The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2016

EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE
(YR IV SEM II)

UNIT CODE: HBF 2404

UNIT TITLE: CONTEMPORARY ISSUES IN FINANCIAL MANAGEMENT

DATE: 15TH DECEMBER, 2016 **TIME: 9:00 AM – 11:00 AM**

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

(a) State the capital assets pricing model (3 Marks)

(b) Consider the following reforms for X and Y

Period	X	Y
1	14	10
2	12	8
3	10	12

Find beta and risk free rate. (4 Marks)

(c) Describe the following issues in financial management;

i. Benchmarking (2 Marks)

ii. Invoice discounting (2 Marks)

(d) What are advantages of E commerce to customers? (6 Marks)

(e) What are the factors considered in forecasting the future expected cash flows? (6 Marks)

(f) Highlight the various types of mergers (4 Marks)

(g) Give reasons for mergers (3 Marks)

QUESTION TWO

(a) What is Ecommerce and what are the disadvantages (10 Marks)

(b) What is portfolio and what factors initiate buildup of portfolio. (10 Marks)

QUESTION THREE

The possible returns of security i and research returns under three possible states are as follows:

Probability	% market	% security i
0.2	15	10
0.5	13	16
0.3	25	30

The risk free rate is 9%. Determine the required rate of return of security I and state whether it is correctly valued. (20 Marks)

QUESTION FOUR

(a) What are the limitation of CAPM (6 Marks)

(b) What are the reasons which led to the failure of mergers? (14 Marks)

QUESTION FIVE

(a) Highlight the reasons for financial restructuring (10 Marks)

(b) Give steps involved in financial restructuring (10 Marks)