



**STRATHMORE BUSINESS SCHOOL**  
**BACHELOR OF SCIENCE IN SUPPLY CHAIN AND OPERATIONS**  
**MANAGEMENT**

**END OF SEMESTER EXAM**

**SCM 2104: SUPPLY CHAIN FINANCE**

**DATE:** Friday, 21<sup>st</sup> March 2025

**TIME:** 16:00-18:00

**Instructions**

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

**QUESTION ONE**

**(30 MARKS)**

Epiphany Ltd. is a mid-sized manufacturing company that supplies goods to retailers on credit. To remain competitive, the company offers its clients payment terms of 30 days. However, Epiphany Ltd. has faced increasing challenges in managing its trade receivables over the past year. About 40% of its clients consistently delay payments, with some extending their payments to 60 or even 90 days. This has created cash flow constraints, negatively the company's ability to pay its suppliers and meet operational expenses. The company is in the process of fully integrating the financial and operations functions. The board of directors at Epiphany Limited has tasked you to prepare a report on viable strategies to remedy the current conditions.

**Required**

- a) Prepare a report to the board proposing viable strategies to deal with the current cash flow issues at the company **(12 Marks)**
- b) Critically evaluate FIVE ways Epiphany Ltd will benefit by integrating the operations and finance aspects of the business **(10 Marks)**
- c) A company must maintain a minimum cash balance of Sh. 12,000 and a daily variance of cash flows of Sh. 9,000,000. The interest rate is equal to 0.055% per day, and the transaction cost for each sale or purchase of securities is Sh. 75.

**Required:** Compute the spread, return point, and the upper limit

**(8 Marks)**

**QUESTION TWO****20 MARKS**

- a) The global credit crisis of 2008 forced trade finance seekers to look for alternatives as liquidity in supply chains became a major concern for businesses. As a result, SCF assets grew by 17% between 2009 and 2017, driven by five key trends. Critically evaluate the FIVE trends associated with growth in SCF **(10 Marks)**
- b) A global electronics manufacturing company, ET Inc., operates a complex supply chain involving multiple suppliers across borders. The company faces challenges with managing its working capital efficiently due to the extended payment terms it offers its suppliers. These suppliers, often smaller companies, face cash flow difficulties because they have to wait for extended periods to receive payments. To address this issue, ET Inc. implements a Supply Chain Finance program  
Briefly discuss the different players and ONE supply chain finance instrument that can be used by this company to address the issues they are currently facing **(10 Marks)**

**QUESTION THREE****20 MARKS**

In the coming year, Anima Ltd. requires 8,000 units of component K in its manufacturing process. The items are available locally, and the lead time is one week. Each order costs Sh.100 to prepare and process, while the holding cost is Shs.80 per unit per year.

**Required:**

- i. How many units should be ordered each time an order is placed to minimize inventory costs? **(3 Marks)**
- ii. What is the reorder level, and how many orders should be placed annually? (Assume 360 days in a year) **(4 Marks)**
- iii. Evaluate **Four** costs associated with holding low levels of inventory **(4Marks)**
- iv. With the help of well-labeled diagrams, discuss the three main approaches to working capital finance **(9 Marks)**

**QUESTION FOUR****20 MARKS**

- a) Discuss the Separation property and pecking order theory of the capital structure and how they influence the financial decisions along the supply chain **(6 Marks)**
- b) Explain the Three main flows in a supply chain **( 3 Marks)**

- c) Critically evaluate Three direct and FOUR indirect costs associated with financial distress **(11 Marks)**

**QUESTION FIVE**

**20 MARKS**

- a) Giving examples, discuss four reasons why sustainable supply chain finance is important **( 8 Marks )**
- b) Critically evaluate the Smart contract solutions. How does a business benefit from such a solution **(4 Marks)**
- c) The following information relates to the financing information for Weba Limited, a manufacturing firm that was scouting for new financing options for its project

<b>Equity</b>	"000"	"000"
Ordinary shares (nominal value 50 cents)	4,000	
Reserves	18,000	22,000
<b>Long-term liabilities</b>		
4% Preference shares (nominal value Kes 1)	3,000	
7% Bonds redeemable after six years	3,000	
Long-term bank loan	1,000	7,000
		29,000

The ordinary shares of Weba are trading at Ke 5·20 per share, and an ordinary dividend of 40 cents per share has just been paid, expected to grow at 10%

The preference shares of Weba. are not redeemable and have a market value of 40 cents per share. The 7% bonds have a nominal value of Kes100 per bond and an ex-interest market value of Kes104·50 per bond, and they have a maturity period of 6 years.

In recent years, the bank loan has a variable interest rate of 4% per year. Weba pays profit tax at an annual rate of 30% per year

**Required**

Determine the Weighted average cost of capital for Weba Limited **(8 Marks)**