



OFFICE OF THE DEPUTY CHANCELLOR
ACADEMICS, STUDENT AFFAIRS AND RESEARCH

UNIVERSITY EXAMINATIONS

2023/2024 ACADEMIC YEAR

THIRDYEAR FIRST SEMESTER MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF EDUCATION (ARTS)

COURSE CODE: EDB 300

COURSE TITLE: BUSINESS FINANCE I

DATE: 4TH DECEMBER 2023

TIME: 2.00 TO 5.00 P.M

INSTRUCTION TO CANDIDATES

- SEE INSIDE

THIS PAPER CONSISTS OF 3 PRINTED PAGES

PLEASE TURN OVER

MAIN EXAM
EDB 300- BUSINESS FINANCE

STREAM:BED

DURATION: 3 Hours

INSTRUCTION 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 (30 MARKS)

a) The chief finance officer (CFO) of a blue chip firm is faced with the following investment options;

Option A;

CASHFLOW	PROBABILITY
1,000,000	0.1
2,000,000	0.5
3,000,000	0.4

Option B;

CASHFLOW	PROBABILITY
2,000,000	0.3
3,000,000	0.6
5,000,000	0.1

Required; Conduct an appropriate analysis and advise the CFO given that the initial required sum of investment would be shs. 3,500,000 and the firm's WACC = 12%.

[10 marks]

b) Describe FIVE role of the Nairobi Securities Exchange.

(10 marks)

c) Distinguish between the memorandum of Association and the Articles of Association (10 marks)

QUESTION TWO (20 MARKS)

- a) Highlight TWO advantages and disadvantages to a company of being listed on a stock exchange. (10 marks)
- (b) In relation to the stock exchange, explain the role of the following members:
- i. Floor brokers (2 marks)
 - ii. Market makers (3 marks)
 - iii. Underwriters (5 marks)

QUESTION THREE (20 MARKS)

- a) Discuss the consequences of incorporation for a business firm (10 marks)
- b) Compare and contrast the features of partnership business enterprise and company (10 marks).

QUESTION FOUR (20 MARKS)

- a) State and explain the features of a share (10 marks)
- b) Highlight causes of business failures in an economy (10 marks)

QUESTION FIVE (20 MARKS)

- a) Illustrate and explain a business environment using a SWOT tool (10 marks)
- b) Explain with a diagram a business's life growth stages (10 marks)