



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY
SCHOOL OF BUSINESS & ECONOMICS
UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE
(COMPUTER SECURITY AND FORENSIC)
4TH YEAR 2ND SEMESTER 2024/2025 ACADEMIC YEAR
MAIN CAMPUS

COURSE CODE: BAB 9403

COURSE TITLE: FINANCIAL MANAGEMENT

EXAM VENUE: LAB 9

STREAM: (BSc CSF)

DATE: 26/04/2024

EXAM SESSION: 9.00 – 11.00 AM

DURATION: 2 HOURS.

INSTRUCTIONS

- 1. Answer QUESTION ONE and any other TWO questions**
- 2. Show ALL your workings and be as NEAT as possible.**
- 3. Candidates are advised not to write on the question paper**
- 4. Marks allocated to each question are shown at the end of the question.**

Question One

- (a) Although profit maximization has long been considered as the main aim of a firm, shareholder wealth maximization is gaining acceptance amongst most companies as the key goal of a firm.

Required

- (i) Compare and contrast the company's profit maximization goal and shareholder wealth maximization goal. [8 Marks]
- (ii) List and clearly explain any three reasons why the profit maximization as a goal in an organization may not be achieved. [6 Marks]
- a) (iii) Explain the term Pay-back-period as used in methods of investment appraisal. Which are the decision or criteria used for accepting or rejecting a project appraised using PBP (6 Marks)

Cash flow	Project	I	II	III
	Y0	(750000)	(750000)	(750000)
	Y1	30,000	20,000	15,000
	Y2	25,000	25,000	25,000
	Y3	20,000	30,000	20,000
	Y4			15,000
	Y5			15,000
	Y6			15,000

Required

- a) From the following information, advise the management on the project to undertake (10 Marks)

Question Two

- a) Compare and contrast the following terms as used in financial markets
- Money and capital markets
 - Primary and secondary markets
 - Treasury bills and government bonds
 - Debt and equity markets

(8 Marks)

- b) Financial markets and institutions in Kenya constitute organized and unorganized institutional frameworks that facilitate flows of funds and exchanges in existing and new instruments of financial claim.
- i). Explain the concept of financial intermediation (4 Marks)
 - ii). Explain TWO instruments of financial claim as used in financial markets. (4 Marks)
 - iii). Briefly explain TWO types of market efficiency. (4 Marks)

Question Three

- a) The Agency Theory attempts to explain the potential conflict of interest that persists between shareholders and management on one hand and between creditors and shareholders on the other hand within the corporate firm. The theory, also, proposes ways of resolving the Agency problem.
- i). State the Agency problem and explain THREE potential causes of the problem (9 Marks)
 - ii). Suggest TWO ways by which the potential causes of the problem explained in (a) above can be mitigated. (4 Marks)
- b) The profit maximization objective has been criticized as the fundamental goal of the corporate firm. Briefly discuss this statement and outline other financial management goals that have been touted to overshadow the profit maximization goal. (7 Marks)

Question Four

- b) (i) What is financial intermediation? [5 Marks]
- (ii) Identify any five services that financial intermediaries provide. [5 Marks]
- (iii) Explain five reasons why market for venture capital is not yet well developed in Kenya. [10 Marks]

Question Five

- a) Explain two factors that affect the dividend pay-out of a firm. (9 Marks)
- b) Explain the following elements of working capital;
- (i) creditors
 - (ii) Debtors
 - (iii) Inventories
 - (iv) Cash (8 Marks)
- c) Explain the concept of Working capital management (6 Marks)