



MACHAKOS UNIVERSITY

University Examinations 2018/2019

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

FIRST YEAR SECOND SEMESTER EXAMINATION FOR

DIPLOMA IN SUPPLY CHAIN MANGEMENT

BUSINESS FINANCE

DATE: 16/4/2019

TIME: 2.30-5.30 PM

INSTRUCTIONS

ANSWER ALL QUESTIONS

QUESTION ONE (20 MARKS)

- a) Explain the concept of cost of finance and its significance to financial managers of organizations. (10 marks)
- b) A company has the following capital structure:

Source of Capital	Amount (in Ksh.000s)
Debentures	10,000
Preferred Capital	4,000
Retained Earnings	6,000
Ordinary Share Capital	8,000
Value	28,000

Compute the Weighted Average Cost of Capital if the component costs are; k_d is 8%, k_p is 12.5%, k_r is 16% and k_s is 19.2%. (10 marks)

QUESTION TWO (20 MARKS)

- a) Explain five roles played by commercial banks in the promotion of commercial activities. (10 marks)
- b) Explain the differences between commercial banks and non-bank financial institutions. (10 marks)

QUESTION THREE (20 MARKS)

- a) Explain the functions of finance companies in the economy. (10 marks)
- b) Explain five factors to be considered when choosing a source of finance. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Explain the need for business finance to an organization. (10 marks)
- b) Explain five factors to be considered in making a choice of a capital structure mix of the firm. (10 marks)

QUESTION FIVE (20 MARKS)

Citing specific examples discuss the functions of non-bank financial institutions to business organizations. (20 marks)