PAN AFRICA CHRISTIAN UNIVERSITY

END OF TERM EXAMINATION

BUS3313: SMALL BUSINESS FINANCE

WEDNESDAY JULY 30TH, 2014

1800HRS – 2100HRS

INSTRUCTIONS

- This exam paper has **Seven** Questions
- Answer Question **One** and **Any** other **Four** questions
- Write your **student number** on the answer booklet provided.
- Read all questions carefully before attempting.

Answer QUESTION 1 AND ANY OTHER FOUR questions. All questions carry equal marks

Question 1.

(a) A cash flow plan helps an entrepreneur to avoid the business running out of cash. Outline the steps s/he would take to establish such a plan. (10 marks)

(b) If the cash flow plan shows that the business is likely to run out of cash at any one time, what measures would you take as the entrepreneur to:

i. Increase cash inflows. (5 marks)
ii. Decrease cash outflows. (5 marks)

Question 2.

(a) Start-up capital for a small business serves two purposes. Identify and discuss the two. (10 marks)

(b) Discuss two basic sources of finance for a small business. (10 marks)

Question 3.

An efficient record keeping system is required for any business. As the owner of a small business;

a) Explain why you should keep records. (4 marks)
b) Identify any three interest groups that may want to know about the finances of your business? (6 marks)
c) Describe three kinds of records you should keep. (6 marks)
d) As the business grows, who should be responsible for keeping the financial records? (4 marks)

Question 4.

(a) Define direct costs. (2 marks)

(b) Giving examples elaborate on the two sub-groups that compose these costs. (8 marks)

(c) Indirect costs are all other costs generated from business activities that are not direct costs. Giving examples, describe five such costs. (10 marks)

Question 5.

The overall results of operations of a business over a given period, is usually expressed in two financial statements. Identify and describe the steps and items taken into account in preparing them. (20 marks)

Question 6

To know the exact effect of changing prices and or costs on the cash and profit situation, a sensitivity analysis has to be made. Describe the analysis and the calculations required to realize it. (20 marks)

Question 7.

Write short notes on the following terms as applied to business?

a) Pitching (4 marks)
b) Business proposals (4 marks)
c) Enterprise gearing (4 marks)
d) Working capital management (4 marks)
e) Drawings from the enterprise (4 marks)