



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS AND ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS
WITH IT
2nd YEAR 1st SEMESTER 2016/2017 ACADEMIC YEAR
KISUMU LEARNING CENTRE

COURSE CODE: ABA 202

COURSE TITLE: INTRODUCTION N TO FINANCE

EXAM VENUE:

STREAM: (BBA)

DATE:

EXAM SESSION:

TIME: 2 HOURS

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

QUESTION ONE

- a) Highlight the Factors to consider when seeking finance from a commercial Banks. **(10 marks)**
- b) Identify the role of Time value of Money in Economic development **(10marks)**
- c) Mariana Ltd decides to buy a piece of land in prime areas of the County of Nairobi costing sh 15 million and take out a fixed loan over five years at 10% p.a .The loan is to be paid in five equal installment starting at the first of the year and fully amortized .

Required

- i) Compute the annual loan repayment amount **(3 marks)**
- ii) Prepare the loan repayment Schedule **(7 Marks)**

QUESTION TWO

- a) Differentiate between capital and financial structure **(10 marks)**
- b) The following information is provided by XYZ ltd

States Nature	Probability	Project A	Project B
Optimistic prediction	0.3	600,000	900,000
Moderate prediction	0.6	600,000	600,000
Pessimistic prediction	0.3	600,000	300,000

Required

- i)compute expected cash flows of project A and B **(2.5 marks)**
- ii) Compute the standard deviation of the project A and B **(2.5marks)**
- iii) Identify the project which is riskier based on expected cash flows **(2,5marks)**
- iv) Which project is riskier based on standard deviation **(2.5marks)**

QUESTION THREE

- a) Evaluate the role of working capital in manufacturing firm **(10marks)**
- b) 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)**
- c) Outline the objectives of Financial Planning process for the service Industry . **(5marks)**

QUESTION FOUR

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 cost of capital **(10marks)**
- ii) Estimate the internal rate of return (IRR) of the projects P and J **(10marks)**

QUESTION FIVE

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 not 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*****

