

**CHUKA****UNIVERSITY****UNIVERSITY EXAMINATIONS****EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COOPERATIVE MANAGEMENT****BCOP 233: COOPERATIVE MANAGEMENT****STREAMS: BCOP****TIME: 2 HOURS****DAY/DATE: WEDNESDAY 08/04/2020****11.30 A.M. – 1.30 P.M.****INSTRUCTIONS:**

- Answer question ONE and any other TWO questions.

**QUESTION ONE**

- (a) Njeri intends to deposit Sh. 5,000 at the end of each year in an investment plan that offers an interest rate of 12% per annum for 7 years. Determine the amount Njeri will receive after 7 years. (3 marks)
- (b) In an organization, managers are required to make decisions that maximize shareholders wealth. On the contrary managers may make decisions that shareholders don't agree with in view of this statement discuss the reasons for conflicts between shareholders and managers and the solutions to the conflict. (8 marks)
- (c) A company has invested in a 5 year 12% Sh 50,000 debenture. The market price of the debenture is Sh. 55,000. The cost of capitals 15% should the company purchase the debenture. (4 marks)
- (d) The company is considering investing in two mutually exclusive project A and B

Years	Project A cashflows	Project B cashflows
	Ksh.	Ksh.
1	180,000	120,000
2	140,000	150,000
3	100,000	180,000
4	160,000	100,000



- (iii) The debentures are currently selling at sh. 200 and will mature in 20 years.
- (iv) The medium term loan is currently selling at sh. 7,200,000
- (v) Tax rate is 30%

Required:

Weighted average cost of capital (10 marks)

**QUESTION FOUR**

- (a) Highlight the uses of ratio analysis (4 marks)
- (b) A company currently pays an ordinary dividend of Sh. 20 per share which is expected to grow at 10 for 2 years, 12% for 3 years and 8% for 3 years after which it will fall to a constant rate of 10%. Calculate the intrinsic value of the share if the risk free rate is 8% and the rise premium is 14%. (10 marks)
- (c) The following information has been extracted from the books of Andrea limited

	Sh
Credit sales	800,000
Cash sales	400,000
Debtors	50,000
10% debenture	1,000,000
Ordinary shares at Sh. 100	2,000,000
Profit before interest and tax	500,000
Tax rate	50%

Dividend payout is 50% of profit after tax

**Required:**

- (i) Debtors turnover (2 marks)
- (ii) Interest coverage ratio (2 marks)
- (iii) Dividend per share (2 marks)