



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

**DIAF 0116: FINANCIAL MANAGEMENT I**

**STREAM: Y1 S1**

**TIME: 2 HOURS**

**DAY: WEDNESDAY, 12.00 – 2.00**

**DATE: 29/11/2023**

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**INSTRUCTIONS**

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

**QUESTION ONE: 25 MARKS {Compulsory}**

- Discuss the meaning of the following terminologies.  
(11Marks)
  - Agency
  - Finance management
  - Dividends
  - Budgeting
  - Managerial compensation
- A new machine is about to be introduced into Sony manufacturing ltd company to boost its production capacity, reduce cost and improve quality. As the manager advice the company on at least four available sources of finance. (8 narks)
- Explain any three goals that contemporary businesses are based on. (6marks)

**QUESTION TWO: (15 Marks)**

- d.) Deciding on the source of finance to various projects of the firm is one function of a manager explain at least any other four functions (8Marks)
- e.) Explain the determinants of working capital in the business environment. (7 marks)

**QUESTION THREE: (15 Marks)**

- a.) Explain any five causes of conflict between the management and owners of any given business entity. (10 Marks)
- b.) Define the working capital and explain two determinants of working capital. (5Marks)

**QUESTION FOUR (15 Marks)**

- f.) Define the term cost of capital and explain any two components of cost of capital (5marks)
- g.) As a manager of CDK firm explain any five factors that are likely to influence your dividend decision making at the end of year. (10Marks)

**QUESTIPON FIVE (15 Marks)**

Explain the capital budgeting process giving out a step by set account on each step. (15marks)