MACHAKOS UNIVERSITY

University Examinations for 2017/2018

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ECONOMICS

FOUR YEAR SECOND SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS AND FINANCE

BACHELOR OF ECONOMICS

EAE 402: ECONOMICS FOR MICROFINANCE II

DATE: 14/12/2017 **TIME:8:30 – 10:30 AM**

INSTRUCTIONS:

Answer Question One And Any Other Two Questions

QUESTION ONE (COMPULSORY)

Write short notes on the following terms

a) i) Ownership and non-ownership capital
ii) Debt Factoring and invoice discounting (8 marks)

b) Briefly discuss any four functions of Micro-finance institutions (8 marks)

c) Using relevant examples discuss four main types of financial institution (8 marks)

d) Briefly discuss any three ways in which unpaid debt can be recovered from a borrower (6 marks)

QUESTION TWO (20 MARKS)

a) With reference to medium and small Enterprises (MSEs), discuss any four sources of internal funding which is meant for working capital (8 marks)

b) Discuss four disadvantages of the internal sources of capital for a medium and small Enterprise (MSE) (8 marks)

c) Distinguish between ordinary shares and preference shares as a source of external capital for a business. (4 marks)

QUESTION THREE (20 MARKS)

a) The youth Enterprise Fund was established by the government of Kenya in 2006 with the sole purpose of reducing unemployment among the youth who account for over 60 percent of the unemployment in Kenya. Discuss any five functions of the youth Enterprise Fund. (10 marks)

b) Write short notes on the following
   i) Forced / Compulsory Saving
   ii) Voluntary saving schemes. (6 marks)

c) Briefly Explain any two disadvantages of lending to the poor (4 marks)

QUESTION FOUR (20 MARKS)

a) Credit processing is the stage where all the required information on credit is gathered and applications are screened ,what are the contents of a checklist that financial Institution should have to ensure all the required information from the borrower is collected. (6 marks)

b) Briefly Explain the different categories of clients for Micro finance Institution s (MFIS) (4 marks)

c) Discuss any five functions of the women Enterprise Fund as provided by its establishing legal notice (10 marks)

QUESTION FIVE (20 MARKS)

a) What does one require to be eligible to the youth development Enterprise Fund. (5 marks)

b) Insurance industry has the same characteristics as financial services when it comes to addressing the needs of the poor. The problems are also similar. Discuss any four problems facing the insurance sector in an effort to address the needs of the poor. (8 marks)

c) Briefly explain any five sources of subsidies of a microfinance program. (5 marks)

d) Are subsidies mandatory for a micro finance institution to survive. (2 marks)