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KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2018/2019 ACADEMIC YEAR
DIPLOMA IN BUSINESS ADMINISTRATION
DBA 1008 – FINANCIAL MANAGEMENT

Date: 11th April, 2018
Time: 11.00am – 1.00pm

INSTRUCTIONS TO CANDIDATES
ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) The budget is both a planning and a control tool. Discuss. (4 marks)
- b) Discuss the extent to which the following are sources of finance (5 marks)
- i. Sale and lease back (6 marks)
 - ii. Deposits and receipts in advance. (6 marks)
- c) Discuss the advantages of dematerialization of securities. (5 marks)
- a) A business lady is considering acquiring a new machine to serve her customers better. The machine is going to cost her Shs380000. The net cash inflows for the machines useful life of five years is estimated as 80000, 110000, 170000, 120000 and 60000 respectively. The lady would want to have her money back at the end of three years latest. The cost of capital is 12%. Advise the lady on whether this investment is viable on the basis of the
- i. PBP (4 marks)
 - ii. IRR (6 marks)

QUESTION TWO (20 MARKS)

- a) Preference share capital is referred to quasi debt. Explain the extent to which it is similar to ordinary share capital. (10 marks)
- b) Discuss the functions of the Central Bank of Kenya as a player in the financial sector. (10 marks)

QUESTION THREE (20 MARKS)

- a) Discuss five basic functions of financial intermediaries/institutions. (10 marks)
- b) Highlight the advantages and disadvantages of debentures as a source of finance. (10 marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the importance of the CMA in the financial market. (10 marks)
- b) Discuss the role and operations of SACCOS as financial intermediaries. (10 marks)

QUESTION FIVE (20 MARKS)

- a) Discuss the importance of ratio analysis to a business organization. (8 marks)
- b) Highlight the general utility functions of commercial banks. (12 marks)