MACHAKOS UNIVERSITY

University Examinations for 2017/2018 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

SECOND YEAR FIRST SEMESTER EXAMINATION FOR

BACHELOR OF ECONOMICS

BACHELOR COMMERCE

BAC 203: BUSINESS FINANCE 1

DATE: 5/12/2017 **TIME: 11.00-1.00 PM**

INSTRUCTIONS:

Answer Questions One and Any Other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

(a) State and explain the benefits of retained earnings in the business firm (6 marks)

(b) Discuss three differences between preference shares and ordinary shares as a source of business finance (6 marks)

(c) Karim deposited ksh. 100,000 in a bank for 4 years at a compound interest rate of 8% per annum. Determine the amount in his account at the end of the 4th year. (6 marks)

(d) State and explain four reasons why money has time value. (6 marks)

(e) The following data are the projected cash inflows from a project:

Year	cash inflow (ksh. "000")
1	900,000
2	800,000
3	750,000
4	760,000
5	940,000

Determine the total present value of the project if the cost of capital is 12%. (6 marks)

QUESTION TWO (20 MARKS)

(a) Outline six purposes of financial statements analysis to the business firm. (6 marks)

(b) Manuel decides to save a monthly amount of ksh.250 for the next 10 years. His bank offers him an interest rate of 8% per annum compounded monthly for this period. After the 10 years the bank will offer him 12% per annum compounded monthly for the following three years if he does not withdraw the money for the years. How much will Manuel have in the bank at end of the 13th year? (8 marks)

QUESTION THREE (20 MARKS)

(a) Financial forecast is critical to the business firm, especially if it is for the purpose of getting a bank loan. Based on this argument describe the main merits of an effective financial forecast. (12 marks)

(b) Dream line ltd expects to pay dividend per share of ksh.5.50 in one year's time. The current market price per share is ksh. 45. Dream line ltd. expects the future earnings to grow by 6% per annum due to undertaking of several projects. Determine the cost of equity. (6 marks)

QUESTION FOUR (20 MARKS)

(a) Why is it that different sources of business finance have different costs? (12 marks)

(b) Moige purchased shares on January 2016 for ksh. 50,000. As at December 2016 the market price was ksh. 53750. During the year the shares generated after-tax cash receipts of ksh.2,000. Determine the return for Moige. (8 marks)

QUESTION FIVE (20 MARKS)

(a) One of the main objectives of a business firm is shareholders' wealth maximization. Describe favourable and unfavourable arguments for shareholders' wealth maximization objective, of a business firm. (14 marks)

(b) Discuss in detail the following risk behaviours of investors:
- Risk averse
- Risk indifference
- Risk seeking (6 marks)

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DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

FOURTH YEAR FIRST SEMESTER EXAMINATION FOR BACHELOR COMMERCE

BAC 408: APPLIED INVESTMENT

DATE:11/12/2017 **TIME: 8.30-10.30 AM**

INSTRUCTIONS:
Answer Questions One and Any Other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

(a) All investments have certain common features. Based on this argument describe four characteristics of investment. (6 marks)

(b) With examples, explain clearly the terms liquid and illiquid as used in investment. (6 marks)

(c) Discuss the three ratios commonly used by Financial Analysts to rank the performance of portfolios. (6 marks)

(d) Company x has a beta of 1.45. The expected risk-free rate is 2.5% and the expected market return on the whole market is 10%. Applying the CAPM, determine x 's expected rate of return. (6 marks)

(e) Discuss four factors that influence investors in making global investment decisions. (6 marks)

QUESTION TWO (20 MARKS)

(a) As a Financial Analyst, you are tasked with evaluating a capital budgeting project. You were instructed to use the IRR method and you need to determine an appropriate hurdle rate. The risk-free rate 4% and the expected market rate of return is 11%. You company has a beta of 1.4 and the project that you are evaluating is considered to have risk equal to the average project that the company has accepted in the past. According to capital asset pricing model determine the appropriate hurdle rate. (6 marks)

(b) In 1868, Robert Fleming set up the first Investment Trust in Scotland that resembled today's mutual funds. Since then mutual funds have become so popular all over the world. Discuss the reasons for mutual funds popularity in your country. (14 marks)

QUESTION THREE (20 MARKS)

(a) A portfolio has a total return of 10%, and risk-free rate is 6% and the portfolio's beta is 0.9. Determine the Trey nor Ratio and comment on your result. (8 marks)

(b) Discuss the assumptions of CAPM, and how these assumptions relate to the real world of investment decision process. (12 marks)

QUESTION FOUR (20 MARKS)

The theory of portfolio allocation seeks to answer questions about portfolio choice and predicts how an investor distributes across alternative investments. According to this theory investors evaluate five determinants when deciding what investments to make and how much to invest in each alternative. Discuss these determinants of portfolio allocation. (20 marks)

QUESTION FIVE (20 MARKS)

Discuss the following types of mutual funds:

- Money market funds (5 marks)
- Income funds (5 marks)
- Balanced funds (5 marks)
- Equity funds (5 marks)

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University Examinations for 2017/2018 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BANKING, ACCOUNTING & FINANCE

SECOND YEAR SECOND SEMESTER EXAMINATION FOR

DIPLOMA IN ACCOUNTING

DACC 213: PUBLIC SECTOR ACCOUNTING

DATE: 14/12/2017 **TIME:11.00-1.00 PM**

INSTRUCTIONS:

Answer Questions One and Any Other Two Questions

QUESTION ONE (COMPULSORY) (30 MARKS)

(a) Discuss the main objectives of public sector accounting in your country. (6 marks)

(b) State and explain the functions of the revenue collector in government. (6 marks)

(c) Discuss the functions of the director of budgets of the national government. (6 marks)

(d) How do county governments generate their revenues

(e) Discuss the bases that guide public sector accounting systems. (6 marks)

QUESTION TWO (20 MARKS)

Public sector organizations are owned and controlled by the government. Several criteria are used to determine whether a given organization in any political jurisdiction belongs within the public sector or private sector. Discuss some of these criteria. (20 marks)

QUESTION THREE (20 MARKS)

The following details were extracted from the books of Machakos County Fund on December 31st 2014:

	ksh."000"
Donations received	57,000
Registration fees received	29,000
Committee expenses	8,000
Sale of raffle tickets	5,000
Sale of refreshments	6,000
Travelling expenses	4,000
Repairs and maintenance	3,000
Wages and salaries	10,000

You are required to prepare the receipts and payments account for the year ended December 31st 2014. (20 marks)

QUESTION FOUR (20 MARKS)

Discuss the role of parliamentary committees in management of public funds as stipulated in the public accounts committee. (20 marks)

QUESTION FIVE (20 MARKS)

Discuss the duties of the controller and auditor general of the National Government.

(20 marks)