



THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

A. M. E. C. E. A

MAIN EXAMINATION

AUGUST - DECEMBER 2016 TRIMESTER

FACULTY OF COMMERCE

MBA PROGRAMME

CFI 610: STRATEGIC FINANCIAL MANAGEMENT

P.O. Box 62157
00200 Nairobi - KENYA
Telephone: 891601-6
Fax: 254-20-891084
E-mail: academics@cuea.edu

Date: DECEMBER 2016

Duration: 2 Hours

INSTRUCTIONS: Answer Question ONE and ANY OTHER TWO Questions

- Q1. a) Outline and briefly explain the challenges of financial strategy **(10 marks)**
- b) Within the context of investment appraisal, what are the implications of MM's hypothesis for financial management **(10 marks)**
- Q2. Write short notes on the following:
- a) Strategic analysis Vs Financial analysis **(5 Marks)**
 - b) Stakeholders theory **(5 Marks)**
 - c) Corporate governance **(5 Marks)**
 - d) Strategic financial management **(5 Marks)**
- Q3. a) Explain reasons why SWOT analysis is a key for any organization's success **(10 marks)**
- b) Clearly explain the difference between capital market theory and efficiency market hypothesis **(10 marks)**
- Q4. a) XYZ Company's cost of debt capital for the year 2013 was 5.85% and the cost of equity capital was 6.5%. If each made up 50% of the capital structure what would be the Company's weighted average cost of capital? **(10 marks).**
- b) Consider a property with expected future net cash flows of \$25,000 per year for the next 5 years (starting one year from now). After that, the operating

cash flow should step up 20%, to \$30,000, for the following 5 years. If you expect to sell the property 10 years from now for a price 10 times the net cash flow at that time, what is the value of the property if the required return is 12%? **(10 marks)**

END