

JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY

UNIT CODE: ABA 406

UNIT TITLE: MANAGEMENT OF FINANCIAL SERVICES

Instruction: Answer question one and any other two

Kisumu campus

QUESTION ONE

- a) What is Financial Services? Discuss the nature of financial services in Kenya **8 marks**
- b) Jobonya Company Ltd owns freehold property worth Shs. 800,000 and this company can sell this asset for Shs. 500,000 to finance a new venture which will bring returns of Shs. 460,000 per annum before tax. This property will cost the company Sh. 150,000 to lease per annum. This company is a trading business whose future life span is estimated at 14 years. Corporation tax is 45%. With aid of cost benefit analysis advise the company which alternative to take. **(6mks)**
- c) What is commercial paper? Discuss the advantages of using commercial paper by businesses to raise funds in Kenya? **6 marks**
- d) What do you understand by the term merchant banking? Discuss the important services provided by merchant bankers **10 marks**

QUESTION TWO

- (a) What is Hire-purchase System? Also explain the Legal Provisions of Hire- Purchase System in Kenya **10 marks**
- (b) What is Venture Capital? Discuss the Process of Venture Capital Investment **10 marks**

QUESTION THREE

- (a) Explain the concept of Credit Rating. Explain the process of Credit Rating. **12 marks**
- (b) What do you understand by the term "stock exchange" "briefly discuss the functions of stock exchange of Kenya **8marks**

QUESTION FOUR

- (a) Define Leasing. What are its essential elements? Discuss briefly the significance and limitations of leasing **12marks**
- (b) Discuss briefly the various forms of factoring. **8marks**

QUESTION FIVE

- a) One of the options of achieving company growth is through acquisition and merger of other companies

Required:

- i. Discuss the common reasons for acquisitions and mergers. **6 marks**
- ii. Discuss various problems associated with acquisition and mergers. **6 marks**
- b) Write short notes on the following
- i. Horizontal and Conglomerate acquisition **4 marks**
- ii. Operating Lease and Leveraged Lease **4marks**

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COURSE OUTLINE

COURSE CODE ABA 406

COURSE TITLE: MANAGEMENT OF FINANCIAL SERVICES

COURSE: INSTRUCTOR: DR BONUKE M.JOHN

Pre-requisites:

The Management of financial services course, in particular, exposes the student to the nature, scope of management of financial services and various sources of finance in business and in an economy. The course further seeks to equip the students with financial analysis skills for effective financing and investment decisions analysis.

Purpose: Develop learners understanding of management of financial services and apply financial management tools in decision making for business.

Course Objectives

As a result of this course unit, the student should:

- Understand the nature, scope and role of management of financial services in business and in an economy;
- Gain an understanding of the functioning of financial markets;
- Acquire knowledge and skills in financial planning, analysis and control.

COURSE CONTENT

1.0 Introduction. (Lesson 1 Week 1-3)

1.1. Nature and scope of management financial services

1.2 Sources of company finance

1.3 leasing as source of finance and Types of leasing

1.2 Calculations, Accounting and funding

1.4 Lease agreements

1.5 Potentiality of leasing as a means of financing

1.6 Lease financing in Kenya

2.0 Merchant banking (Lesson2 Week 4 - 8) (C.A.T, I)

2.1 Managing of issue, Shares and bonds

2.3 Mobilizing deposits

2.4 Inter-corporate loans Sectoral financing and other financial sources

2.6 Hire purchase consumer finance

2.7 Factoring venture capital

2.8 Commercial paper

2.9 Credit cards and Credit rating

3.1 Insurance

4.0 Mergers and Acquisitions (Lesson 3 Week 8 - 10)

4.1 Fundamentals of business combinations

4.2 Motives for business combinations

4.3 Forms of business combinations

5.0 Types of mergers (lesson 4 week 11-13) (CAT 2)

5.1 Merger analysis

5.2. Terms of exchange

5.3 Cash-purchase – stock exchange

5.4 Acquisitions

5.5 Leverage Buy-outs [LBO]

5.6 Accounting considerations in mergers and acquisitions- turn –around strategies

Teaching / Learning Methodologies: Lectures and tutorials; group discussion; demonstration; Individual assignment; Case studies

Instructional Materials and Equipment: Projector; test books; design catalogues;

MODE OF EVALUATIUN

Oral presentation and written assignments **15 %**

C.A.T **15%**

End of semester examination **70 %**

Recommended Text Books:

Manas'seh, P. N. A Text Book of Business Finance, Kijabe Printing Press, 2007.

Pandey, I. M. Financial Management 9th Edition, Vikas publishing house, 2009.

Arnold Glen. Corporate Financial Management, Prentice Hall, 2008.

Text Books for further Reading:

Chandra P. Fundamentals of Financial Management (3rd Edition), McGraw Hill, 2000.

Van Horne J.C. Fundamentals of Finance Management (9th Edition), Prentice- Hall, 2003.

Other support materials: Various applicable manuals and journals; variety of electronic information resources as prescribed by the lecturer

Prepared By

Lecturer

Dr Bonuke.m.john

Signed-----Date-----

Confirmed By

Dean School of Business and Economic

Name-----signed -----Date