# JARAMOGI OGINGA ODINGA UNIVERSITY

# OF SCIENCE & TECHNOLOGY

# UNIVERSITY EXAMINATIONS 2012/2013

# 2<sup>ND</sup> YEAR 1<sup>ST</sup> SEMESTER EXAMINATION FOR THE

# DEGREE OF BACHELOR OF BUSINESS ADMINISTRATION WITH IT

# (REGULAR)

**COURSE CODE: ABA 202**

**COURSE TITLE: INTRODUCTION TO FINANCE**

**DATE: 15/8/2013**                              **TIME: 9.00-11.00 AM**

**DURATION: 2 HOURS**

**INSTRUCTIONS**

1. This paper consists of 5 Questions.
2. Answer Question 1 (Compulsory) and any other 2 questions.
3. Write your answers on the answer booklet provided.

Q1. a) Discuss the different types of securities that could be offered for a loan in
the banks? (10 marks)

   b) Examine the functions of financial planning. (10 marks)

   c) Differentiate between:

Internal rate of returns and Payback period. (5 marks)

Mutually exclusive project and Contingency project. (5 marks)

Q2. The cash flow of two mutually exclusive projects is as under

| Year | Project P | Project J |
|------|-----------|-----------|
| 0 | (40,000) | (20,000) |
| 1 | 13,000 | 7,000 |
| 2 | 8,000 | 13,000 |
| 3 | 14,000 | 12,000 |
| 4 | 12,000 | |
| 5 | 11,000 | |
| 6 | 15,000 | |

Required:

i) Estimate the net present value (NPV) of the project P and J using 15% as the hurdle
rate. (10 marks)

ii) Estimate the internal rate of return (IRR) of the projects P and J. (10marks)

Q3. Examine the objectives of Financial Planning process for the service Industry.

(10 marks)

   b) explain how finance department is necessary in an organization. (10 marks)

Q4. Assume that you want to deposit 20,000 for each of the next 3 yrs in a bank earning an
interest rate of 12% Determine the FV of this annuity. (5 marks)

b) Discuss the  Importance of Time Value and Money.                    (15marks)

Q5.    You have been invited by the TinTin youth enterprises to give a talk on the challenges of procuring funds for small businesses.your speech should  include  but limited to internal sources.

i) Identify the challenges of getting funds.                    (10 marks)

ii)What are the interventions measures to alleviate the stated challenges. (10 marks)


**END**