



**MURANG'A UNIVERSITY COLLEGE (MRUC)**  
*(A Constituent College of Jomo Kenyatta University of Agriculture & Technology)*

**MURANG'A UNIVERSITY COLLEGE**  
**DIPLOMA IN BUSINESS MANAGEMENT**

**COURSE CODE: DFB 1121**

**COURSE TITLE: FINANCIAL MANAGEMENT**

QUESTION 1 IS COMPULSORY AND ANY OTHER TWO QUESTIONS IN SECTION B.

QUESTION 1,

- I) How is finance related to the disciplines of accounting and economics? (4 marks)
- II) List and explain the three financial factors that influence the value of a business. (4 marks)
- III) Compare and contrast the potential liability of owners of proprietorships, partnerships (general partners), and corporations. (4 marks)
- IV) What is a security? (4 marks)
- V) How are financial trades made in an over-the-counter market? (8 MARKS)
- VI) Discuss the role of a dealer in the OTC market. (6 marks)

TOTAL MARKS (30)

SECTION B:

QUESTION: 2)

i) What can a financial institution often do for a surplus economic unit that it would have difficulty doing for itself if the surplus economic unit (SEU) were to deal directly with a deficit economic unit (DEU)? (6 marks)

II) Define *intermediation*? (4 marks)

iii) Compare and contrast mutual and stockholder-owned savings and loan associations? (10 marks)

TOTALS (20 MARKS)

QUESTION 4.

- I) is the time value of money? (5 marks)
- II) Differentiate between business risk and financial risk? (5 marks)
- III) Write short notes on Net income theory? (10 marks)

QUESTION FIVE.

I) A firm L is a levered firm with \$100,000 equity and its cost of equity is 9% with an interest rate of \$8000 and debt of \$20,000

Required:

- a) Calculate the value of equity i.e E? (3 MARKS)
- b) Calculate the value of debt i.e D? (3marks)
- c) Calculate the value of the firm?(4 marks)