PAN AFRICA CHRISTIAN UNIVERSITY

BACHELORS OF COMMERCE

END OF TERM EXAMINATION

DEPARTMENT: BUSINESS

COURSE CODE: BUS3213|BCM202

COURSE TITLE: BUSINESS FINANCE - Online

ROYSAMBU CAMPUS - DAY

EXAM DATE:

TIME:

INSTRUCTIONS

- This examination script consists of **six(6)** questions.
- Answer Question one and ANY three Questions.
- Read all questions carefully before attempting.
- Write your **student number** on the answer booklet provided.

QUESTION ONE

Determine the total future value of Kes65,000 deposited today in a fixed deposit account for 5 years to earn 9% interest, if compounded:

i) Quarterly (5 Marks)

ii) Continuously (5 Marks)

QUESTION TWO

As a finance manager in your firm, you have proposed two independent investments that need to be financed. The firm can either buy cash or borrow to pay. The cash price for both projects is Kes150,000. If your business borrows at 14%, the total repayment amount in five years' time will be Kes195,000. Determine the better option (10 Marks)

QUESTION THREE

a) Determine the Net Present Value of an investment if the present value is Kes 10,000 and the initial investment is Kes 8,000 (2 Marks)

b) Giving a relevant example in each case, discuss any four factors a finance officer should consider in selecting a source of finance (8 Marks)

QUESTION FOUR

Explain five ways in which a firm will benefit from borrowing from the bank as opposed to issuing new ordinary shares (10 Marks)

QUESTION FIVE

Using a relevant example in each case, explain the following terms:

a) A rate of return (3 Marks)

b) Weighted average cost of capital (4 Marks)

c) Wealth maximization (3 Marks)

QUESTION SIX

The following data was obtained from a publicly listed company:

Year	**Price/share (Kes)**	**Dividend/share (Kes)**
2015	17.32	2.4
2016	18.55	2.9
2017	19.01	3.0
2018	22.00	3.5
2019	21.15	3.6

Required:

Determine the share's average rate of return (10 Marks)