



MURANGA UNIVERSITY COLLEGE

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

MAIN CAMPUS

SUPPLIMENTARY/SPECIAL UNIVERSITY EXAMINATIONS

2014/2015 ACADEMIC YEAR

SECOND YEAR SECOND SEMESTER EXAMINATIONS

FOR THE DEGREE

OF

BACHELOR OF COMMERCE

COURSE CODE: HBC2202

COURSE TITLE: INTRODUCTION TO FINANCIAL MANAGEMENT

DATE: 27TH OCTOBER 2015

TIME: 2HOURS

INSTRUCTIONS TO CANDIDATES

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

MRUC observes ZERO tolerance to examination irregularities

This Paper Consists of 2 Printed Pages. Please Turn Over. ►

QUESTION ONE (30 MKS)

- (a) Explain four advantages of using ordinary share capital in financing. (8mks).
- (b) Discuss the three key assets of working capital. (6mks).
- (c) Explain the following terms as used in long-term financing.
 - (i) Convertible securities.
 - (ii) Leasing.
 - (iii) Equity (shares).
 - (iv) Debentures. (8mks).
- (d) Discuss the instruments of monetary policy. (8mks).

QUESTION TWO (20 MKS).

- (a) Explain six functions of Central Bank of Kenya. (12mks).
- (b) Discuss four functions of money. (8mks).

QUESTION THREE (20 MKS).

- (a) Highlight the importance of cost of finance. (10mks).
- (b) Explain five factors that determine the rate of interest in an economy. (10mks).

QUESTION FOUR (20 MKS).

- (a) Discuss the constraints of Venture Capital in Kenya. (10mks).
- (b) Highlight five financial objectives of a firm. (10mks).