



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATIONS
2017/2018 ACADEMIC YEAR
THIRD YEAR FIRST SECOND SEMESTER**

**SCHOOL OF BUSINESS & ECONOMICS
BACHELOR OF BUSINESS MANAGEMENT**

COURSE CODE: BHR 305

COURSE TITLE: FINANCIAL MANAGEMENT

DATE: 24TH APRIL 2018

TIME: 8.30AM-10.30AM

INSTRUCTIONS TO CANDIDATES

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

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

QUESTION ONE (25 MARKS)

- a) Briefly describe the four finance functions or decisions. **(8 marks)**
- b) How is finance function related to management function? **(11 marks)**
- c) Discuss any 3 major roles played by a financial manager. **(6 marks)**

QUESTION TWO (15 MARKS)

- a) Giving examples discuss any six capital budgeting decisions undertaken by a firm. **(9 marks)**
- b) Explain the importance of capital budgeting decisions. **(6 marks)**

QUESTION THREE (15 MARKS)

- a) Define a debenture and explain the 5 main features of a debenture. **(7 marks)**
- b) Explain any 4 financial procedures and systems used by a firm. **(8 marks)**

QUESTION FOUR (15 MARKS)

Company ABC contemplates to raise debt finance totalling Shs 1,000,000. It will be required to pay an annual interest of 10%. This money can be invested in one of the following projects A or B which will generate the following cash inflows.

Period	Project A	Project B
	Shs	Shs
1	300,000	600,000
2	100,000	500,000
3	400,000	400,000
4	500,000	300,000
5	600,000	100,000

REQUIRED

- a) Using NPV method advice the management on which project is viable and why. **(10 marks)**
- b) Using payback period method which of the two projects should the company invest in? **(5 marks)**

QUESTION FIVE (15 MARKS)

Ratio analysis is a very useful tool to raise pertinent questions on a number of managerial issues. Discuss extensively the information by management from the following analysis:

- a) Profitability Analysis **(5 marks)**
- b) Asset utilization **(5 marks)**
- c) Liquidity analysis **(5 marks)**

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