KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2018/2019

SECOND SEMESTER EXAMINATION FOR THE DEGREE OF

MASTER OF BUSINESS ADMINISTRATION

BAC 821: FINANCE SEMINAR

5:30 – 8:30 pm

DATE: MONDAY 1ST APRIL 2019 **TIME: 2.00 P.M. – 5.00 P.M.**

INSTRUCTIONS
Answer ALL questions

Question One

The new chief Executive Officer (CEO)_ of an established company in a developing country is facing a liquidity problem. The company is also currently unprofitable and has even issued a profit warning. This warning has alarmed the investors to the extent that the shares have plummeted in their value over a relatively short period of time.

Required

a) By identifying with a local firm or a firm from your country, prepare a statement of problem. (6 marks)

b) Identify three research objectives and state the research hypotheses. (6 marks)

c) From the perspective of both the firm's management and shareholders, discuss the rationale and appropriateness of profit warnings. (8 marks)

Question Two

Kenya has been hailed as one of the leading countries in the world due to its celebrated Mpesa product. Despite this product, access to financial services has not been fully achieved especially by the Small and Medium Enterprises and individual investor.

Required

a) What is meant by the term "financial inclusion" (3 marks)

b) Identify supply and demand factors that may be inhibiting financial inclusion in Kenya or in your country. (10 marks)

c) Digital credit has been on the increase albeit the high costs in comparison with the formal credit. Comment on this statement (7 marks)

Questions Three

a) Explain three ***limitations of contributions*** by *Modigliani and Miller (1961)* in the dividend controversy contribution clearly stating why their arguments may not hold in a practical financial world. (6 marks)

b) i) Describe two key differences between ***Multiple Regression Analysis*** and ***simple Linear Regression analysis*** (2 marks)

ii) Identify any four assumptions of multiple regressions and the TESTS that are necessary for such assumptions (6 marks)

c) Provide a detailed discussion on ways/methods necessary to curb bank failure in Kenya / developing countries (6 marks)