

W1-2-60-1-6

**JOMO KENYATTA UNIVERSITY**

**OF**

**AGRICULTURE AND TECHNOLOGY**

**UNIVERSITY EXAMINATIONS 2014/2015**

**SECOND YEAR FIRST SEMESTER EXAMINATION FOR**

**THE DEGREE OF BACHELOR OF COMMERCE**

**HBC 2202: INTRODUCTION TO FINANCIAL MANAGEMENT**

**DATE: APRIL 2015 TIME: 2 HOURS**

**INSTRUCTIONS: ANSWER QUESTION ONE (COMPULSORY) AND**

**ANY TWO QUESTIONS**

**QUESTION ONE (30 MARKS) (COMPULSORY)**

Namanjalala traders have decided to come together and agreed to form a Real Estate company that will enable them acquire two acres of land in the Central Business

District and raise commercial building for their different Business.

Required

1. Briefly outline the various sources of finance you would use to raise finances

for the above project if you are chosen as a Finance Advisor. [20 marks]

1. Suppose each trader has an opportunity to receive Ksh.30,000/= in 1 year

from now and can earn 6% on his/her investment ‘what is the most amount

he/she would pay for this opportunity. [10 marks]

**QUESTION TWO (20 MARKS)**

1. What do you understand by the term “Financial Management”? [2 marks]
2. Discuss the various environments that will impact on financial

management in any organization. [8 marks]

1. Briefly outline the scope of financial management giving relevant examples. [10 marks]

**QUESTION THREE (20 MARKS)**

Write short notes on:

1. Importance of Financial Management. [5 marks]
2. Money versus Capital Markets. [5 marks]
3. Objectives of sound Financial Management process in any organization. [5 marks]
4. Working Capital Management. [5 marks]

**QUESTION FOUR (20 MARKS)**

Mr. Shamma has 8% debentures worth 500,000 and expects a good income of Ksh.200,000/=. The Equity Capitalization rate of the company is 10%.

Required:

Calculate the value of the firm and overall capitalization rate according to

the Net Capital Income approach (Ignoring Income Tax) [20 marks]