



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND
TECHNOLOGY

UNIVERSITY EXAMINATION FOR BACHELOR OF BUSINESS
ADMINISTRATION (BBA-With IT)

ABA 439: FINANCIAL MANAGEMENT IN THE SUPPLY CHAIN
DURATION: 2 HOURS

MAIN CAMPUS

INSTRUCTIONS

1. Answer Question ONE and any other TWO Questions in this paper.
2. DO NOT write on the QUESTION paper, all writings should be done on the Examination Answer Booklet
3. Observe University Examination Rules and Regulations

QUESTION ONE (30 MARKS)

a) Actarm PLC Ltd is examining two projects A and B in its supply chain operations whose projected cash flows are given below:

Year	Project A	Project B
	Kshs	Kshs
0	-3,800,000	-3,400,000
1	2,600,000	2,000,000
2	1,300,000	1,200,000
3	-700,000	2,200,000
4	100,000	500,000
5	550,000	-760,000

The projects salvage value is kshs 480,000 and kshs 785,000 for projects A and B respectively. Using 8% as the discount rate compute the NPV values and advice the management on investment. (15 marks).

b) The following is an extract of information contained in the financial statements of ABC limited

ABC ltd		
Income Statement (extract)		
	2006	2005
	Kshs	Kshs
Sales	31,000	25,500
Cost of sales	18,000	16,000
Gross profit	13,000	9,500
Operating expenses	9,500	7,500
Profit before taxation	3,500	2,000
Current years taxation	1,600	900
Profit after taxation	1,900	1100
Dividends	<u>600</u>	<u>600</u>
Retained profit for the year	<u>1,300</u>	<u>500</u>

Use the information to compute the profitability ratios; advice the management (8 marks)

- c) Discuss the distinguishing characteristics between management accounting and financial accounting (7marks)

QUESTION TWO (20 MARKS)

- i) Discuss the following sources of finance in a firm:
- a) Equity Capital (3marks)
 - b) Debentures Capital (3 marks)
 - c) Retained Earnings (3 marks)
- ii) Briefly discuss any three objectives of a business firm (6 marks)
- iii) Explain the causes of conflict between shareholders and debentureholders in a business organization (5marks)

QUESTION THREE (20 MARKS)

- a) Discuss the treatment of special items in value added statements (6marks)
- b) Discuss any four managerial finance functions of a manager (8 marks)
- c) Explain the application of financial statement analysis information (6 marks)

QUESTION FOUR (20 MARKS)

- i) Briefly state the main characteristics of a sound financial plan (4marks)
- ii) Using a suitable illustration, describe the working capital cycle of a manufacturing firm involved in supply chain activities (6marks)
- iii) Briefly explain the role of budgeting and budgetary control to a firm in the supply chain (5marks).
- iv) Discuss the pricing strategies adopted in the procurement and supply chain process (5marks)

QUESTION FIVE (20 MARKS)

a) Material A is added at the beginning of a production process. Labour and overheads are added continuously during the production process. At the end of the process, 10,000 units were complete and 2,000 units were 60% complete as per labour and overheads. The cost of raw materials used during the period amounted to shs.220, 000, labour shs.150, 000 and overheads shs.74, 000. There was no opening inventory. Determine the cost per unit of both the completed units and the units in the ending inventory for supply

(10marks)

b) Discuss the functions of various types of budgets used in business firms

(10 marks)