



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF BUSINESS ADMINISTRATION

SECOND YEAR FIRST SEMESTER EXAMINATION FOR

MASTER OF BUSINESS ADMINISTRATION

BAC 821: FINANCE SEMINAR

DATE: 2/3/2021

TIME: 9.00-12.00 PM-

INSTRUCTIONS:

- **Attempt any Four Questions, All Questions have Equal Marks**

QUESTION ONE (25 MARKS)

- a) Evaluate the contribution of internal audit to corporate governance. (9 marks)
- b) Explain the following concepts and how they can be measured (or tested):
- i. Trade Finance (6 marks)
 - ii. Access to finance (5 marks)
 - iii. Inclusive finance (5 marks)

QUESTION TWO (25 MARKS)

- a) “Jensen (1993) forcefully argues that internal control mechanisms, specifically the board, are largely ineffective at controlling managers”. Discuss different types of board of directors and their effectiveness in controlling managers actions (10 marks)
- b) Explain any three dividend theories and state what they suggest about dividend payment policy (15 marks)

QUESTION THREE (25 MARKS)

“FinTech”, a contraction of “Financial technology”, refers to technology enabled financial solutions. It is often seen today as the new marriage of financial services and information technology. However, the interlinkage of finance and technology poses Challenges to the financial services sector”.

REQUIRED:

- a) Identify the products/services (financial solutions) that have evolved from fintech in the Kenyan market. (6 marks)
- b) Discuss the possible challenges posed by FinTech solutions in the global market (9 marks)
- c) “The notion of stock market efficiency, first introduced by Fama (1965), has played a central role in both theoretical and empirical work on the reflection of information in stock prices”. Explain the connection as explained by Fama (1970), between stock market price movements and information. (10 marks)

QUESTION FOUR (25 MARKS)

- a) Discuss the issues that arise if a company decides to distribute its income to shareholders. (10 marks)
- b) “It is argued that financial inclusion can reduce poverty and increase economic growth, particularly for developing countries which have poor access to financial services”:
 - i. Based on existing literature discuss three determinants of financial inclusion (6 marks)
 - ii. Explain why financial inclusion is an integral part of the development agenda in the world. (9 marks)

QUESTION FIVE (25 MARKS)

- a) Critically evaluate the importance of the three components of working capital in running a profitable company (15 marks)
- b) “The advocates of stakeholder theory refuse to specify how to make the necessary tradeoffs among competing interests of all stakeholders in a firm; and therefore, leave managers with a theory that makes it impossible for them to make purposeful decisions. With no way to keep score, stakeholder theory makes managers unaccountable for their actions”. Agree or disagree with this criticism. (10 marks)