

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

FOURTH YEAR EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF SCIENCE IN HORTICULTURE AND AGRICULTURE

AGBM 406: FINANCIAL AND HUMAN RESOURCE MANAGEMENT

STREAMS: AGBM (Y4S2)

TIME: 2 HOURS

DAY/DATE: MONDAY 16/4/2018

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS: ANSWER QUESTION ONE AND ANY OTHER TWO QUESTIONS

QUESTION ONE

- (a) Discuss the functions that affects the value of the firm. [6 marks]
- (b) Conflict of interest arises whenever shareholders pursues their own interest rather than the interest of the creditors. Discuss what causes the conflicts and solutions to the conflicts. [6 marks]
- (c) A company is considering investing in two projects with the following information

	Project X	Project Y	
Years	Cash flows	Years	Cash flows
1	60,000	1	140,000
2	70,000	2	110,000
3	90,000	3	90,000
4	110,000	4	70,000
5	120,000	5	50,000

Both projects costs sh 300,000. The cost of capital is 12%. Calculate the NPV, PI and IRR and basing on the calculations which project should the company undertake if the projects are mutually exclusive. [14 marks]

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- (d) Explain the following sources of finance
 - (i) Venture capital
 - (ii) Debentures [4 marks]

QUESTION TWO

- (a) Briefly explain the non-financial goals of a firm. [4 marks]
- (b) The following is the capital structure of XYZ limited

	Sh (000)
Ordinary shares (sh 40 par)	4000
10% preference shares (sh 15 par)	1500
12% debentures (sh 100 par)	2500
Retained earnings	1000
15% medium term loan	<u>3000</u>
	<u>12000</u>

Additional information:

- (i) The ordinary shareholder expects a cash dividend of sh 15 per share and the dividend is expected to grow at 15%. The current market price is sh 70 including sh 10 as floatation cost.
- (ii) The preference shares currently sell for sh 30
- (iii) The debentures are currently selling for sh 120 and will mature in 20 years
- (iv) The medium term loan currently sell for sh 4, 000,000
- (v) Tax rate is 30%

Required:

- Determine the weighted average cost of capital. [12 marks]
- (c) Distinguish between allocative efficiency and operational efficiency. [4 marks]

QUESTION THREE

- (a) Explain the functions of human resource managers. [8 marks]
- (b) Describe the steps involved in forecasting the human resource needs in an organization. [6 marks]
- (c) Discuss the problems involved in job analysis. [6 marks]

QUESTION FOUR

- (a) Briefly explain the training process. [8 marks]
 - (b) Explain the errors that occur when an organization tries to determine how an employee is performing on the job. [6 marks]
 - (c) Discuss the term collective bargaining and state the basic components involved in collective bargaining. [6 marks]
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