PAN AFRICA CHRISTIAN UNIVERSITY

END OF SEMESTER EXAMINATION FOR THE DEGREE OF

BACHELOR OF BUSINESS LEADERSHIP

BACHELOR OF BUSINESS INFORMATION TECHNOLOGY

BACHELORS OF COMMERCE

JANUARY – APRIL 2018 SEMESTER

CAMPUS: ROYSAMBU

DEPARTMENT: BUSINESS STUDIES

COURSE CODE: BUS4213|BCM302

COURSE TITLE: FINANCIAL MANAGEMENT

EXAM DATE: MONDAY 9TH APRIL 2018

TIME: 9:00AM-12:00PM

INSTRUCTIONS

- This examination script consists of **Six (6)** questions.
- Answer **Five** Questions. Question **One** is compulsory and answer any other **Four** questions
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

QUESTION ONE [COMPULSORY] – 40 MARKS

a) Explain three objectives of financial management in an organization **[6 marks]**

b) Briefly explain three characteristics of ordinary shares as a source of capital **[9 marks]**

c) Explain the meaning of the term working capital **[3 marks]**

d) Explain five importance of Financial management in a corporate organization **[10 marks]**

e) Identify and explain four characteristics of debt capital **[12 marks]**

QUESTION TWO

a) Differentiate between fixed and floating interest rate with regard to debt financing **[4 marks]**

b) Explain the meaning of convertible debt as used in financial management **[5 marks]**

c) Explain three demerits of using debt as a source of financing **[6 marks]**

QUESTION THREE

a) Explain any three key advantages of using common stock as a source of capital **[6 marks]**

b) Distinguish between bonus shares and rights issue **[5 marks]**

c) Explain the meaning of the term preemptive rights **[4 marks]**

QUESTION FOUR

a) Briefly describe the following dividend theories:

   i. The Bird in the hand theory **[4 marks]**

   ii. Signaling explanation theory **[5 marks]**

b) Discuss three factors that determine the dividend payout ratio of a company **[6 marks]**

QUESTION FIVE

a) Explain four features of preference shares as a source of capital **[8 marks]**

b) Differentiate between cumulative and non-cumulative dividends **[4 marks]**

c) State three drawbacks of using preference shares as a source of finance **[3 marks]**

QUESTION SIX

a) Explain any five reasons why it is important for a company to manage working capital **[10 marks]**

b) Highlight any five limitations of effective working capital management **[5 marks]**