



(The University of Choice)

MASINDE MULIRO UNIVERSITY OF SCIENCE AND TECHNOLOGY

KISUMU CAMPUS

2015/2016 ACADEMIC YEAR

FIRST YEAR FIRST SEMESTER EXAMINATIONS

**FOR DIPLOMA
IN
BUSINESS MANAGEMENT**

COURSE CODE: DIB 105

COURSE TITLE: FINANCIAL MANAGEMENT

DATE: JUNE 2016 TIME: 2 HOURS

INSTRUCTIONS TO CANDIDATES

Answer question **One** and any other **Two** questions

QUESTION 1:

- a. Name four financial functions or decisions briefly explaining each one of them(5 marks)
- b. What is meant by profit maximization and what is its limitation as a financial goals?
(5marks)
- c. 'There has been a divorce between managers and shareholders'. Discuss this in relations to the agency theory.(4 marks)
- d. State the steps involved in financial planning.(5 marks)

QUESTION 2:

- a. Outline the importance of investment decisions. (5 marks)
- b. What does the term 'mutually exclusive investments mean'? (2 marks)
- c. Distinguish between independent and contingent investment.(3marks)
- d. State the advantaged of budgeting (3 marks)

QUESTION 3:

- a. State the steps in the calculation of NPV(net present value) (4 marks)
- b. Explain briefly, the 7 determinants of working capital.(7 marks)
- c. Explain the 3 components of cash flow.(3 marks)
- d. Outline the main financial strategies that are used in financial management.(4 marks)

QUESTION 4

- a. There are dangers when a firm has 'excessive' or 'inadequate' working capital. Discuss
(10 marks)
- b. Derive the formula used to calculate the degree of operating leverage, financial leverage and combined leverage (5 marks)
- c. What are the main causes of changes in the price level of a given firm.(3 marks)
- d. If a corporation has projects that will earn more than the cash of capital should it ratio capital(3 marks)