



FACULTY OF BUSINESS MANAGEMENT
END OF SEMESTER EXAMINATIONS - APRIL 2025

PROGRAMME: BHRM, BPA

YEAR/SEM: YEAR 2/SEMESTER 1

COURSE CODE: FIN 2101

NAME: FINANCIAL MANAGEMENT

DATE: 2025-04-22

TIME: 9:00AM-12:00PM

INSTRUCTIONS TO CANDIDATES:

1. Read the instructions very carefully
2. The time allowed for this examination is STRICTLY three hours
3. Read each question carefully before you attempt and allocate your time equally between all the Sections
4. Write clearly and legibly. Illegible handwriting cannot be marked
5. Number the questions you have attempted
6. Use of appropriate workplace examples to illustrate your answers will earn you bonus marks
7. Any examination malpractice detected will lead to automatic disqualification.

DO NOT WRITE ANYTHING ON THE QUESTION PAPER

Section A ANSWER 1 QUESTION

Question 1:

The following relates to the sales forecast for the next six months.

Month	January	February	March	April	May
Sales	400,000	600,000	500,000	600,000	600,000

It is estimated that:

Of the Accounts Receivable, 80% will pay in the month following the sales and 20% in the next month.

The purchases for the next six months will be as follows on credit.

Month	January	February	March	April	May
Purchases	400,000	300,000	500,000	500,000	400,000

- i. Suppliers will be paid in the month following delivery
- ii. The company will pay rent amounting to 600,000 in March For the year.
- iii. Wages per month will be 54,000 per month except for the month of March and June where they will be higher by 5000 due to overtime.
- iv. Overheads totaling to 10,000 will be paid per month payable in the month that they are incurred.
- v. Assets shs.80, 000 will be purchased in January.
- vi. Depreciation is provided on all non-current assets at 20% using the reducing balance method.
- vii. Inventory of 150,000 is expected to remain at the end of June 2001.
- viii. At no time should the company have a negative cash balance.

REQUIRED.

Prepare a cash budget and a new balance sheet for the above company after transactions, and comment on its performance. (40 mks)

Section B ANSWER ANY THREE QUESTIONS

Question 1:

USE THE FOLLOWING CASE STUDY TO ANSWER THE QUESTIONS

Business financial ethics are significant to all companies. It relates to not only the benefits and the reputation of one company, but the benefit of consumers. Whether a company can grow up and become flourishing or not sometimes is determined by business financial ethics. A presentative of

business financial ethics in real-world is McDonald's.

1. In 1972, Ray Kroc, the company's founder made a rare donation of \$250,000 to Nixon's reelection campaign and in return got a favorable legislation that allowed companies such as McDonald's to pay teenage employees 20 percent less than federal minimum wages. the basic rights of teenage employees cannot be guaranteed.

2. McDonald's also doesn't allow employees to unionize, and in one instance where workers at St. Hubert Quebec did form a union, the company closed down the unit promptly.

• employees' right of defending their benefits and claims lost.

3. Activists of London Greenpeace alleged that McDonald's promoted Third World poverty, sold unhealthy food, exploited workers and children, tortured animals, and destroyed the Amazon rain forest.

• lots of unethical behavior lead McDonald's to be sued.

Reputation is a company's biggest asset and bad business financial ethics invariably result in loss of reputation and credibility. Yet many large corporate also find themselves caught red handed indulging in shady conduct. Read on for some real life examples of bad business financial ethics.

Very often, a company's relationship with its stakeholders defines its ethical values. McDonald's, despite its global success, remains the target of a vitriolic public backlash owing to what many perceive as [bad business financial ethics in its relationships with employees](#) and other stakeholders.

This bad business financial ethics example by McDonald's is what is known as the • McDonald's Legislation in popular parlance. In 1972, Ray Kroc, the company's founder made a rare donation of \$250,000 to Nixon's reelection campaign and in return got a favorable legislation that allowed companies such as McDonald's to pay teenage employees 20 percent less than federal minimum wages. Most observers consider this a typical case of corporate influence on lawmakers to enact legislation that serve their selfish ends and harm society.

McDonald's also doesn't allow employees to unionize, and in one instance where workers at St. Hubert Quebec did form a union, the company closed down the unit promptly.

The McLibel case ranks as McDonald's most disastrous cases of bad business financial ethics and spawned tons of negative publicity. Between 1986 and 1990, activists of London Greenpeace distributed pamphlets with the title • What's Wrong with McDonald's? Everything They Don't Want You to Know • and the wordings • McDollars, McGreedy, McCancer, McMurder, McProfits, McGarbage, • alleging that McDonald's promoted Third World poverty, [sold unhealthy food](#), exploited workers and children, tortured animals, and destroyed the Amazon rain forest. McDonald's sued the group for libel. The court, however, held McDonald's guilty of exploiting children through advertising tactics, serving dangerously unhealthy food, paying workers low wages, indulging in union busting activities worldwide, and ignoring animal cruelty perpetrated by its suppliers.

REQUIRED:

1. What were some of the MacDonald financial mishaps witnessed by the above management?
(15 marks)
2. As a financial manager how would you help? (5 mks)

Question 2:

- i. Explain the five roles of finance managers in any organization of your choice. (10 mks)
- ii. Using examples, explain the wealth maximization theory. (5 mks)
- iii. What are some of the sources of finance available to an NGO (5MKS)

Question 3:

ABC Company has a choice to invest in any of the two companies, A or B who have the following cash outlay of 18,000 and 19,000 respectively. The cash inflows for are as follows:

Year	A	B
1	5,300	4,000
2	3,500	3,500
3	3,800	4,800
4	4,500	3,500
5	3,500	3,000
6	3,000	3,500

Given that the management prefers a 8% interest rate.

- a) What project could be taken considering both the PBP and NPV as a basis of evaluating such a project. (10mks)
- b) What do you think would be the right IRR for project A and the one for B? (10mks)

Question 4:

ABC Company has a choice to invest in any of the two companies, A or B who have the following cash outlay of 18,000 and 19,000 respectively. The cash inflows for are as follows:

Year	A	B
1	5,300	4,000
2	3,500	3,500
3	3,800	4,800
4	4,500	3,500
5	3,500	3,000
6	3,000	3,500

Given that the management prefers a 8% interest rate.

- a) What project could be taken considering both the PBP and NPV as a basis of evaluating such a project. (10mks)
- b) What do you think would be the right IRR for project A and the one for B? (10mks)

Question 5:

- a) Explain the five functions of finance managers in any organization of your choice. (10 mks)
- b) Using examples, explain the wealth maximization theory. (5 mks)

- c) What are some of the sources of finance available to an NGO (5MKS)

Question 6:

Briefly but clearly write short notes to differentiate on the following:

- i. Shares versus debentures (5MKS).
- ii. Bond versus treasury bills (5MKS).

With examples, explain the dividend policy and its advantage and disadvantage (10 MKS).