TECHNICAL UNIVERSITY OF MOMBASA

SCHOOL OF ENGINEERING AND TECHNOLOGY

DEPARTMENT OF ARCHITECTURE & BUILT ENVIRONMENT

UNIVERSITY EXAMINATION FOR:

DIPLOMA IN QUANTITY SURVEYING

EQS 2311: **FINANCIAL MANAGEMENT**

END OF SEMESTER EXAMINATION

YEAR THREE SEMESTER TWO

SERIES: MAY 2025

TIME: 2 HOURS

DATE: May, 2025

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 (30 MARKS)

a) Explain equity and borrowed funds as two primary sources of financing for an organization. (10 Marks)

b) Explain how the concepts of value and return are fundamental in assessing the financial performance and decision-making of an organization. (10 Marks)

c) Explain the significance of financial management in construction projects. (10 Marks)

QUESTION TWO (15 MARKS)

An investment promises to pay Kes. 2,000.00 at the end of each year for the next 3 years and Kes. 1,000.00 at the end of each year for years 4 through 7.

a) Determine maximum amount the investor will pay for such an investment if the required rate is 13 per cent. (8 Marks)

b) If the payments are received at the beginning of each year, determine the maximum amount the investor will pay for the investment. (7 Marks)

QUESTION THREE (15 MARKS)

Miss Tumaini is interested in a fixed annual income. She is offered three possible annuities. If she could earn 8 per cent on her money elsewhere, ascertain which of the following alternatives, if any, she would choose and why.

a) Pay Kes. 80,000.00 now in order to receive Kes. 14,000.00 at the end of each year for the next 10 years (5 Marks)

b) Pay Kes. 150,000.00 now in order to receive Kes. 14,000.00 at the end of each year for the next 20 years. (5 Marks)

c) Pay Kes. 120,000.00 now in order to receive Kes. 14,000.00 at the end of each year for the next 15 years. (5 Marks)

QUESTION FOUR (15 MARKS)

Madam Gloria came across the following investment opportunity: Kes. 2,000.00 at the end of each year for the first 5 years plus Kes. 3,000.00 at the end of each year from years 6 through 9 plus Kes. 5,000.00 at the end of each year from years 10 through 15.

a) Determine how much she will be willing to pay for this investment if the required rate of return is 14 per cent? (8 Marks)

b) Establish whether your answer if payments are received at the beginning of each year. (7 Marks)

QUESTION FIVE **(15 MARKS)**

Determine the compound value of Kes. 57,348.90 interest rate being 14.89 per cent per annum for 12 years if compounded.

i) Daily (3 marks)

ii) Half-yearly (3 marks)

iii) Quarterly (3 marks)

iv) Monthly (3 marks)

v) Weekly (3 marks)