



PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

SPECIAL EXAM 2020

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS

COURSE CODE:

COURSE TITLE: FINANCIAL MANAGEMENT

EXAM DATE:

TIME:

INSTRUCTIONS

- This examination script consists of **Six (6)** questions.
- Answer question one and any three Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

Question One (10 marks)

- a. Explain **two** importance of capital budgeting giving examples of each (4 marks)
- b. Discuss **three** factors that determine working capital needs of a firm. (6marks)

Question Two (10 Marks)

ABC Co is contemplating the following Projects A & B as detailed below. Calculate the NPV assuming at 10% discount rate. And IRR of both the projects and suggest which project is more feasible? (10 marks)

Year ->	0	1 st year	2 nd year	3 rd year
Project –A	Shs. 40000	Shs. 17000	Shs. 17000	Shs. 41000
Project -B	Shs. 48000	Shs. 22000	Shs. 22000	Shs. 23000

Question Three (10 Marks)

In order to achieve the goal of identifying an optimum debt-equity mix, it is necessary for the finance manager to be conversant with the basic theories underlying the capital structure of corporate enterprises. There are the four major theories approaches explaining the relationship between capital structures cost of capital and value of the firm. Discuss these theories. (10 marks)

Question Four (10 Marks)

Discuss **four** key factors in determining working capital funding strategies. (10 Marks)

Question Five (10 Marks)

Critically discuss the differing views on:

- i. profit maximization (3 Marks)
- ii. revenue maximization (3 Marks)
- iii. shareholder value maximization (4 Marks)

in relation to the financial objective of a company.

Question Six (10 Marks)

- a. Define the term dividend policy. (2 marks)
- b. Discussed **four** theories used in dividend policy. (8 marks)