



KISII UNIVERSITY

UNIVERSITY EXAMINATIONS

PART – TIME EXAMINATIONS

EXAMINATION FOR THE AWARD OF THE DEGREE OF BACHELOR OF EDUCATION (ARTS)

LEVEL 4 BLOCK 2

SESSION EXAMINATION 2021/2022

[JULY, 2022]

BUST 412: FINANCIAL MANAGEMENT

STREAM: L4 B2

TIME: 2 HOURS

DAY: FRIDAY 1.30 PM – 3.30 PM

DATE: 08/07/2022

INSTRUCTIONS

- 1. Do not write anything on this question paper**
- 2. Instructions: Answer Question ONE and any other THREE questions.**

QUESTION ONE

- Differentiate between finance and financial management (04marks)
- State and explain three techniques of financial forecasting (06marks)
- Any rational investor or company invests for the sake of deriving a return. Briefly explain reasons for this. (04marks)
- Differentiate between capital structure and financial structure. (04marks)
- State five parties interested in the value of shares and securities of a firm. (04marks)
- The following relates to Riemanns ltd (04marks)

10% preference shares (sh 10per)	400,000
Ordinary share capital (sh.per)	400,000
	800,000
Retained profits profit	700,000
	1500000
	2700000

If the company's net profit before interest and tax is Sh. 2 Billion and assuming a dividend payout ratio of 60% of earning, compute divided per share (DPS). (7marks)

QUESTION TWO

Explain five factors considered in payment of dividends by a firm. (20marks)

QUESTION THREE

Explain six factors that influence the cost of finance. (20marks)

QUESTION FOUR

Explain five factors that influence the interest rate and shape of field curve. (20marks)

QUESTION FIVE

For the past 5years the MPS and the DPS for Flolive LTD were as follows

	2008	2009	2010	2011	2012
MPS as at 31 st December	40				
DPS for the year	-	3	4	3	-

- a) Determine the estimate cost of equity/shareholders percentage yield for each of the years involved. (10marks)
- b) According to CAPM total business risk of a firm can be divided into two risks. Identify the two risks and give for examples under each risks. (10marks)