MACHAKOS UNIVERSITY COLLEGE

(A Constituent College of Kenyatta University)
University Examinations for 2015/2016 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ENTREPRENEURSHIP AND MANAGEMENT SCIENCES

SECOND SEMESTER EXAMINATION FOR DEGREE IN BACHELOR OF COMMERCE(FINANCE OPTION)

BAC 308: CORPORATE FINANCE

Date: 9/8/2016 **Time: 8:30 – 10:30 AM**

INSTRUCTIONS

Answer Question One and any Other Two Questions

QUESTION ONE

(a) Discuss the main objective of the firm. (6 marks)

(b) What are the three questions that corporate finance tries to address? (6 marks)

(c) The risk-free rate and the expected market rate of return are 0.06 and 0.12 respectively. Given that security x has a beta of 1.2, what is its expected rate of return according to CAPM? (6 marks)

(d) ABC Ltd has outstanding warrants that are exercisable at Ksh.40 per share and entitle holders to purchase three equity shares. The equity share is currently selling at Ksh.45 per share. Calculate the theoretical value of ABC's warrant. (6 marks)

(e) Discuss the three levels of the Capital Market Efficiency. (6 marks)

QUESTION TWO

Given below are the dividend per share and the average market price per share of RavinLtd., for the years 2008-2013:

Year	Dividend/share	Average market price/share
Ksh.		Ksh.
2008	1.53	31.25
2009	1.53	20.75
2010	1.53	30.88
2011	2.00	67.00
2012	2.00	100.00
2013	3.00	154.00

Use the above given information to:

(a) Calculate the annual rates of return and the standard deviation for Ravin Ltd. (18 marks)

(b) Comment how risk is Ravin'sshares? (2 marks)

QUESTION THREE

(a) Mike has an opportunity to invest his wealth either in asset x or asset y. The possible outcomes of the two assets in different states of economy are as given under:

Asset's returns in percentage

State of economy	Probability	x	y
A	0.1	-8	14
B	0.2	10	-4
C	0.4	8	6
D	0.2	5	15
E	0.1	-4	20

(a) Use the above given information to calculate the expected rates of return for asset x and asset y (16 marks)

(b) Discuss two major participants in project finance (4 marks)

QUESTION FOUR

(a) Discuss the assumptions the Capital Asset Pricing Model (10 marks)

(b) Compare and contrast CAPM and APT (10 marks)

QUESTION FIVE

(a) Why is the principle of synergy the underpinning philosophy of mergers and acquisitions? (12 marks)

(b) An investor is considering to purchase a 5 years Ksh.1000/= par value bond bearing a coupon rate of 7%.The investor's required rate of return is 8%. The bond will be redeemed at par value. Advise this investor. (8 marks)

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SECOND SEMESTER EXAMINATION FOR DEGREE IN BACHELOR OF COMMERCE (FINANCE OPTION)

BAC 408: APPLIED INVESTMENTS

Date: 1/8/2016 **Time: 8.30-10.30 AM**

INSTRUCTIONS

Answer Question One and any Other Two Questions

QUESTION ONE

(a) Give an example of liquid and illiquid investments and explain why you consider each of them to be liquid and illiquid (6 marks)

(b) "All investments are characterised by certain common features" Discuss two of these features (6 marks)

(c) To rank the portfolios according to their performance, finance analysts rely on different ratios. Discuss three of these ratios (6 marks)

(d) Discuss three reasons for Global Investments (6 marks)

(e) Explain two avenues of alternative investments available to Kenyan retail investors (6 marks)

QUESTION TWO

"The theory of portfolio allocation seeks to answer questions about portfolio choice and predicts how a saver distributes his savings across alternative investments. According to this theory, savers 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 THREE

(a) Company X has a beta of 1.45. The expected risk-free rate is 2.5% and the expected market return on the market as a whole is 10%. Using CAPM, Calculate X's expected rate of return (4 marks)

(b) Discuss the limitations of the Capital Asset Pricing Model (16 marks)

QUESTION FOUR

a) Discuss the difference between "Commingled Fund" and "Mutual Fund" (4 marks)

b) In 1868, Robert Fleming set up the first Investment Trust in Scotland that resembled today's Closed-End Mutual Funds. Since then Mutual Funds have become so popular all over the world. What are the reasons for Mutual Funds popularity? (16 marks)

QUESTION FIVE

a) Discuss the four different kinds of Global Investments (12 marks)

b) Draw a properly labelled diagram of the investment process strategy (8 marks)

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SECOND SEMESTER EXAMINATION FOR DIPLOMA IN ACCOUNTING

DACC213: PUBLIC SECTOR ACCOUNTING

Date: 1/8/2016 **Time: 11:00 – 1:00 pm**

INSTRUCTIONS

Answer Question One and any Other Two Questions

QUESTION ONE

a) Discuss the objectives of public sector accounting. (6 marks)

b) Explain the bases that guide the public sector accounting systems. (6 marks)

c) State and explain the functions of the minister of finance (6 marks)

d) What are the duties of the director of budget in the government? (6 marks)

e) Discuss the functions of the Revenue Collector (6 marks)

QUESTION TWO

a) Explain using relevant examples how county governments generate their revenue (8 marks)

b) Discuss two sources of the National Government Revenue. (12 marks)

QUESTION THREE

a) Explain the term grants as used in public sector accounts. (6 marks)

b) Describe how a government department estimates its revenues. (14 marks)

QUESTION FOUR

Consider the following data for the year ended on December, 31st, 2015 and prepare Trust Account and a Consolidated Balance Sheet as at December 31st, 2015. (20 marks)

Women's Fundksh. 500,000

Scholarship Fund Ksh. 10,000,000

Children Fund Ksh. 14,000,000

Investments of these funds were made as follows:

3rd, June, 2015 Women's Fund: 500,000 Cadbury shares of Ksh.1 each were purchased at Ksh. 5 each.

7th, August, 2015 Scholarship Fund: 200,000 Lever Brothers shares were purchased at Ksh.3 each.

11th, November 2015 Children Fund 1920,000 shares of Flour Mills were purchased at Ksh.5 each.

Other transactions during the year 2015 were as follows:

15th,February expenses for Women's Fund was Ksh.1700,18th September scholarships award under Scholarship Fund costed Ksh.300,000 and 26th December, shares in Flour Mills were sold for Ksh.1720,000.

QUESTION FIVE

"Public sector organizations are owned and controlled by the National or County Government. Several criteria can be used to determine whether a particular organization in any political jurisdiction belongs within the public sector" Discuss these criteria. (20 marks)

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SECOND SEMESTER EXAMINATION FOR CERTIFICATE IN SUPPLIES MANAGEMENT

CPS 101 STOREKEEPING

Date: 2/8/2016 **Time: 2:00 – 4:00 PM**

INSTRUCTIONS

Answer Question One and any Other Two Questions

QUESTION 1

(a) Briefly explain the core objectives of storekeeping in a business organization (6 marks)

(b) Discuss the benefits that accrue from a successful and efficient storekeeping system (6 marks)

(c) State and explain any three merits of material inspection to a business firm. (6 marks)

(d) Describe the benefits that arise to the organization from proper stores accounting system. (6 marks)

(e) Briefly explain the qualities of a successful storekeeper. (6 marks)

QUESTION TWO

(a) Briefly explain the functions of warehousing. (6 marks)

(b) Discuss the main objectives of material preservation. (6 marks)

QUESTION THREE

(a) What is meant by identification of stores. (4 marks)

(b) Describe the importance of identification of stores. (14 marks)

QUESTION FOUR

Discuss the advantages and disadvantages of the following:

(a) Centralized stores (10 marks)

(b) Decentralized stores. (10 marks)

QUESTION FIVE

Discuss the essential qualities of inspecting officer. (20 marks)