



# ***THE CO-OPERATIVE UNIVERSITY OF KENYA***

**END OF SEMESTER EXAMINATION DECEMBER -2023**

**EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE  
(YR IV SEM II)**

**UNIT CODE: BCFF 2405**

**UNIT TITLE: CONTEMPORARY ISSUES IN FINANCIAL MANAGEMENT**

**DATE: TUESDAY, 19<sup>TH</sup> DECEMBER, 2023**

**TIME: 2:30 PM – 4:30 PM**

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## **INSTRUCTIONS:**

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

### **QUESTION ONE**

- (a) Discuss the term capital reconstruction and circumstances which could lead a firm to reconstruct. Further discuss various reconstruction schemes (15 marks)
- (b) In the past year, the Kenyan shilling has depreciated about 20% against the US dollar. You are working in consultancy firm aimed at exposing the various factors that affect forex rate determination. Discuss your presentation (10 marks)
- (c) Discuss the various assumptions applied in the Capital Asset Pricing Model (CAPM) (5 marks)

### **QUESTION TWO**

- (a) Discuss the emerging trends in E-commerce in the financial sectors (10 marks)
- (b) State and explain six factors responsible for financial innovations (10 marks)

### **QUESTION THREE**

- (a) The historical evolution of portfolio theory can be divided into three time periods: Discuss (10 marks)
- (b) Discuss the criticism of the modern portfolio theory (10 marks)

### **QUESTION FOUR**

- (a) The exchange rate for any country is basically the result of the interaction of export demand and import supply. Discuss the factors that affect exchange rates (10 marks)
- (b) The Kenyan government have proposed sale of its shares in the various public institutions. You have been invited in a conference to discuss the Pros and cons of this decision. Discuss. (10 marks)