



**UGANDA INSTITUTE OF INFORMATION AND COMMUNICATIONS TECHNOLOGY
END OF SEMESTER I EXAMINATION ACADEMIC YEAR 2024/2025**

DEPARTMENT : MANAGEMENT
YEAR OF STUDY : TWO
PROGRAM : DBA & PLM
COURSE : FINANCIAL MANAGEMENT
COURSE CODE : ACF 2102
DATE : THURSDAY 12TH DECEMBER, 2024
TIME : 9:00-12:00 HOURS
DURATION : 3 HOURS

INSTRUCTIONS:

- i. This paper consists of TWO sections, SECTION A & B
- ii. Answer FIVE (5) Questions in all.
- iii. Section A is COMPULSORY, Answer any THREE questions from **Section B**
- iv. Credit will be given for the use of relevant examples and illustrations.
- v. Mobile phones are NOT allowed in the exam room.
- vi. **DO NOT** write anything on this question paper, rough work should be done in the answer booklet and cancelled through.
- vii. Start a new number on a new fresh page.

SECTION A (THIS SECTION IS COMPULSORY)

QUESTION ONE

A project requires initial investment of UGX 850,000/= and is expected to give the following cash flows over five years: in year one UGX 180,000/=, in year two UGX 250,000/=, in year three UGX 100,000/=, in year four UGX 250,000/= and in year five UGX 300,000/=. The company cost of capital is 10%.

Required:

- a) Determine the payback period of the project **(04 marks)**
- b) Calculate the net present value of the project and advise management if it should undertake the investment. **(10 marks)**
- c) Give **THREE** advantages of using each of the investment appraisal techniques identified in (a) and (b) above. **(06 marks)**

QUESTION TWO

- a) Calculate the future value of Uganda shillings 100,000/= in a period of 4 years' time. Assume the rate of interest of 24% per annum. **(04 marks)**
- b) Give **FOUR** reasons why wealth maximization is considered as better objective than profit maximization. **(04 marks)**
- c) Outline **FOUR** examples of Capital budgeting decisions made by financial managers. **(04 marks)**
- d) List three (3) disadvantages of IRR investment appraisal technique. **(04 marks)**
- e) Peter borrowed shillings 50,000,000/= from a bank at an interest rate of 15% compounded annually. The principal amount is to be repaid at the end of 5 years. How much must be the annual deposit in order to raise the amount? **(4 marks)**

SECTION B (ATTEMPT THREE (3) QUESTIONS)

QUESTION THREE

The Board of Directors of ABC Ltd is planning to raise funds for further reinvestment to expand the size of the business.

- a) Using relevant examples, outline **EIGHT** sources of external finance available to organizations and projects **(08 marks)**
- b) Explain any **SIX** factors the Board of Directors of ABC Ltd should consider while choosing a source of finance. **(12 marks)**

QUESTION FOUR

Capital budgeting decision is a central decision to the business and has the greater long-term significance to the shareholders, more than any other decision. Based on your knowledge of financial management;

- a) Enlighten the business community on the importance of capital budgeting decision to a firm. **(08 marks)**
- b) Describe the capital budgeting process. **(12 marks)**

QUESTION FIVE

- a) Give any **FIVE** reasons why working capital management is of special importance to an organization **(10 marks)**
- b) Describe any **TEN** factors that influence the level of working capital needs of a firm. **(10 marks)**

QUESTION SIX

- a) As a financial management student, give the reasons why firms make credit sales despite the option to sell on cash basis. **(10 marks)**
- b) Explain the costs associated with investing in accounts receivable. **(10 marks)**

QUESTION SEVEN

One of the challenges faced by Business Enterprise in Uganda is poor inventory management. This creates a pile up of other challenges for these firms. Using your knowledge of financial management;

- a) Recognize the categories of inventory/stock that can be held by a firm. **(04 marks)**
- b) Explain the decouple concept as used in inventory management. **(08 marks)**
- c) A company has an annual demand for material of 25,000 units per annum. Ordering cost per batch is UGX 40,000 and carrying cost is UGX 12,500 per unit. Lead time on an order is four days. Calculate;
- i. The Economic order quantity **(02 marks)**
 - ii. Total ordering cost **(02 marks)**
 - iii. Total carrying cost **(02 marks)**
 - iv. Total inventory cost **(02 marks)**

QUESTION EIGHT

As a Financial Management student, you have been conducted by ABC Company to educate their shareholders on dividends,

- a) Discuss **FIVE** factors that an organisation should put into consideration when declaring dividend for its shareholders. **(10 marks)**
- b) Explain the forms of dividends the company should pay to the shareholders. **(10 marks)**

*****GOOD LUCK*****