KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2011/2012

SECOND SEMESTER EXAMINATION FOR POSTGRADUATE DIPLOMA IN SPORTS ADMINISTRATION

KSM 056: FINANCIAL MANAGEMENT IN SPORTS

DATE: Monday, 2nd April, 2012 TIME: 11.00 a.m. – 1.00 p.m.

INSTRUCTIONS:

Answer question **ONE** (Compulsory) and any other **TWO**.

Question One

a) Describe the term financial management and illustrate its use to the management of a sports facility. (5 marks)

b) Accounting and Auditing is one and the same thing". What would be your contribution to this debate? (8 marks)

c) Discuss the four key roles a finance manager plays showing his contribution to the effective management of a sports facility. (12 marks)

d) Entrepreneurs in sports can adopt partnership or Limited companies model when starting up a business. Highlight the key disadvantages of each type of business to the entrepreneur. (5 marks)

Question Two

a) Business firms in sports world have access to various sources of finance. Clearly explain the meaning and the advantages for using the following sources:-

- i) Equity/ordinary share capital (4 marks)
- ii) Bank overdrafts (4 marks)
- iii) Preference shares capital (4 marks)
- iv) Invoice discounting (4 marks)

b) Outline four factors that influence the cost of finance (4 marks)

Question Three

a) There are several key users of accounting information's. Explain 5 stakeholders and the benefits they accrue from this accounting information. (10 marks)

b) The balance sheet is useful in evaluating solvency and liquidity of an entity. Distinguish between the terms using relevant examples. (5 marks)

c) "Cash is the life blood of any organization". One key method of managing cash is through maintenance of cash budget. Discuss the 5 key functions of a cash budget. (5 marks)

Question Four

a) The following details relate to Mnarani Gym Ltd

Month	**Sales (Kshs)**	**Purchases (Kshs)**	**Operating Expenses**
January	480,000	160,000	120,000
February	440,000	180,000	140,000
March	400,000	156,000	160,000
April	520,000	164,000	150,000

Additional information

i) 40% of monthly total sales are on cash while the balance is on credit

ii) Debtors settle the credit sales the following month

iii) 60% of monthly total purchases are on cash while the balance is on credit. Credit purchases are settled the following month

iv) Operating expenses are paid on cash within the month

v) Cash held at the beginning of January was Ksh.252,000

Required

a) Prepare a cash budget for 3 months (Jan – March) (12 marks)

b) Briefly explain the components of **PPBES** concept which is used as management technique in sports organizations. (8 marks)

Question Five

a) Budgeting is a crucial tool in managing any business venture. With use of examples describe the four categories/types of a budget. (12 marks)

b) Describe the various key steps involved in designing **PPBES** management control technique justifying its applicability in the Kenyan environment. (8 marks)