



(Knowledge for Development)

KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER

MAIN EXAMINATION

FOR THE DIPLOMA IN BUSINESS MANAGEMENT

COURSE CODE:DIB 105; COURSE TITLE:FINANCIAL MANAGEMENT

DATE:15TH DECEMBER,2022

TIME:9.00AM – 11.00AM

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

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SECTION A

QUESTION ONE (COMPULSORY)

- a) Discuss in detail the FIVE routine functions of a finance manager (10 marks)
- b) Discuss three advantages of using discounted payback period(5marks)
- c) Assume you were to receive sh. 172,800 three years from now on an investment and the required rate of return is 20 %. What amount would you receive today to be indifferent, justify?
5marks
- d) Explain three types of agency cost incurred by shareholders 6marks
- e) Explain two types of financial budgets 4marks

QUESTION TWO

- a) Highlight THREE assumptions of the Economic order quantity (3mks)
- b) Demand for part CD 484 used by Karen Ltd of 4 million units. The cost per unit for this part is 200/= and the cost of placing an order is sh.500. Karen ltd estimates that the annual inventory carrying cost is 20% of the cost per unit.

Required:

- i. Calculate the EOQ (5mks)
- ii. Number of orders in a year (3mks)
- iii. Calculate the re-order level. Assume lead time is 10 days and the company works for 300 days in a year (4mks)
- iv. Total cost (5mks)

QUESTION THREE

- a) Discuss in detail the agency relationship between managers and shareholders (10marks)
- b) Explain five benefits of financial planning. (10marks)

