

150



*(Knowledge for Development)*

**UNIVERSITY EXAMINATIONS**  
**2021/2022 ACADEMIC YEAR**  
**FOURTH YEAR FIRST SEMESTER**  
**MAIN EXAM**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCF 440E**

**COURSE TITLE: STRATEGIC FINANCIAL MANAGEMENT**

**DATE: 23<sup>RD</sup> MAY, 2022**

**TIME: 9.00AM - 11.00AM**

---

**INSTRUCTIONS TO CANDIDATES**

Answer Question One in Section A and Any other TWO (2) Questions in Section B

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question **one** carries **30** marks and each of the other two questions carry **20** marks each.

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 3 Printed Pages. Please Turn Over.

### QUESTION ONE (COMPULSORY)

- a) As a finance strategic management expert, explain the rationale behind the essence of strategic finance management giving five cons and five pros in business entities globally. **(10 Marks)**
  - b) Explain the following giving eight reasons as to why financial goals and metrics are established based on benchmarking the “best-in-industry” globally (10 Marks)
  - c) Discuss the effects of a merger and acquisition strategy on the Shareholder Wealth Maximization (SWM). (10 marks)
- (Total 30 marks)**

### QUESTION TWO

Discuss the following on the value of Shareholder Wealth Maximization( SWM);

- a) Share re-purchases [ 5 marks]
  - b) Stock dividends [ 5 marks]
  - c) Share splits [ 5 marks]
  - d) Warrants & convertibles [ 5 marks]
- (Total 20 marks)**

### QUESTION NO THREE

- a. Briefly explain the components of a financial planning model (10 marks)
- b. Explain the chronological steps involved in Strategic management process (10 Marks)

**(Total 20 marks)**

### QUESTION FOUR

- a) Strategic financial management refers to the study of finance with a long term view of considering the strategic goals of the enterprise explain any four Components of strategic financial management (4marks)
- b) Company, financial statement for the year 3<sup>1st</sup> December 2016 is as follows; in shs. “000”

ash	72000	Payables	432000
ccounts receivable	439000	Accruals	170000
iventories	894000	Total current liabilities	602000
otal current assets	1405000	Lon-term Debt	404000
and and buildings	238000	Common stock	575000

Machinery	132000	Retained Earnings	254710
Other fixed assets	61000	Reserves	-
Total assets	1836000	Total liability & equity	1836000

c) Income statement for the year ended 31<sup>st</sup> December 2016

(8marks)

Sales	4240000
Cost of goods sold	3680000
Gross operating profit	560000
expenses	236320
Depreciation	159000
Miscellaneous	134000
EBT	30680
Taxes (40%)	12272
Net income	18408

Given the Edward Altman model  $z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$ ,

d) Evaluate the a above shall slide into bankruptcy or not

(8marks)

#### QUESTION FIVE

i).Discuss the functions of the Nairobi Securities Exchange (8marks)

ii).Explain the benefits and demerits of listing in the NSE (8marks)

iii).Analyze the benefits of having a CDS account (3marks)