TECHNICAL UNIVERSITY OF MOMBASA

School of Business

Department of Accounting & Finance

UNIVERSITY EXAMINATION FOR:

BACHELOR OF SUPPLY CHAIN MANAGEMENT

BPC 4204: SUPPLY CHAIN FINANCIAL MANAGEMENT

END OF SEMESTER EXAMINATION

SERIES: AUGUST 2024

TIME: 2 HOURS

DATE: Pick DateAug2024

Instructions to Candidates

You should have the following for this examination

-*Answer Booklet, examination pass and student ID*

This paper consists of **FIVE** questions. Attempt question ONE (Compulsory) and any other TWO questions.

Do not write on the question paper.

Question ONE

a) Firms strive to achieve the core mandate for which they were formed. Discuss these mandates. (12 Marks)

a) The following information was extracted from the books of XYZ Ltd;

Initial outlay	Sh. 100,000
Estimated life	5 years
Scrap value	Sh. 10,000
Profit after tax:	
End of year 1	Sh. 6,000
2	Sh. 14,000
3	Sh. 24,000
4	Sh. 16,000
5	NIL

Depreciation has been calculated under straight-line method. The cost of capital may be taken at 10% P.a.

Required;

i. Calculate the Net Present Value (NPV) and Profitability Index (P.I) of the project. (12 Marks)

ii. Discuss 2 merits and 2 demerits of NPV appraisal technique for mutually exclusive entities. (6 Marks).

Question TWO

a) Differentiate between capital structure and Financial structure (8 marks)

b) ABC Ltd. needs sh. 3,000,000 for the installation of a new factory. The new factory expects to yield annual earnings before interest and tax (EBIT) of sh.500,000. In choosing a financial plan, ABC Ltd., has an objective of maximizing earnings per share (EPS). The company proposes to issue ordinary shares and raising debit of sh. 300,000, sh.1, 000,000 and sh. 1,500,000. The current market price per share is sh. 25 and the number of shares on issue are 200,000. The tax rate is 30%. Funds can be raised at the following rates.

– up to sh. 300,000 at 8%
– over sh. 300,000 to sh 1,000,000 at 10%
– over sh. 1,000,000 at 15%

Assuming a tax rate of 50%

Required: Advise the company on which financing structure to use. (12 marks)

Question THREE

a) Capitalization forms a firm's total financial resources. Analyze vividly the external sources of finance to a firm as elaborated in Supply Chain Financial Management. (10 Marks)

b) The John Equipment Company estimates its carrying cost at 15% and its ordering cost at Sh. 9 per order. The estimated annual requirement is 48,000 units at a price of Sh. 4 per unit.

Required:

i. What is the most economical number of units to order?
ii. How many orders should be placed in a year?
iii. How often should an order be placed? (10 marks)

Question FOUR

a) Entities financing defers from one firm to another. Most of them prefer equity than debt. Discuss (12 marks)

b) Supply chain finance has faced tremendous backlash in the modern-day economies. Discuss (6 marks)

Question FIVE

a) Business concern needs constant inventory supply to enhance completion of its cycle for the normal conduct of business. Analyze the motivations to a business to hold inventory. (8 Marks).

b) Technological advancement has **pros** and **cons** in the field of financial management. This has led to a noticeable milestone in the business world and moreso in the Supply Chain Financial Management. Discuss. (12 marks).