



# **MAASAI MARA UNIVERSITY**

**REGULAR UNIVERSITY EXAMINATIONS  
2021/2022 ACADEMIC YEAR**

**FOURTH YEAR FIRST SEMESTER**

**SCHOOL OF NATURAL RESOURCES, TOURISM  
AND HOSPITALITY MANAGEMENT**

**BACHELOR OF HOTELS AND HOSPITALITY  
MANAGEMENT**

**COURSE CODE: BHM 4105**

**COURSE TITLE: FINANCIAL MANAGEMENT**

DATE:

TIME:

**INSTRUCTIONS TO CANDIDATES**

Answer **ALL** questions in section **A** and any other **Two** in section **B**.

*This paper consists of 2 printed pages. Please turn over*

**SECTION A: COMPULSORY (30 MARKS)**

**QUESTION ONE (30 MARKS)**

- a) Discuss five major causes of conflict between shareholders and management of a company **(10 Marks)**
- b) A project with initial outlay of Ksh 170,000 promises the following cash flows
- |                        |    |    |    |    |
|------------------------|----|----|----|----|
| a. Year                | 1  | 2  | 3  | 4  |
| b. Cash flow Ksh (000) | 60 | 60 | 60 | 60 |

If the cost of capital is 12%, evaluate the project to establish if it is worth pursuing using

- i. Payback period **(2 Marks)**
  - ii. Net present value **(4 Marks)**
  - iii. Internal rate of return **(4 Marks)**
  - iv. Profitability index **(2 marks)**
- c) Discuss any four roles of stock exchange in economic development **(8 marks)**

**SECTION B: ANSWER ANY TWO QUESTIONS**

**QUESTION TWO (20 MARKS)**

The following information has been extracted from the published accounts of Pesa Corporation Limited, a company quoted on the Nairobi Stock Exchange.

Shs.

Net profit after tax and interest	990,000
Less: dividends for the period	<u>740,000</u>
Transfer to reserves	250,000
Accumulated reserves brought forward	<u>810,000</u>
Reserves carried forward	<u><u>1,060,000</u></u>

Share capital (Sh.10 par value) Sh.8,000,000

Market price per share now Ksh12

**Required;**

a) What is meant by a company quoted on the Nairobi securities Exchange?

**(4 marks)**

b) Calculate for Pesa Corporation Limited the following ratios and indicate the importance of each to Miss Hisa, a Shareholder:

i. Earnings per share. **(4 marks)**

ii. Price earnings ratio **(4 marks)**

iii. Dividend yield **(4 marks)**

iv. Dividend cover **(4 marks)**

**QUESTION THREE (20 MARKS)**

a) Discuss any five barriers to effective budgeting and planning **(10 Marks)**

b) Define financial management and discuss its roles in a hospitality industry **(10 Marks)**

**QUESTION FOUR (20 MARKS)**

a) Capital Market Authority (CMA) was established by an act of parliament to assist in creation of a conducive environment for growth and development of capital markets in Kenya, discuss its roles **(10 Marks)**

b) Discuss five key goals of a firm **(10 Marks)**

.....**End**.....