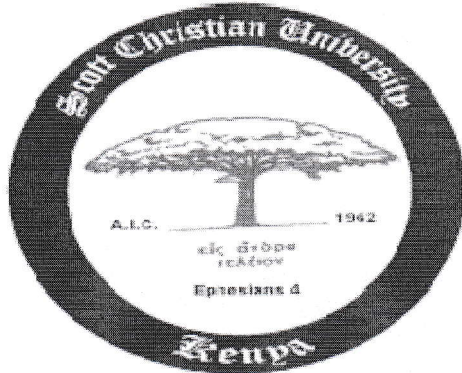




BBA 204/BIT215: BUSINESS FINANCE – CAT 6th November, 2017

Instructions – Question one is compulsory. Answer any other two questions – Time 2 hrs

Question One

Joytown limited has given you the following information as at 31st December, 2016. Sales Ksh.360,000, Salaries expenses of sh.52,000; taxes sh.24,000, Interest paid on a loan of Sh.400,000 @ 10% p.a., COG Sh.10,000, office supplies expenses of sh.10,400. The business paid an average tax rate of 30% during 2016. Travel expenses were sh.18,000; depreciation on office expenditure sh.15,000. The company has 31,840 common shares outstanding:

- i) Prepare an income statement from the following information – 8 marks
- ii) Calculate the earnings per share – 2 marks
- iii) The capital markets comprises of two markets. Discuss the two markets .- 5 marks
- iv) Describe the major types of financial institutions – 5 marks

Question 2.

- i) Payback period is one of the techniques a finance manager can adopt to appraise an investment. What are the drawbacks to this technique? – 6 marks
- ii) What are the advantages of borrowing to a business? –4 marks

Question 3

- i) Describe the components of a cash budget – 4 marks
- ii) Business operations require funds. What are the sources of funds for businesses? – 6 marks

Question 4.

- i) Explain horizontal and vertical analysis of financial information? -4 marks
- ii) Discuss the key objectives of financial regulators in an economy – 6 marks

Question 5

- i) Describe the money market – 6 marks
- ii) Discuss the key functions of a finance manager. – 4 marks