Kasarani Campus
Off Thika Road
P. O. Box 49274, 00101
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY

UNIVERSITY EXAMINATIONS, 2022/2023 ACADEMIC YEAR
FIRST YEAR,FOURTH SEMESTER EXAMINATION

FOR THE DIPLOMA IN PROCUREMENT AND SUPPLY MANAGEMENT

DBA 1008- FINANCIAL MANAGEMENT

Date:26th July 2022
Time:11.30am-1.30pm

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE COMPULSORY (30 MARKS)

a) Highlight the limitation of profit maximization goal of a firm (6 marks)

b) List five rights that owners of ordinary shares of a public company enjoy. (5 marks)

c) Suppose Joe gives Molly sh.100, 000 and Molly decides to deposit the money in a bank account where it earns interest 10% p.a. and interest is compounded semi-annually. How much future sum would Molly receive after;

i. Two years (3 marks)

ii. Ten years (2marks)

d) Highlight any four routine functions of the finance manager of a company of your choice. (4 marks)

e) State four assumptions of Cost Volume Profit (CVP) analysis (4 marks)

f) Firms have to make a number of key financial management decisions, which when acted upon, will ensure their success. Briefly explain any three financial management decisions that a firm should place focus. (6 marks)

QUESTION TWO (20 MARKS)

a) Explain four significance of cost of capital. (4 marks)

b) The following information was extracted from the books of Lotan ltd

Sh	
Ordinary shares par value, sh.25	800,000
10% preference shares par value, sh.20	400,000
10% debentures	400,000
Total capital employed	**1,600,000**

Additional information

The capital employed is in book value, thus we have to ascertain the respective market value of the above finances.

i. Ordinary shares currently sell at Sh. 30

ii. The 10% preference shares currently sell at sh.25

iii. The 10% debentures is currently valued at sh.500,000

The company has maintained a cash dividends of sh.3.80 per share over the past five year. Assume a corporate tax of 30%.

Required: Compute the firm's weighted average cost of capital (WACC). (16 marks)

QUESTION THREE (20 MARKS)

a) Differentiate the following

i. Mutually exclusive projects and independent projects (2 marks)

ii. Divisible project and indivisible projects (2 marks)

b) A project costs sh. 16,200 and is expected to generate the following cash flows.

Year	**sh.**
1	7,500
2	7,500
3	7,500
4	7,500

Assuming the required rate of return is 10%.

Required: Compute

i. Payback period (4 marks)

ii. The NPV (4 marks)

iii. Profitability index (4 marks)

iv. The IRR (4 marks)

QUESTION FOUR (20 MARKS)

a) Explain any five advantages of using the Net Present value as a capital budgeting method. (6 marks)

b) Discuss the major objectives of a firm (10marks)

c) Suppose Jane receives at the end of each year an amount of sh.5,000 for 4 years. If the discount rate is 10%, what is the present value of the annuity? (4 marks)

QUESTION FIVE (20 MARKS)

a) Using appropriate example, discuss the various sources of finance available to a company listed at the Nairobi Securities Exchange (NSE) under;

i. Short-term sources (5 marks)

ii. Long-term sources (5 marks)

b) Ratio analysis is a process of determining the strength or position of a company by comparing various items in the financial statements. Discuss five limitations of using ratios to analyse a company's performance. (10 marks)