



# THE CATHOLIC UNIVERSITY OF EASTERN AFRICA

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**MAIN EXAMINATION**

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**MAY – AUGUST 2021**

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**FACULTY OF SCIENCE**

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**DEPARTMENT OF COMMUNITY HEALTH AND DEVELOPMENT**

**REGULAR PROGRAMME**

**HE-GS 103: INTRODUCTION TO FINANCIAL MANAGEMENT**

**Date: AUGUST 2021**

**Duration: 3 Hours**

**INSTRUCTIONS: Provided for in the sections**

## **SECTION A: Answer ALL questions [30 MARKS]**

1. Define the following concepts applied in financial management. **(6 marks)**
  - i) Financial management
  - ii) Financial analysis
  - iii) Liquidity
2. List the four types of financial statements. **(4 marks)**
3. Describe any four advantages of “ploughing back” as a financing method. **(4 marks)**
4. Give four potential red flags an analyst can identify in a general accounting analysis. **(4 marks)**
5. State and explain the two objectives of finance functions. **(4 Marks)**

6. You are planning to start a new line of business, outline four (4) reasons why you will seek a working capital. **(4 marks)**
7. State and explain four advantages of ordinary shares. **(4 Marks)**
8. Distinguish between
- i) Horizontal common size analysis and Vertical common size analysis. **(2 marks)**
  - ii) Fixed capital and working capital. **(2 marks)**
9. In the statement of cash flows, how are the following treated? **(6 marks)**
- i) Accounts receivables
  - ii) Accounts payable
  - iii) Inventory

**SECTION B. Answer ANY 2 Questions. Question 10 in COMPULSORY. [40 Marks]**

10. Hurlingham Consultancy, a small medium consultancy in the health sector made the following transactions:
- a) Started running the clinic with a cash of Ksh. 800,000 on 1st May 2021
  - b) Bought furniture for cash of Ksh. 150,000 on 2nd May 2021
  - c) Received a loan from Equity Bank of Ksh 600,000 by cheque on 4th May 2021
  - d) Paid rent by cash of Ksh 30,000 on 5th May 2021
  - e) Received payment for consultancy services by cheque Ksh. 300,00 on 6th May
  - f) Purchased various goods by cash worth Ksh. 18,000 from Jane a supplier on 6th May 2021
- i) Record the transactions and balance off the accounts. **(10 Marks)**
  - ii) Prepare a trial balance. **(10 Marks)**

11. Given the following information,

- a) Prepare a Balance Sheet for Hope Healthcare owned by Janet on today's date: (10

**marks)**

Cash in the bank (Sh. 610, 000)

Money owed by customers, (Sh. 810, 000)

Office Supplies (Sh. 50, 000)

Parts inventory (Sh. 400, 000)

Equipment, including an ambulance that is necessary to run the business (Sh. 2, 550, 000)

Building and land (Sh. 17, 500, 000)

Debts owed to another business, (Sh. 735, 000)

Bank loan for the ambulance (Sh. 1, 105, 000)

Mortgage on building, (Sh. 11, 000, 000)

- b) Describe the various types of assets and liabilities recorded in a balance sheet. (5

**marks)**

- c) State four uses of balance sheet for a business organization such as Hope Health care. (4

**marks)**

12. A budget is an important process in the financial management in any organization.

- a) Describe any 4 budget components. (8 marks)
- b) Outline the key steps you would implement when preparing and monitoring your budget (8 marks)
- c) Highlight four reasons why budgeting is important to a business organization. (4

**marks)**

13. Various ratios are applied in financial analysis.

- a) Define the three types of liquidity ratios. **(6 marks)**
- b) List any four types of activity ratios. **(4 marks)**
- c) State the four profitability margin ratios. **(4 marks)**
- d) Outline five profitability return ratios. **(5 marks)**

14. You have been appointed as a Financial Manager in a learning Institution and upon your appointment you are required to set up a functional financial management system.

- a) Explain the meaning of financial management. **(6 Marks)**
- b) State and describe the methods of financial management you will consider within the institution for efficiency and effectiveness. **(14 Marks)**

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