



(Knowledge for Development)
KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
FOURTH YEAR FIRST SEMESTER
MAIN EXAMINATION

FOR THE BACHELOR OF COMMERCE(E)

COURSE CODE: BCF 412

COURSE TITLE: ASSET MANAGEMENT

DATE: 4TH AUGUST, 2021

TIME: 2.00 P.M -4.00 P.M

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

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

SECTION A

QUESTION ONE (30 MARKS)

- a. A project identified as "X" is expected to cost Ksh.1, 000,000. Its streams of cash inflows from years 1 through five are sh.900,000, sh.800,000,sh.700,000, sh.600,000, and sh. 500,000. The opportunity cost of capital for this project is 10 %. Calculate the present value and net present value of this project (16 Marks)
- b. Determine whether the project should be accepted or rejected by management(4 Marks)
- c. Any manager has at his disposal many assets which he manages. Some assets are financial while others capital in nature. Suppose you have been mandated to carry out a process of decantation and separate the these classes assets, identify and describe those that can considered as purely financial (10 Marks)

QUESTION TWO (20 MARKS)

Kibabii Company is desirous to set up a project whose cost is estimated at \$500,000,000. The general reserve account which has been accumulated for the last one decade can raise \$ 100,000,000. The balance of \$400,000,000 can be obtained from outside sources but upon strenuous negotiations with fund providers it was solemnly agreed that a maximum period of 20 years was openly available to make good the \$400,000,000 in debt. Both the debtor and the creditor are willing and have signed the papers to execute this agreement. In your view and to the best of your knowledge and understanding, suggest any eight of such fund providers in the finance environment today.

QUESTION THREE (20 MARKS)

There is a growing anxiety among the investors of every age and generation concerning the selection and choice of the appropriate investment available in the market. This has in part caused either low investment and or high investment in certain types of investments. Suppose a group of Chinese and American investors have money to invest and are unable to make the correct choice of where, how and what to invest in, help by advising them on the various setbacks faced in this important sector of the economy before they can release their funds to local investors (20 Marks).

QUESTION FOUR (20 MARKS)

By using your own example, show how Net Operating Income is calculated and apply a capitalization rate of 10 % on the NOI just calculated to estimate the value of your investment (20 Marks).Correct example will earn you ten marks and correct solution will also earn you ten marks.

QUESTION FIVE (20 MARKS)

Explain how performance can be measured using the following ratios:-

1. Sharpe Index (5 Marks)
2. Treynor's Measure (5 Marks)
3. Jensen Measure (5 Marks)
4. MM Measure (5 Marks)