



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2022/2023 ACADEMIC YEAR
FIRST YEAR FIRST SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
DIPLOMA IN HUMAN RESOURCE
MANAGEMENT**

**COURSE CODE: HRD 004
COURSE TITLE : INTRODUCTION TO
FINANCIAL MANAGEMENT**

DATE : 7/2/2024 TIME : 1430-1630 HRS

INSTRUCTIONS TO CANDIDATES

Answer Question **ONE** and any other **THREE** Questions

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

Question One

a) Identify and explain any **FOUR** sources of finance for a company
(10 marks)

(b) Uchumi Ltd has the following capital structure as at 31st march 2022

Ordinary share capital (400,000 shares) @ sh10

200,000 shares 10% preference share capital @sh 20

14% Debenture 1400 0 @ sh 100

Additional information

- i. The market price of each security as at 31st march 2016 was sh. 40, 60 and 140 respectively.
- ii. The firm paid a dividend of sh. 4.5 for each ordinary share for the year ended 31st march 2016
- iii. The annual growth rate of the firm was 7%
- iv. The corporation tax rate is 30%

Required:

- i. Compute cost of each source of capital (6mks)
- ii. Compute the weighted average cost of capital (4mks)
- iii. Compute the marginal cost of capital of the firm as at 31st march 2022. (5mks)

Question two

a) Identify and explain any four classes of ratios used in financial statement analysis. (6 marks)

b) Explain four ways you will solve the agency conflict between shareholders and directors of a company (9 marks)

Question three

a) Explain how a firm can use corporate social responsibility to improve its financial ability (5 marks)

b) A company has two alternative proposals. The details are as follows:

<i>YEAR</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
Project A : Shs 4,000	4,000	4,000	4,000	4,000	4,000
Project B: Shs 6,000	3,000	2,000	5,000	5,000	5,000

Required :

Compute the profitability of the proposals under the NPV , PI and Payback Period method. (10 marks)

Question four

- a) A firm's commitment to business ethics can be measured in different ways . Explain any three ways this can be done
(6 marks)
- b) Identify any five principles of corporate governance
(5 marks)
- c) The finance manager spends most of his time making managerial finance decisions , highlight any four of these decisions (4 marks)

Question five

BRIDGEVIEW COMPANY LTD
STATEMENT OF FINANCIAL POSITION AS AT 31st DECEMBER

	2022	2021
Non-current Assets		
Net plant and equipment	2731	2880
Current assets		
Cash	84	98
Accounts receivables	165	188
Inventory	393	422
Total	642	708
Total assets	3373	3588

Liabilities and owners equity

Current liabilities

Accounts payable	312	344
Notes payable	231	196
Total	543	540
Long term debt	531	457
Owners equity	500	550
Retained earnings	1799	2041
Total	2299	2591
Total liabilities and equity	3373	3588

Income statement for 2011

Sales	2311
Cost of goods sold	1344
Depreciation	276
Earnings before interest and Tax	691
Interest paid	141
Taxable income	550
Taxes (34%)	187

Net income after tax	363
Dividends	121
Retained earnings	242

Required:

Compute the following performance measurement ratios of the firm .

- i. Net profit ratio (2 marks)
- ii. Return on equity (2 marks)
- iii. Return on assets (2 marks)
- iv. Debtors turnover (2 marks)
- v. Stock turnover (3 marks)
- vi. Current ratio (2 marks)
- vii. Quick acid test ratio (2 marks)

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