



*(University of Choice)*

**MASINDE MULIRO UNIVERSITY OF  
SCIENCE AND TECHNOLOGY  
(MMUST)**

**MAIN, BUNGOMA, NAIROBI, WEBUYE CAMPUS  
UNIVERSITY EXAMINATIONS  
2021/2022 ACADEMIC YEAR  
FIRST YEAR SEMESTER ONE MAIN EXAMINATION  
FOR CERTIFICATE  
IN  
BUSINESS MANAGEMENT**

**COURSE CODE: CBF 105**

**COURSE TITLE: FUNDARMENTALS OF FINANCE**

**DATE: TUESDAY 11<sup>TH</sup> JANUARY 2022**

**TIME: 9-11AM**

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**INSTRUCTIONS TO CANDIDATES**

Answer QUESTION ONE and any OTHER TWO questions

TIME: 2 Hours

MMUST observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

**QUESTION ONE**

- a) Describe any five sources of Government revenue in Kenya. **10 marks**
- b) Describe briefly three major sources of company finance and discuss the main advantages and disadvantages of each source. **6 marks**
- c) Identify and briefly explain the three main forms of agency relationship in a firm. (6 marks)
- d) What is financial intermediation? (3 marks)
- e) Identify any five services that financial intermediaries provide. (5 marks)

**QUESTION TWO**

- a) A finance manager plays a very important role in an organization. Explain the roles that the finance manager plays **10 marks**
- b) . Almond ltd intends to expand its programs to suite the emerging demand in the markets Describe the long term sources of finance available to an organization for expansion program. **10 Marks**

**QUESTION THREE**

- a) Distinguish between the money market and capital market **5 marks**
- b) Briefly explain what you understand by
  - i) Money market **3 marks**
  - ii) Physical market **3 marks**
  - iii) Commodity market **5 marks**
- c) Using suitable examples explain the meaning of primary and secondary markets **4marks**

**QUESTION FOUR**

- a) The central bank of an economy plays a major role in the regulation of money in circulation. Explain any four major functions the central bank offers in the economy. **8 marks**
- b) Discuss the main factors which a company should consider when determining the appropriate mix of long-term and short-term debt in its capital structure. (6 marks)
- c) Examine the relative merits of leasing versus hire purchase as a means of acquiring capital assets. (6 marks)