BUE4413 SMALL BUSINESS FINANCE
ROYSAMBU CAMPUS- EVENING

Instructions

i) **This exam paper contains SIX questions carrying 10 mark each.**
ii) **Answer Question 1 (Compulsory) and any other three questions**
iii) **Read each question carefully before attempting.**

Question 1

A small business owner has just won a large supply contract but has no money to do the work. Unfortunately, his internal sources of capital can barely finance the contract. Advise him on any four external sources he could explore. (10 marks)

Question 2

A young entrepreneur asked for Ksh.1 million in exchange for 10 percent equity in his newly started venture. However, he got a counter offer of the same amount but at 50 percent equity from an angel investor and he has less than 10 minutes to make a decision. Justify 4 reasons why he should take the offer.

(10 marks)

Question 3

A friend of yours submitted financial statements of his sole proprietorship business in hope of obtaining loan from a bank. However, after perusing through the statements, the credit manager has him to include ratio analysis. Explain to him five profitability ratios that he could compute.

(10 marks)

Question 4

You have been invited to train a group of small business owners on proper financial management. Your experience dealing with similar groups reveal that the main problem ailing such business is lack of budgeting. Discuss five benefits of financial budgeting that you will include in your handout.

(10 marks)

Question 5

You have been hired as a Small Business Advisor of a local microfinance company with a large loan portfolio at risk. Your assignment is to increase portfolio quality. Conversations with your small business clients reveals a weak cashflow management practice on their part. You decide to organize a free cashflow management seminar. Explain five strategies that you will suggest to participants. (10 marks)

QUESTION 6

Group lending model has informed the development and practice of microfinance for years. Analyze four features that present a business case for its use to microfinance institutions. (10 marks)