



**REFORMED CHURCH UNIVERSITY**

---

**FACULTY OF COMMERCE**

**BACHELOR OF COMMERCE HONOURS DEGREE IN  
ENTREPRENEURSHIP & BUSINESS DEVELOPMENT**

**FINANCIAL MANAGEMENT**

**HEBD 213**

**PART 2 SEMESTER 1**

**Total Marks [100]**

**DATE: DECEMBER 2024**

**Time: 3 Hours**

---

**INSTRUCTIONS**

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other **three (3)**
3. Each question carries *25 marks*
4. Start each question on a new page

1. Discuss the different sources of finance available to a firm, outlining the advantages and disadvantages of each source.  
(25 marks)
  
2. a) Calculate the market price for a 20-year bond with a nominal value of \$1,000. Coupon interest will be paid at a rate of 15% semi-annually. The yield to maturity for this type of bond is 12%.  
(10 marks)
  
- b) Explain the following terms as they are used in equity valuation:
  - i. Constant Growth Model (5 marks)
  - ii. Current price ( $P_0$ ) (5 marks)
  - iii. Dividend (5 marks)
  
3. Evaluate the strengths and limitations of using different techniques in appraising a single project.  
(25 marks)
  
4. Find the values for the following:
  - a) An initial \$500 for 1 year at 6 percent compounded annually.  
(3 marks)
  - b) An initial \$600 for 2 years at 6% percent compounded monthly. (3 marks)
  - c) The present value of \$500 due in 1 year at a discount rate of 6 percent.  
(3 marks)
  - d) The present value of \$500 due in 2 years at a discount rate of 6 percent.(3 marks)
  - e) You have been hired as a financial advisor to Michael Jordan. He has received two offers for playing professional basketball and wants to select the best offer, based on considerations of money only. Offer A is a \$10m offer for \$2m a year for 5 years. Offer B is a \$11m offer of \$1m a year for four years and \$7m in year 5. What is your advice if money is worth 8% compounded quarterly? (8 marks)

- f) You owe a loan of \$8,000. How much must be your first repayment if you plan to repay daily (365 payments beginning in 10 days) and increase each payment by 0.01%. Assume your lender charges you 25% interest per year. (5 marks)
5. Compare and contrast different capital structure decisions, highlighting the advantages and disadvantages of each and how they impact a company's risk and return profile. (25 marks)
6. Explain the concept of dividend policy and its importance in financial management.  
(25marks)

**END OF PAPER**