The Co-operative University of Kenya

END OF SEMESTER EXAMINATIONS MAY-2018

EXAMINATION FOR THE DEGREE OF BACHELOR OF CO-OPERATIVE
BUSINESS / BACHELOR OF COMMERCE

UNIT CODE: HCOB 2410 / HBF 2404

UNIT TITLE: CONTEMPORARY ISSUES IN FINANCIAL MANAGEMENT

DATE: 21ST MAY, 2018
TIME: 2:00 PM – 4:00 PM

INSTRUCTIONS:
- Answer question ONE (compulsory) and any other TWO questions

QUESTION ONE
(a) An investor can reduce portfolio risk simply by holding a combination of instrument that are not Perfectly positively correlated. Discuss this statement in relation to arguments by Henry Markowitz. (15 Marks)
(b) Most individuals and institutions enter into a derivative contract in order to speculate on the value of the underlying asset, betting that the party seeking insurance will be wrong about the future value of the underlying asset. Discuss. (10 Marks)
(c) Explain the differences between a merger and an acquisition. (5 Marks)

QUESTION TWO
(a) Discuss the assumptions of capital asset pricing model. (10 Marks)
(b) Explain the relationship between asset pricing theory and CAPM. (10 Marks)

QUESTION THREE
(a) Describe the FOUR types of mergers and acquisitions that can take place in corporations. (10 Marks)
(b) Discuss at least FIVE Emerging issues in Financial Management. (10 Marks)

QUESTION FOUR
(a) Describe the FOUR types of derivatives that are traded in the Kenyan exchange market and clearly outline their advantages and disadvantages in the Kenyan equity market. (20 Marks)

QUESTION FIVE
(a) Describe the FOUR flavors of swaps as a derivative. (8 Marks)
(b) Describe the approaches used by companies in the process of mergers and acquisition. (12 Marks)