



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS & ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION WITH IT**  
**4<sup>TH</sup> YEAR 1<sup>ST</sup> SEMESTER 2016/2017 ACADEMIC YEAR**  
**KISII CAMPUS-PART TIME**

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**COURSE CODE: ABA 406**

**COURSE TITLE: MANAGEMENT OF FINANCIAL SERVICES**

**EXAM VENUE: LR 17**

**STREAM: (BBA )**

**DATE: 20/12/16**

**EXAM SESSION: 9.00 – 11.00 AM**

**TIME: 2 HOURS**

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**Instructions:**

- 1. Answer Question ONE (COMPULSORY) and ANY other 2 questions**
- 2. Candidates are advised not to write on the question paper.**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room.**

### **QUESTION ONE**

- a) i. Define Venture Capital. [2mks]  
ii. Identify four Factors that influence venture capital decisions. [4mks]
- b) State any four factors that the lessee should consider before entering into a lease agreement. [4mks]
- c) State five advantages of leasing. [5mks]
- d) In recent years, mergers and acquisitions is a major trend in the Kenyan economy. State five reasons for this trend. [5mks]
- e) Mr. Oloo leases a new car for 3 years. The sticker price of the car is Ksh. 30,000, he negotiates a purchase price of Ksh. 26,000, he makes a cash down payment of Ksh. 1,000 and he trades in his old car for a credit of Ksh. 3,000. The dealer tells him the residual value at the end of the lease will be 55% of the sticker price. Determine Oloo's lease payment. (take the interest rate = 6% p.a) [5mks]
- f) Highlight five activities of merchant banking. [5mks]

### **QUESTION TWO**

- a. Mergers and acquisitions will be financed by cash, shares, debentures or a mixture. The choice of payment will be determined by individual circumstances. Explain five factors to be considered when deciding the form that the consideration for acquiring a firm will take. [5mks]
- b. Explain briefly five types of mergers that may exist in an economy. [10mks]
- c. Explain five reasons why it is necessary for a business firm to conduct an analysis before a merger or a takeover takes place. [5mks]

### **QUESTION THREE**

- a. Explain five types of leasing. [10mks]
- b. Identify two advantages and three disadvantages of Discounted Cash Flows method of merger analysis. [5mks]
- c. Define horizontal combination and state three advantages of such combination. [5mks]

### **QUESTION FOUR**

- a) Explain five features of Bonds. [10mks]
- b) State four reasons why a company will choose to use commercial papers as a way of financing its operations. [4mks]
- c) Factoring allows a company to raise finance based on the value of its outstanding invoices. Explain three reasons why a company will choose this form of finance. [6mks]

### **QUESTION FIVE**

- a) For a firm that is falling, it requires self evaluation. Explain five key areas that the firm will focus on. [10mks]
- b) Identify and explain three accounting considerations in leveraged buy-outs. [6mks]
- c) Identify four reasons why merging firms would prefer a vertical integration. [4mks]