

QP CODE | 2075517202 |

Reg. No

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--



# DMI-ST. EUGENE UNIVERSITY

ZAMBIA

DEGREE EXAMINATION – JUNE 2024

Semester: VII

551 MG 72 FINANCIAL MANAGEMENT

Time: 3:00 Hours

Max. Marks: 100

**Answer any FIVE Questions (5 x 20 = 100 Marks)**

1. a) Define finance? Discuss the primary objectives of financial management. **(10 Marks)**  
b) Describe the key functions of financial management in an organization. **(10 Marks)**
2. a) Calculate financial leverage from the data given below:  
Sales 20,000units @K20 per unit: variable cost K10 per unit: fixed cost K1,00,000 and interest cost K50,000. **(10 Marks)**  
b) A firm has sales of K20,00,000 variable cost of K1,40,000 and fixed costs of K 4,00,000. It has a debt of K10,00,000 at 10% rate of Interest what are the operating financial and combined leverages if the firm wants to double its EBIT find out the percentage of Increase in the sales would be needed. **(10 Marks)**
3. a) What is cost of capital? Explain the significance of cost of capital. **(10 Marks)**  
b) Enumerate the Determination of cost of capital. **(10 Marks)**
4. a) Explain the importance of capital budgeting. **(10 Marks)**  
b) The cost of a project is K 50,000 which has an expected life of 5years the cash inflows for the next 5 year are K 24,000 K 26,000 K 20,000 K 17,000 K 16,000 respectively determine the payback period. **(10 Marks)**
5. a) What is working capital management? Describe its importance. **(10 Marks)**  
b) Determine the working capital requirement from the following information. **(10 Marks)**

Debtors	K80,000
Stock	K1,20,000
Cash	K50,000
Bank	K50,000

Prepaid expenses	K5,000
Sundry creditors	K75,000
Outstanding expenses	K35,000
Add 10% for contingencies	

6. a) Define business finance and explain its importance in a business organization. **(10 Marks)**
- b) What are the different types of financial decisions a financial manager must make? Provide examples. **(10 Marks)**
7. a) Describe the factors that affect the working capital need of a newly started business. **(10 Marks)**
- b) ABC company has the following selected assets and liabilities. **(10 Marks)**

	K
Cash	1,00,000
Retained earnings	3,20,000
Equity share capital	5,00,000
Debtors	1,20,000
Inventory	2,22,000
Debentures	4,00,000
Provision for taxation	1,04,000
Expenses outstanding	42,000
Land and buildings	6,00,000
Goodwill	1,23,000
Furniture	50,000
Creditors	78,000

You are required to determine

- i) Gross working capital
- ii) Net working capital.