



**STRATHMORE UNIVERSITY BUSINESS SCHOOL  
BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS MANAGEMENT  
END OF SEMESTER EXAMINATION  
SCM 2104: SUPPLY CHAIN FINANCE**

DATE: **Thursday, 16th September 2021**

Time: **2 Hours**

**Instructions**

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

**QUESTION ONE**

**30 MARKS**

- a. Critically evaluate the importance of supply chain finance to a firm **(2 Marks)**
- b. Discuss, giving examples the three main flows within the supply chain **(6 Marks)**
- c. Differentiate between physical supply chain and the financial supply chain **(3Marks)**
- d. Financial risk is one of the most important aspects of supply chain finance, distinguish, giving examples exogenous from endogenous financial risk in the supply chain **(3 Marks)**
- e. Discuss the three interdependencies in the operations finance interface **(6 Marks)**
- f. Explain factoring and reverse factoring as financial instruments in the supply chain **(3Marks)**
- g. With the help of well labelled diagrams, differentiate the conservative policy working capital finance as opposed to aggressive policy of working capital finance **(7 Marks)**

**QUESTION TWO**

**20 MARKS**

- a. Distinguish positive working capital from negative working capital **(4Marks)**
- b. The following information reflects the financial performance of Waumini Ltd.

	Kes 000	Kes 000
Sales Revenue		820
Cost of sales		
Opening inventories	142	
Purchases	568	
	710	
Closing Inventories	-166	-544
Gross Profit		276
Administration Expenses		-120
Distribution Expenses		-95
Operating Expenses		61
Financial Expenses		-32
Profit before taxation		29
Taxation		-7
Profit for the year		22
Statement of Financial Position		

<b>Assets</b>		
<b>Non-Current Assets</b>		
<b>Property, Plant and Equipment</b>		<b>364</b>
<b>Current Assets</b>		
<b>Inventories</b>		<b>166</b>
<b>Trade Receivables</b>		<b>264</b>
<b>Cash</b>		<b>24</b>
		<b>454</b>
<b>Total Assets</b>		<b>818</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
<b>Ordinary share Capital</b>		<b>300</b>
<b>Retained earnings</b>		<b>352</b>
		<b>652</b>
<b>Current Liabilities</b>		
<b>Trade payables</b>		<b>159</b>
<b>Taxation</b>		<b>7</b>
		<b>166</b>
<b>Total Equity and Liabilities</b>		<b>818</b>

All purchases and sales are on credit. There has been no change in the level of trade receivables or payables over the period.

Required

- i. Calculate the length of the OCC for the business and comment **(7Marks)**
- ii. What options does the business have if it wants to reduce the Operating Cash cycle? **(4 Marks)**
- iii. Discuss the risk associated with receivable finance as a source of finance in the supply chain **(5 Marks)**

### QUESTION THREE

**20 MARKS**

- a. Supply chain finance plays a very important role in reducing the working capital challenges faced by businesses. Giving example discuss the importance of supply chain finance to banks **(12 Marks)**
- b. Discuss FOUR drivers of supply chain finance instruments adoption among businesses **(8 Marks)**

### QUESTION FOUR

**20 MARKS**

- a. Discuss the Separation property theory, static trade off theory, pecking order theory bargaining theory of the capital structure and how they influence the financial decisions along the supply chain **(10 Marks)**
- b. Financial flexibility refers to the ability of a firm to respond in a timely and value-maximizing manner to unexpected changes in the firm's cash flows or investment opportunity set. Critically evaluate the mechanism and tradeoffs when trade credit, dynamic discounting and liquidity management are used in enhancing financial flexibility along the supply chain **(6 Marks)**
- c. Supply chain finance decisions influence the overall financial performance. Discuss how supply chain finance decisions affect the revenues and inventory days of a firm **(4 Marks)**

### QUESTION FIVE

- a. Supply chain finance is associated with both quantitative and qualitative benefits. Discuss this benefits and how they enhance the effectiveness of the firm **(12 Marks)**
- b. Discuss the strategies that can be adopted by an organization in an effort to enhance spend management strategy within the organization **(8 Marks)**