KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2018/2019

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (FINANCE OPTION)

BAC 822: ENTREPRENEURIAL FINANCE

DATE: THURSDAY, 28TH MARCH, 2019 **TIME: 4.30 P.M. - 6.30 P.M.**

INSTRUCTIONS

ANSWER ALL QUESTIONS

1. (a) Describe the different small business growth stages and explain the applicable sources of finance. (9 marks)

   (b) Explain what should be done to improve the provision of finance to small firms. (8 marks)

2. (a) Outline the factors the entrepreneur needs to consider in selecting a banker for his business. (9 marks)

   (b) Discuss the challenges to acquiring a bank loan for small scale business. (8 marks)

3. (a) Explain what venture capitalists look for from their investment. (9 marks)

   (b) Discuss the challenges venture capitalists are likely to contend with in Kenya. (7 marks)

   (c) Illustrate the presence of venture capital in Kenya. (4 marks)

4. (a) The following are data for Bojanana Company ltd statement of financial position.

Non current assets	2012	2011
	Kshs.	Kshs.
Land & Building	1,900,000	1,900,000
Plant & Machinery	1,100,000	2,250,000
Current Assets		
Inventories	820,000	2,700,000
Accounts Receivables	1,240,000	2,020,000
Bank	1,360,000	630,000
TOTAL ASSETS	**6,420,000**	**9,160,000**

Equity & Liabilities		
Ordinary share capital	2,000,000	2,000,000
Revenue Reserves	1,510,000	2,020,000
10% Debentures	1,500,000	3,500,000
Current Liabilities		
Accounts payable	960,000	790,000
Taxation	330,000	610,000
Dividends	120,000	240,000
Total Equity & Liabilities	**6,420,000**	**9,160,000**

Income Statement	Kshs.	Kshs.
Sales	4,210,000	4,930,000
Less cost of sales	2,680,000	2,970,000
Less profit	1,530,000	1,960,000
Less expenses	860,000	1,050,000
	670,000	910,000
Less taxation	210,000	240,000
Dividends	120,000	160,000
Retained profits	**340,000**	**510,000**

Additional information

(i) The closing stock as at 31st December 2010 was valued at Kshs. 1,000,000

(ii) Expenses include interest charges of Kshs. 120,000 and Kshs. 490,000 for 2012 & 2011 respectively

(iii) Credit purchase were Kshs. 2,720,000, Kshs. 2,300,000 and Kshs. 4,850,000 for 2009, 2011 and 2012 respectively.

Required

(a) Assuming that you have been identified to advice the management of Bojanana Company ltd. On the viability, long term stability and efficiency preparedness of this business for the two years, determine the following ratios (or any other). Interpret them, compare for the two years and use to advise for necessary decision making. (10 marks)

- (i) Stock turnover Ratio
- (ii) Debtor turnover
- (iii) Creditors turnover
- (iv) Dividend cover
- (v) Gearing ratio

(b) State the limitations of using Accounting Ratios as financial statement analysis tool for measuring business performance. (6 marks)