

CHUKA



UNIVERSITY

**UNIVERSITY EXAMINATIONS  
RESIT/SPECIAL EXAMINATION**

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF  
ENTREPRENEURSHIP AND ENTERPRISE MANAGEMENT**

**BEEM 324: SMALL BUSINESS FINANCING**

**STREAMS: BEEM**

**TIME: 2 HOURS**

**DAY/DATE: TUESDAY 02/11/2021**

**11.30 A.M – 1.30 P.M.**

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**INSTRUCTIONS:**

- Answer question one and any other two questions.

**QUESTION ONE (Compulsory)**

Hellen and Pamela are business partners in the manufacturing of consumer goods for the international market. Their business is currently experiencing financial constraints and underperforming. They are contemplating borrowing funds from commercial banks to support the current operations. They approached a financial expert who advised them not to use borrowed capital to sustain a business that is at the verge of collapse but to generate funds from other cheaper sources and turnaround the enterprise.

**Required:**

(a) Discuss the main factors that they should consider before selecting a source of finance.

(10 marks)

(b) Assume you are the commercial bank manager, identify and explain the risks associated with financing a non-performing manufacturing enterprise.

(10 marks)

(c) Advise the partners on the two best alternative sources of capital for their enterprise.

(10 marks)

## **QUESTION TWO**

With the aid of a diagram, discuss the small business life cycle stages and the financial requirements at each growth stage.

(20 marks)

## **QUESTION THREE**

(a). Briefly explain why the cooperative lending methodology is a popular small business financing model in Kenya.

(10 marks)

(b) Identify and explain the major drawbacks of group lending model.

(10 marks)

## **QUESTION FOUR**

(a) Recent studies in Kenya indicate that high rate of small business failure is associated with financial inadequacy. Discuss the challenges that small businesses face in accessing finances in Kenya.

(12 marks)

(b) Explain six benefits that small business derive from microfinance.

(8 marks)

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