



KISII UNIVERSITY
UNIVERSITY EXAMINATIONS
FIRST YEAR EXAMINATION FOR THE AWARD OF THE
CERTIFICATE IN ACCOUNTING AND FINANCE
FIRST SEMESTER 2023/2024
[AUGUST-DECEMBER, 2023]

CIAF 0115: FINANCIAL MANAGEMENT

STREAM: Y1 S1

TIME: 2 HOURS

DAY: THURSDAY, 3.00 – 5.00 P.M

DATE: 30/11/2023

INSTRUCTIONS

- 1. Do not write anything on this question paper.*
- 2. Answer Questions ONE and any other THREE Questions*

QUESTION ONE :(25 MARKS)

- Financial Management covers wide area with multi multi-dimensional approaches. Explain the scope of financial management. (6marks)
- Explain the importance of asset valuation. (4marks)
- Discuss the relationship between ownership and management of a firm. (10marks)
- The Nairobi Stock Exchange(NSE) is an integral component that drives the Kenyan economy. Explain the role of financial markets in an economy. (5marks)

QUESTION TWO

- Briefly explain the objectives of Financial Management. (5marks)

b. Prime Steel Mill Industries Limited has experienced a steady increase in its sales volume year to date. This has excited the shareholders following the just concluded half-year business performance review, consequently they expect a better dividend payout. The Managing Director has plans to increase the company's distribution franchise to stay ahead of the competition. Explain the factors that will guide the Management to decide on how much to spend on dividends and how much to spend on pursuing growth opportunities. (10marks)

QUESTION THREE

- a. Briefly explain the Capital Budgeting process. (5marks)
- b. Briefly explain the objective of a firm. (5marks)
- c. Explain the key elements of the capital structure of a firm. (5marks)

QUESTION FOUR

- a. Discuss the three source of finance in a company. (6marks)
- b. Discuss six factors that determine the capital structure of a firm. (9marks)

QUESTION FIVE

- a. Explain the concept of time value of money. (5marks)
- b. Happy Henry has been saving since he landed his first job at a bakery. Currently he has Ksh.400,000 in his account. He wants to finance the future study of his newly born daughter and invests his money in a fund with a maturity of 18 years offering a promising yearly return of 6%. What would be the amount available on the 18th birthday of his daughter? (10marks)