



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS JANUARY- APRIL 2025 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCFI402

COURSE TITLE: STRATEGIC FINANCIAL MANAGEMENT

DATE:

TIME:

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **TWO** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: *All exam rooms are under CCTV surveillance during the examination period.*

SECTION A: COMPULSORY

Question One

- a) Explain the strategic planning and decision making process [10 marks]
- b) Discuss four limitation of dividend payments [8 marks]
- c) Explain the 4 types of leases in finance [8 marks]
- d) Define corporate valuation and explain its importance in financial decision-making. [4 marks]

SECTION B: ANSWER ANY TWO QUESTIONS

Question Two

The total sales (all credit) of a firm is Kes 1,280,000. It has a gross profit margin of 30% and a current ratio of 2.5. The Firm's current Liabilities are is Kes 192000; inventories Kes 96000 and cash Kes 32000. Assume a 360- day year

- a) Determine the cost of goods sold [2 Marks]
- b) Determine the average inventory to be carried by the firm, if an inventory turnover of 5 times is expected [4 marks]
- c) Determine the average Debtors [2 marks]
- d) Determine the average collection period if the opening balance of debtors is intended to be Kes 160,000 [4 Marks]
- e) Discuss the uses of ratios in financial analysis [8 marks]

Question three

A firm finance all its investments by 40% debt and 60% equity. The estimated required rate of return on equity is 20% after taxes and that of the debt is 8% after taxes. The firm is considering an investment proposal costing Kes 40000 with an expected return that will last for a long time.

Required:

- a) The minimum overall required rate of return [4 marks]
- b) Required amount of investment proposal [3 marks]

- c) Return on equity [4 marks]
- d) Explain two approaches of corporate valuation [4 marks]
- e) 'Debt is the cheapest source of funds. Explain this statement [5 marks]

Question Four

a) Explain the five advantages and disadvantages of E-commerce [10 marks]

b) Explain five features of preference shares [10 marks]

Question Five

Explain the following terms using examples:

- i) Diversification [4 marks]
- ii) Corporate strategy [4 marks]
- iii) Working Capital [4 marks]
- iv) Baumol model [4 marks]
- v) Capital Recovery [4 marks]