



“Investing in Africa’s future”

COLLEGE OF BUSINESS PEACE LEADERSHIP GOVERNANCE (CBPLG)

NMAC 309: FINANCIAL MANAGEMENT

END OF SECOND SEMESTER FINAL EXAMINATIONS

MAY 2021

LECTURER: MR. GABRIEL MUZAH

TIME: 7 HOURS

INSTRUCTIONS

- The paper contains only two (3) questions.
 - Answer only **ONE (1)** question
 - We are extremely interested in your own thoughts and writing in response to the questions in the exam.
 - Africa University will check all submitted final exams for plagiarism, excessive referencing and for exams which are identical or in which evidence of copying is apparent. Failing to acknowledge and cite other people’s work or ideas, close paraphrasing, using passages verbatim without referencing, extreme referencing (without any original work done by the student), and copying other students’ work is considered academic dishonesty by AU
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Question 1:

Mergers and acquisitions (M&A) are defined as consolidation of companies. Differentiating the two terms, Mergers is the combination of two companies to form one, while Acquisitions is one company taken over by the other. M&A is one of the major aspects of corporate finance world. The reasoning behind M&A generally given is that two separate companies together create more value compared to being on an individual stand. With the objective of wealth maximization, companies keep evaluating different opportunities through the route of merger or acquisition.

Analyse and discuss any recent (5 years) merger or acquisition of companies' outlining strategic (positioning + sustainability) and financial (investment + financing) considerations.

[50 Marks]

Question 2:

Unlike traditional finance theories which assume rationality of behaviour, behavioural finance explains financial problems from psychology perspective. Compare and contrast the efficient market hypothesis (Markowitz Portfolio Theory) to propositions made by behavioural finance.

[50 Marks]

Question 3:

The cost of finance is an important factor in both the investing and financing decision. Discuss other factors that a firm that a firm would consider when deciding on a source of finance.

[50 Marks]

END OF EXAMINATION
