

The Co-operative University of Kenya
END OF SEMESTER EXAMINATION AUGUST-2018

EXAMINATION FOR THE DIPLOMA IN CO-OPERATIVE MANAGEMENT
(YR II SEM I)

UNIT CODE: COCM 1202

UNIT TITLE: FINANCIAL MANAGEMENT 1

DATE: 24TH AUGUST, 2018

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

- (a) Explain FOUR managerial functions that an organization may adopt to endeavor its business activities (8 marks)
- (b) Mr. Horb Maina had some mixed streams of sums of money which he deposited in his bank over five years earning an interest rate of 10% as follows

Year	1	2	3	4	5
Kshs	160,000	129,000	140,000	115,000	180,000

Required

What will be his total sum after FIVE years (10 marks)

Explain THREE probable Agency theory conflicts in relation to

- i. The shareholders and managers (6 marks)
- ii. The shareholders and creditors (6 marks)

QUESTION TWO

- (a) The following cash flow relate to project X and Y of Furaha Co-operative Society for the following years

Year	X Shs	Y Shs
0	(1,000,000)	(1,000,000)
1	500,000	100,000
2	400,000	300,000
3	300,000	400,000
4	100,000	600,000

Required:

Using the payback period advice the society on the project to select (12 marks)

QUESTION THREE

- (a) An investor can get a 12% annual interest for deposits in a bank. If she deposits shs 20,000 determine the compound future sum at the end of the fourth year if occurs
- i. Daily (3 marks)
 - ii. Annually (3 marks)
 - iii. Weekly (3 marks)
 - iv. Quarterly (3 marks)

(b) Explain FOUR long term source of finance, for an organization (8 marks)

QUESTION FOUR

(a) You are a trainee in the finance department of Baraka Ltd. The head of department has requested you to assist in the preparation of a cash budget for the month of January, February, March and April, 2018. The actual revenues and costs of the months of September, October, November and December 2017 while estimated amounts for January, February, March and April, 2018 are shown below

Month	Sales	Wages	Materials purchases	Overheads
Year 2017	Shs '000'	Shs '000'	Shs '000'	Shs '000'
September	3,000	600	2,000	1,000
October	4,000	800	3,000	1,200
November	6,000	1,000	2,500	1,600
December	5,000	900	3,500	1,400
Year 2018				
January	7,000	1,200	3,000	1,800
February	6,000	1,000	2,500	1,600
March	5,000	900	2,500	1,400
April	5,000	900	3,000	1,400

Additional information

1. It is expected that the cash balance on 31st December, 2017 will be shs 2,200,000
2. Overdraft facilities are available if and when required
3. It is the company's policy to pay creditors three months after receipt of the supplies
4. Ten percent of the monthly sales are for cash while the balance are sold on credit debtors are expected to pay two months after delivery of the goods
5. Included in overheads is shs 200,000 per month representing depreciation on motor vehicles, There is a one-month representing depreciation on motor vehicles. There is a one-month delay in paying overhead expenses.
6. A commission of 5% is paid to sales agents on all the sales on credit. The payment of commission is made in the month following that of sale. The commission has not been included in the overhead expenses above
7. Delivery is expected in February 2015 of a new machine costing shs 5,400,000 of which shs 1,500,000 will be paid on delivery and shs 1,500,000 in each of the following two months

Required:

A cash budget for the months of January, February and March 2015 (20 marks)

QUESTION FIVE

- (a) Using well labeled diagrams, explain the following cash management approaches
- i. A conservative policy (4 marks)
 - ii. An aggressive policy (4 marks)
 - iii. A matching policy (4 marks)
- (b) Explain FOUR importance of studying financial management by a co-operative student (8 marks)