



***"Investing in Africa's Future"***  
**COLLEGE OF HEALTH, AGRICULTURE & NATURAL SCIENCES**

**MAC502 FINANCIAL MANAGEMENT**  
**END OF SECOND SEMESTER EXAMINATIONS**

**MAY 2023**

**LECTURER: DR W. MATAMANDE**

**DURATION: 3 HOURS**

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***INSTRUCTIONS***

Do not write your name on the answer sheet

Use Answer Sheets Provided

Begin your answer for Each Question on a New Page

Credit is Given for Neat Presentation



## INSTRUCTIONS TO CANDIDATES

Answer all questions

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### Question 1(20 marks)

The college directors of KLC are considering two investment opportunities, Project B2 and Project C3. The initial investment required and the likely net cash inflows arising from the investments in each project are as follows:

Project	Initial Investment \$millions	NET CASH INFLOWS (after tax) \$ million
B2	10.20	\$1.15 in year 1, and \$3.10 a year from years 2 to 7
C3	9.50	\$4.5 each year for years 1 to 5

Additional notes:

- Project B2 has a residual value of £2.5 million. Project C3 is expected to have no residual value
- Project B2 is to be discounted at 8%. Project C3 is to be discounted at 9%
- Assume cash flows, other than the initial investment, occur at the end of each year

#### Required

(a) Calculate and rank the projects according to the following measures:

(i) Payback [4 marks]

(ii) NPV [7 marks]

(b) Critically reflect in general terms on **three** key non-financial factors that must be considered before implementing a project with a positive NPV project. [6 marks]

(c) Advice KLC on which project may be preferred. [3 marks]



**Question 2(20 marks)**

- (a) Critically discuss the differing views on profit maximisation, revenue maximisation and shareholder value maximisation in relation to the financial objective of a company.

**[18 marks]**

- (b) State, with reasons, your conclusions as to which is the most appropriate financial objective.

**[2 marks]**

**Question 3(20 marks)**

- (a) Discuss the terms “inventory” and “inventory management “? Examine the key objectives of inventory control.
- (b) Discuss in brief different types of costs associated with inventory. Also explain different techniques of inventory control.

**Question 4(20 marks)**

Discuss in brief all aspects of management of cash in a business organization.

**Question 5(20 marks)**

- (a) Discuss the concept of working capital **(5 marks)**
- (b) The following information was extracted from the books of a manufacturing company:

Period Covered	365 days
Average period of credit allowed by suppliers	16 days
Average Total of Debtors Outstanding	480
Raw Material Consumption	4,400
Total Production Cost	10,000
Total Cost of Sales	10,500
Sales for the year	16,000



Value of Average Stock maintained:

Raw Material	320
Work-in-progress	350
Finished Goods	260

Required:

- (i) Compute the operating cycle in days (10 marks)
- (ii) Compute the amount of working capital required (5 marks)

**End of examination paper**

