TECHNICAL UNIVERSITY OF MOMBASA
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SCHOOL OF HUMANITIES & SOCIAL SCIENCES
DEPARTMENT OF HOSPITALITY & TOURISM MANAGEMENT
BACHELOR OF TECHNOLOGY IN HOTEL AND HOSPITALITY (BTHMA21)
UNIVERSITY EXAMINATION FOR:

BFI 4440 : FINANCIAL MANAGEMENT
END OF SEMESTER EXAMINATION
SERIES: JULY 2025

TIME: 2HOURS

DATE: JUL 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 1 (COMPULSORY)

a) Every business has certain goals that it would like to achieve. Explain the various goals of a business (10 marks)
b) In the goals mentioned above, explain any THREE overlapping objectives.

(6marks)
c) In carrying out its objectives, the organization may face conflicting objectives. Explain any THREE objectives that may be in conflict. (6 marks)
d) The following information was extracted from ABC ltd. The company has been paying a dividend of 10% on its shares. The par value of the shares is @ sh. 30, but a share is currently selling at sh. 60 in the stock exchange. The company intends to issue more shares and expects to raise its current dividend rate by 2%. Compute the ex-div price of this company's shares. (8 marks)

QUESTION TWO

a) Company ABC ltd has ksh. 1,000,000 and wants to invest in any of the two available projects. The projects A or B are expected to generate the following cashflows:

Period	Project A	Project B
	shs.	Shs
1	300,000	600,000
2	100,000	500,000
3	400,000	400,000
4	500,000	300,000
5	600,000	100,000

Required:

i) Advise the company on which project to invest in using Pay-back period method (6marks)

ii) Advise the company on which project to invest in using Net Present Value method, assuming that the rate of interest is 10% per annum (8 marks)

b) Outline **three dis-advantages** of using the payback period method (3 marks)

c) Outline **three dis-advantages** of using the NPV method (3 marks)

QUESTION THREE

a) ABC ltd has the following capital structure

	Shs
Ordinary share capital	300,000
Retained earnings	150,000
8% Preference share capital	100,000
10% debt finance	50,000
Total capital employed	600,000

This company has been paying ordinary dividend of 10% per annum and expected equity grows at 6% per annum. Tax is at the rate of 50%

Required: Calculate:

i) Cost of equity (4 marks)

ii) Cost of preference shares (3 marks)

iii) Cost of debt (4 marks)

iv) Weighted average cost of capital (4 marks)

b) Explain any **five factors** that affect the cost of finance (5 marks)

QUESTION FOUR

XYZ LTD

Balancesheet

As at 31 Dec 2021

	Shs	Shs	Shs
Fixed assets			213,900
Current Assets			
Stock		150,000	
Debtors		35,900	
Others		20,000	
		205,900	
Current Liabilities			
Creditors	60,000		
Provision for corporation tax	63,500		
Proposed Dividend	14,800	138,300	67,600
			281,500
Financed by			
Ordinary Share capital		100,000	
8% Preference Share capital		60,000	160,000
Revenue Reserve			
P&L Account 31.12.2020		32,800	
P&L Account 31.12.2021		48,700	81,500
10% Loan Finance			40,000
			281,500

Required, compute the following ratios:

i)	Current Ratio	(3 marks)
ii)	Quick Ratio	(3 marks)
iii)	Gross Profit Margin	(3 marks)
iv)	Net Profit Margin	(3 marks)
v)	Return on Capital Employed	(5 marks)
vi)	Earnings per Share	(3 marks)

Question Five

a) Explain FIVE between money markets and capital markets (10 marks)

b) Explain FIVE forms of debt finance (10 marks)