



“Investing in Africa’s Future”
COLLEGE OF HEALTH, AGRICULTURE & NATURAL SCIENCES

MAC 502 FINANCIAL MANAGEMENT

END OF SECOND SEMESTER FINAL EXAMINATIONS

APRIL 2022

LECTURER: DR. W. MATAMANDE

DURATION: 3 HOURS

INSTRUCTIONS

Do not write your name on the answer sheet

ANSWER ALL QUESTIONS IN THIS EXAM PAPER

Begin your answer for Each Question on a New Page

Credit is Given for Neat Presentation

ANSWER ALL QUESTIONS

Question 1(20 marks)

The following information is available for project X and Y FOR AU;

	Project X	Project Y
Initial investment	\$20 000	\$30 000
Estimated life	5 years	5 years
Scrap value	\$1 000	\$2 000

The profits before depreciation and after taxation (cash flows) are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
	\$	\$	\$	\$	\$
Project X	5000	10000	10000	3000	2000
Project Y	20000	10000	5000	3000	2000

Required:

- (a) Calculate the Net Present Value using a discount rate of 10%. **(18 marks)**
- (b) Suggest which project should be accepted and provide reasons. **(2 marks)**

Question 2(20 marks)

- (a) Discuss the objectives of financial management. **(12 marks)**
- (b) Explain the importance of financial management. **(8 marks)**

Question 3(20 marks)

- (a) A company is earning a sum of \$50,000,
- (b) and the rate of return expected is 10%. This company will be said to be properly capitalized. Suppose the capital investment of the company is \$60,000, it will be over capitalization to the extent of \$100 000.

Required:

What is the new rate of earning? **(8 marks)**

(c) Discuss the effects of overcapitalization of a firm and the remedies thereof. **(12 marks)**

Question 4(20 marks)

(a) Critically examine the advantages and disadvantages of equity shares. **(12 marks)**

(b) Discuss the features of equity shares. **(8 marks)**

Question 5(20 marks)

(a) Critically explain the factors affecting the requirement 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