



MURANGA UNIVERSITY COLLEGE

*(A CONSTITUENT COLLEGE OF JOMO KENYATTA UNIVERSITY OF AGRICULTURE &
TECHNOLOGY)*

MAIN CAMPUS

ORDINARY UNIVERSITY EXAMINATIONS

2015/2016 ACADEMIC YEAR

SECOND AND THIRD YEAR FIRST SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE/ BUSINESS INFORMATION TECHNOLOGY

COURSE CODE: HBC2202/HBT2303

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

DATE: 16TH DECEMBER, 2015

TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

**QUESTION ONE (1) IS COMPULSORY
ANSWER ANY TWO (2) QUESTIONS**

MRUC observes ZERO tolerance to examination irregularities

QUESTION ONE (30mks)

- (a) A financial manager is responsible for shaping the fortunes of the enterprises.
Discuss (8mks).
- (b) Explain the various measures of risk. (6mks).
- (c) Company ABC pays a dividend of 10% on its Sh. 60 per value ordinary shares. This company uses a discount rate of 30%. Assuming no growth, compute the value of its ordinary share if there's growth of 5%, what would be the value of this company's ordinary shares. (6mks).
- (d) Explain the functions of Nairobi securities exchange. (10mks).

QUESTION TWO (20mks).

- (a) Explain the functions of financial markets. (10mks).
- (b) Discuss the importance of the cost of finance. (10mks).

QUESTION THREE (20mks).

- (a) Explain the reasons why a finance manager should understand the management of working capital. (8mks)
- (b) Discuss the conflicts that may arise between the shareholders and management. (12mks).

QUESTION FOUR (20mks).

- (a) What is the value of Sh. 100,000/- investment annually at the beginning of each of the next 5 years at an interest of 12%.. (10mks).
- (b) Explain the disadvantages of Net Present Value method of analyzing investment projects. (10mks).