



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

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

UNIT CODE: COCM 1216

UNIT TITLE: FINANCIAL MANAGEMENT II

DATE: 24TH AUGUST, 2018

TIME: 9:00 AM – 11:00 AM

INSTRUCTIONS:

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

QUESTION ONE

- (a) If an institution deposits 20,000 in a bank at an annual interest of 14%, determine the compound future sum at the end of the fifth year it occurs.
- (i) Annually (2 Marks)
 - (ii) Weekly (2 Marks)
 - (iii) Quarterly (2 Marks)
 - (iv) Monthly (2 Marks)
- (b) Explain the quantitative and qualitative methods of credit control by the central bank of Kenya. (14 Marks)
- (c) Explain the FOUR roles of financial interdimensions. (8 Marks)

QUESTION TWO

- (a) Define the terms:-
- (i) Stock (2 Marks)
 - (ii) Portfolio (2 Marks)
 - (iii) Initial public offer (2 Marks)
- (b) A profit has the following cash flows.

	Project A	Project B
Cost	1,000,000	1,000,000
Expected future cash flows.		
Year 1	50,000	1,000,000
Year 2	50,000	50,000
Year 3	1,100,000	50,000
Year 4	-	-

Determine

- (i) Projects payback period. (4 Marks)
- (ii) Projects N.P.V. (Net present value) @ 12% (4 Marks)
- (iii) Projects profitability index @ 12%. (4 Marks)
- (iv) Comment on which project is superior. (2 Marks)

QUESTION THREE

ABC Ltd went Public by using 1 million shares of common stock @ 25 per share. The shares are currently trading @ 30 per per shar. Comment with free rate is 4%, market risk premium is % and the company has a bite coefficient of 1.2.

During the last year, it usual 50,000 bonds 1,000 per paying 10% coupon annually maturing in 20years. The bonds are currently trading at @ 950. The tax rate is 30%. Calculate the weights average cost of capital. (20 Marks)

QUESTION FOUR

- (a) Explain FIVE advantages of an organization listing in the stock exchange. (10 Marks)
- (b) Explain the capital budgeting process. (10 Marks)

QUESTION FIVE

- (a) Highlight and explain the main objectives of the capital markets Authority. (10 Marks)
- (b) Briefly explain the meaning of leverage. (2 Marks)
- (c) What are FOUR advantages of Net present value Accounting technique. (8 Marks)