

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EMBU CAMPUS

EXAMINATION FOR THE AWARD OF DIPLOMA IN PUBLIC ADMINISTRATION.

LAPA 0261: FUNDAMENTALS OF PUBLIC FINANCIAL MANAGEMENT

STREAMS: DIP (LAPA)

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 5/12/2018

2.30 P.M - 4.30 P.M.

INSTRUCTIONS:

- Answer Question ONE and any other TWO Questions
- Do not write anything on the question paper

QUESTION ONE

- (a) Define the term “time value of money and public finance”. [7 Marks]
- (b) Explain the justification of time value of money. [9 Marks]
- (c) Show the future value of 1000000 at 10% interest rate after 10 years. [14 Marks]

QUESTION TWO

Highlight and explain any five factors that affect capital structure decisions. [20 Marks]

QUESTION THREE

- (a) Describe any five groups that are affected by financial decisions [15 Marks]
- (b) Define the term financial management. [5 Marks]

QUESTION FOUR

- (a) Explain any five reasons as to why financial management is important for any organization. [10 Marks]
- (b) Highlight five external and internal factors that influence financial decisions of a firm. [10 Marks]

QUESTION FIVE

(a) Briefly mention and explain any four techniques of capital investment appraisals. [8 Marks]

(b) S Ltd has a cost of capital of 10%. The company is considering a capital investment where the estimated cash flows as follows;

	Kshs.
Y0	1000
Y1	500
Y2	400
Y3	300
Y4	100

Evaluate the project using;

- (i) NPV technique
- (ii) Pay back technique

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