



(Knowledge for Development)

KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2021/2022 ACADEMIC YEAR
FOURH YEAR, SECOND SEMESTER EXAMINATIONS
SPECIAL/SUPPLIMENTARY EXAMINATION
FOR THE DEGREE IN BACHELOR OF COMMERCE

COURSE CODE: BCF 440E

COURSE TITLE: STRATEGIC FINANCIAL MANAGEMENT

DATE: 18TH NOVEMBER, 2022 **TIME:** 8.00AM – 10.00AM

INSTRUCTIONS TO CANDIDATES

- Answer Question ONE and ANY another TWO
- Time allowed is Two (2) Hours

Do not write anything on the question paper

QUESTION ONE;

a)
A lognormal model is perhaps the most authoritative model for asset prices in finance studies.
Required; Highlight TWO assumptions of the lognormal model (5 marks).

b)
BAT (k) estimated cash flows for the 4 years are as follows

Year	2018	2019	2020	2021
Cashflow(shs) Million	3	6	10	15

; WACC = 12%, common stock = 10 million, debt and preferred stock = shs. 60 million
Required;

- i. Terminal value of the firm (10 marks).
- ii. Firms estimate of price per share (5 marks).

QUESTION TWO.

a)
East Africa Telecoms & Co Ltd prepared to report the following income statement (in thousand shillings);

Sales	15200
Cost of sales	11900
EBIT	3300
Interest	300
EBT	3000
Taxes @ 40%	1200
Net income	1800

The company has 500,000 shares outstanding and each is trading at shs. 48, the company has plans to repurchase 20% of it's outstanding shares. Required

- i. Evaluate the effect of the plan on the future earnings of the company (5 marks)
- ii. Identify the plans impact on the market value of the firms share (5 marks)

b)
Briefly explain the components of a financial planning model (10 marks)

[TOTAL = 20 MARKS]

QUESTION 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)

QUESTION FOUR

Discuss the following on the value of a corporate firm and 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]

QUESTION FIVE

As an international financial strategist expert, you have called upon to give ten advantages and ten probable disadvantages of listing a company on a security stock market. Briefly explain. (20 marks)