



MACHAKOS UNIVERSITY

University Examinations for 2020/2021 Academic Year

SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF ACCOUNTING BANKING AND FINANCE

SECOND YEAR FIRST SEMESTER EXAMINATION FOR

MASTER OF BUSINESS ADMINISTRATION

BAC 821: FINANCE SEMINAR

DATE: 17/8/2021

TIME: 9.00-12.00 PM

INSTRUCTIONS:

Answer question ONE and any other THREE questions

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:
 - i. Random walk theory (6 marks)
 - ii. Efficient market anomalies (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 manager’s actions (10 marks)
- b) Explain any three dividend theories and state what they suggest about dividend payment policy (15 marks)

QUESTION THREE (25 MARKS)

- a) “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:

- i. Identify the products/services (financial solutions) that have evolved from fintech in the Kenyan market. (6 marks)
 - ii. Discuss the possible challenges posed by FinTech solutions in the global market (9 marks)
- b) “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 firm 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”:
Explain why financial inclusion is an integral part of the development agenda in the world. (9 marks)
- c) “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. Explain your answer (6 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) Kenyan listed firms have seen increased criticism of excessive compensation paid to top corporate executives, calls for greater honesty in accounting, and calls for improved corporate governance following the failure of banks, public corporations and prosecution of several boards of directors of companies due to failure to address these problems adequately at the firm level.

REQUIRED:

- i. Discuss the reasons that account for failed corporate governance (4 marks)
- ii. Explain the remedy for bad governance in Kenyan firms from a corporate governance mechanism point of view (6 marks)