



MURANGA UNIVERSITY COLLEGE

(A constituent College of Jomo Kenyatta University of Agriculture & Technology)

MAIN CAMPUS

SPECIAL/ SUPPLEMENTARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

**BACHELOR OF COMMERCE/ BACHELOR OF BUSINESS INFORMATION
TECHNOLOGY**

COURSE CODE: HBC2202/ HBT2303

**COURSE TITLE: INTRODUCTION TO FINANCIAL MANAGEMENT/ FINANCIAL
MANAGEMENT**

DATE:

TIME:

INSTRUCTIONS TO CANDIDATES

Question ONE (1) is compulsory
Answer any OTHER TWO (2) questions

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE (30mks).

- (a) Explain the finance functions in an organization. (8mks).
- (b) Fred is contemplating purchasing a 3 year bond worth sh 40,000 carrying a nominal coupon rate of interest of 10%. The required rate of return is 6%. What should he be willing to pay now to purchase the bond if it matures at par? (6mks).
- (c) Discuss the disadvantages of payback period methods of investment analysis. (8mks).
- (d) Highlight the factors that influence the interest rates. (8mks).

QUESTION TWO (20mks).

- (a) Explain the factors that influence the cost of finances. (10mks).
- (b) Highlight the advantages of Central Depository System. (C.D.S.) (10mks).

QUESTION THREE (20 MKS).

- (a) Highlight the advantages of leasing an asset. (10mks).
- (b) Given the information below, determine the risk using the standard deviation. (10mks).

Economic Scenario	Probability of Occurred	Rate of
Strong growth	0.25	15%
Moderate growth.	0.50	12%
Low growth	0.25	80%

QUESTION FOUR (20 MKS).

- (a) Discuss the objectives or goals of an organization or business. (10mks).
- (b) Explain the various determinants of working capital management. (10mks)