



MURANG'A UNIVERSITY COLLEGE

(A Constituent College of Jomo Kenyatta University of Agriculture and Technology)

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

MAIN CAMPUS

UNIVERSITY EXAMINATION

ORDINARY

2015/2016 ACADEMIC YEAR

YEAR ONE SEMESTER ONE EXAMINATIONS

DIPLOMA IN BUSINESS MANAGEMENT & CERTIFICATE IN BUSINESS MANAGEMENT (DBM & CBM)

COURSE CODE: DAB1213

COURSE TITLE: FINANCIAL MANAGEMENT

DATE:

TIME:

INSTRUCTIONS TO THE CANDIDATES

THIS PAPER CONSIST OF FOUR QUESTIONS

Question one (1) is Compulsory

Answer Any Other Two (2) Questions

SECTION A:

QUESTION ONE:

- a) What are the some of the important features of profit?(4marks)
- b) Explain the differences between a funds flow statement and a cash flow statement? (8 marks)
- C) what are the three major categories of business finance? Discuss them in exahaustively? (12 marks)
- d) define and explain what is meant by time value of money? (4marks)

SECTION B:

QUESTION TWO:

- a) A Company expects a net income of Rs. 1,00,000. It has Rs. 2,50,000, 8% debentures.

The equality capitalization rate of the company is 10%. Calculate the value of the firm and overall capitalization rate according to the net income approach (ignoring income tax). (10 marks)

- (b) If the debenture debts are increased to Rs. 4,00,000. What shall be the value of the firm and the overall capitalization rate? (10 marks)

QUESTION THREE:

- a) An investor deposits shs.5000 in a savings institution, each payment is made at the end of each year. These payments earn an interest rate of 5% per annum.

Required:

- a) How much would be earned at the end of ten years
- b) supposing the payemnts are made at the beginning of each year and they earn an interest rate of 5%, how mich will be received at the end of ten years?

QUESTION FOUR:

- a) An investment requires an initial investment of sh 6,000. The annual cash flow is Estimated at sh.2000 for 5 years. Calculate the IRR? (8 marks)
- b) Initial investment required: \$100,000 • Opportunity cost of capital: 15%

YEAR	cash revenues less expenses after tax
1	20000
2-9	40000
10	10000

Find the net present value of the above project? (10 marks)