



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS

JAN-APRIL SEMESTER

DIPLOMA

COURSE CODE: CIBF 001

COURSE TITLE: FUNDAMENTALS OF FINANCE

DATE: 4 JUNE 2020

TIME: 8.00 AM – 11.00 AM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

- a) Ordinary shares are classified as one of the external sources of finance name and explain seven characteristics of ordinary shares **[15 marks]**
- b) We have different types of business organization. Describe at least two of forms of business organization **[5 marks]**
- c) Discuss the following terms as they relate to stock exchange market .
 - i) Broker
 - ii) Jobber
 - iii) Bulls **[5 marks]**
- d) Briefly discuss eight roles of a finance manager **[10 marks]**
- e) Explain four characteristics of a good financial market **[5 marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- a) When choosing a source of finance various factors are considered .Discuss at least six factors to consider when choosing a source of finance **[15 marks]**
- b) Explain the term lease, and elaborate the main advantages of using lease as a short term source of finance **[5 marks]**
- c)

Question three

- a) Anayze any four major features of a financial market **[5 marks]**
- b) There are several factors that influence choice of a divided policy. Discuss the five factors that influence divided policy **[10 marks]**

Question Four

a) Describe the benefits that a company gets by being quoted in Nairobi Stock exchange
[15 marks]

b) For every return there is accompanying risk, explain what is risk return trade off.
[5 marks]

Question five

a) Assume that you have just invested Ksh100, 000. The investment is expected to earn interest at a rate of 20% compounded annually. Determine the future value of the investment after 3 years. [5 marks]

b) Under modern portfolio theory name and explain six sources of risk [10 marks]

Question six

a) Requirements of working capital depend on factors such as nature and size of business .List and explain at least eight factors [15 marks]

b) Clearly explain any four principles of Islamic banking [5 marks]