



**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:**

**TIME: 2HOURS**

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**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).