

CHUKA



UNIVERSITY

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

BEEM 324: SMALL BUSINESS FINANCING

STREAMS: BEEM

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 18/12/2024

2.30 P.M – 4.30 P.M

INSTRUCTIONS:

Answer question one and any other two questions

QUESTIONONE (Compulsory)

Kiptarus and Malonza 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.

(10marks)

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

(10marks)

QUESTION TWO

- a) Discuss the causes and remedies of undercapitalization in small businesses.(10marks)
- b) Explain the merits and demerits of retained earnings. (10marks)

QUESTION THREE

- (a) Every business concern must maintain certain amount of Working Capital. Briefly explain the importance of maintaining adequate working capital in a business. (10marks)
- (b) Identify and explain the major drawbacks of group lending model. (10marks)

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 financial services in Kenya .(12marks)
 - (b) Discuss functions of a financial manager in an SME (8marks)
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