024 /2025 ACADEMIC YEAR

FOURTH YEAR FIRST SEMESTER MAIN EXAMINATION

**FOR THE DEGREE OF BACHELOR OF BUSINESS
MANAGEMENT**

COURSE CODE: EDB 300

COURSE TITLE: BUSINESS FINANCE

DATE: 14/01/2025

TIME: 8:00 – 11:00AM

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

REGULAR – MAIN EXAM
EDB 300: BUSINESS FINANCE

STREAM: DEGREE

DURATION: 3 Hours

INSTRUCTIONS TO CANDIDATES

- i. *Answer Question ONE and any other TWO questions.*
- ii. *Maps and diagrams should be used whenever they serve to illustrate the answer.*
- iii. *Do not write on the question paper*

QUESTION ONE (30mks)

a) You are given the following information:

Debtors : 400000

Creditors: 300000

Debentures: 200000

Retained profits : 80000

Authorized shares : 5,000

Par value of the share: Kes.10

Required:

- i) Quick ratio
 - ii) Earnings per share
 - iii) Authorized share capital
 - iv) Gearing ratio
 - v) Circulating capital ratio. (10 marks)
- b) You are the finance director of Gen Z Ltd. You are required to advise management on how best to manage working capital in order for the company to stay afloat. What kind of advice would you provide? (10 marks)
- a) Outline the key features of the following forms of businesses:
- c) Limited companies (5 marks)
 - d) Partnerships (5 marks)

SECTION B (40 MARKS)

Question Two

- a) Explain the following as relates to companies;
- i) company limited by shares (5 marks)

ii) company limited by guarantee (5 marks)

b) A company has an authorized share capital of ks. 1000000 divided into 60000 ordinary shares of kes. 10 each and 40000 preference shares of kes. 10 each. If the company issued 40000 ordinary shares and 10000 preference shares.

Required.

- i) What is the unissued share capital? (4 marks)
- ii) If the company declared a dividend of kes. 2 per ordinary share, how much dividend will they be required to pay? (3 marks)
- iii) Supposing the company was to pay kes. 1 per preference share, how much dividend would they be required to pay? (3 marks)

Question Three

- a) Explain the role Business Finance to an organization(10 marks)
- b) Explain Five functions of commercial banks (10 marks)

Question Four

- a) Differentiate between futures and options (10 marks)
- b) Briefly explain what is meant by hedging (5 marks)
- c) Explain the operation of Treasury Bills (5 marks)

Question Five

- a) What FIVE factors would you consider when selecting a choice for funds as an entrepreneur? (10 marks)
- b) Discuss the role of the Nairobi Securities Exchange (NSE) (10 marks)