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CHUKA



UNIVERSITY

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**UNIVERSITY EXAMINATIONS**

**EXAMINATION FOR THE AWARD OF DIPLOMA IN PUBLIC ADMINISTRATION**

**LAPA 0231: FINANCIAL MANAGEMENT**

**STREAMS: Y2 S2**

**TIME: 2 HOURS**

**DAY/DATE: THURSDAY 9/04/2020**

**8.30 A.M – 10.30 A.M.**

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**INSTRUCTIONS**

- Answer **ALL** questions in **Section 1** and any other **TWO** in Section **II**.

1(a.) Discuss the functions of a finance manager [9 Marks]

(b.) List 3 reasons why the goal of wealth maximization is superior to that of profit Maximization.

(c.) Give 3 advantages of the payback period method of project appraisal. [3 Marks]

d.) “Despite the large investment in the stock exchange and the various government activities, only a few companies are listed at the stock exchange of the three East African Countries”. This was that opening remark by the guest speaker in a seminar whose theme was “Developing our capital market”.

(i) Explain the advantages of being listed at the stock exchange. [7 Marks]

(ii) Highlight four factors that may hinder companies from being listed at the stock exchange. [8 Marks]

**SECTION II**  
**QUESTION TWO**

1.) The following information relates to machines A and B.

Year	Machine A	Machine B
0	100,000	120,000
1	60,000	50,000
2	40,000	50,000
3	20,000	50,000

Find the Internal Rate of Return (IRR) of the project as rates 10% and 15%.

[10 Marks]

b) Discuss the Internal Rate of Return (IRR) of the project at rates 10% and 15%. [10 Marks]

**QUESTION THREE**

a) Name and explain 3 participants in the money markets. [6 Marks]

b) Differentiate between activity ratios and profitability ratios. [6 Marks]

c) Explain two uses of financial ratios. [4 Marks]

d) Describe the categories of the managerial role of a finance manager. [6 Marks]

**QUESTION FOUR**

Discuss the following terminologies in relation to financial management.

i) Corporate social responsibility. [4 Marks]

ii) Hire Purchase [5 Marks]

iii) Preference shares [5 Marks]

iv) Types of capital projects. [6 Marks]

**QUESTION FIVE**

(a) Explain reasons that may drive a company to raise equity finance than debt finance. [12 Marks]

(b) Describe the advantages of capital budgeting. [8 Marks]