(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR

SECOND YEAR FIRST SEMESTER

SPECIAL/SUPPLEMENTARY EXAM

FOR MASTERS IN BUSINESS ADMINISTRATION

COURSE CODE: MBA832

COURSE TITLE: CORPORATE FINANCE

DATE:20ᵀᴴ JANUARY,2022   TIME:8.00AM – 11.00AM

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other THREE (3) Questions in Section B

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 4 Printed Pages. Please Turn Over.

SECTION A

QUESTION ONE

i) State at least five reasons why profit maximization objective of a firm has been criticized

(5mks)

ii) Discuss at least five functions of a financial market

(10mks)

iii) ABC LTD will elect six directors at the AGM. There are 100,000 shares outstanding and entitled to vote.

Required: a) If a group desires to elect two directors how many shares must it have

(5mks)

b) If a group held 40,000 shares in the ABC LTD , how many directors would be possible for the group to elect

(5mks)

iv) State and explain the essential features of a sound capital mix of a firm   (10mks)

iv) Differentiate between

a) diversifiable risk an non-diversifiable risk

(2mks)

b) translation exposure and transaction exposure

(3mks)

SECTION B

QUESTION TWO

a) State and explain five factors affecting the Weighted Average cost of Capital (10mks)

b) Assume MJK bank lends ksh. 1000 000 for a period of five years at 15% interest per annum to be compounded annually. Repayment is at the end of each year. Determine the amount of each installment

(5mks).

QUESTION THREE

a) ABC Plc has a capital budget of Ksh. 12 000 000 for investment. The company has presented the following investment proposal to you for advice in your capacity as the financial adviser to the company.

- The company's weighted cost of capital

(10mks)

b) Financial managers of Multinational Firms can manage Foreign Exchange Rate Risk through internal hedging. State and explain two methods of internal hedging (5mks)