


BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE
GRADUATE SCHOOL OF BUSINESS
EXECUTIVE MASTER OF BUSINESS LEADERSHIP
FINANCIAL MANAGEMENT FOR BUSINESS LEADERS (EMB 501)
EXAMINATION QUESTION PAPER
DURATION: 3 HOURS 30 MINUTES

 OCT 2023

Instructions and Information to Candidates

1. Section A is compulsory and carries 40 marks.
 2. Answer 'Question 1' from Section A and any three (3) questions from Section B.
 3. The paper carries six questions.
 4. All Questions in Section B carry equal marks of 20 each.
 5. The use of cell phones is not allowed in the examination.
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SECTION A: [COMPULSORY]

QUESTION 1

Sabhuku Packaging's return on equity (ROE) last year was only 5 percent, but its management has developed a new operating plan designed to improve things. The new plan calls for a total debt ratio of 60 percent, which will result in interest charges of \$8,000 per year. Management projects an earnings before interest and tax (EBIT) of \$26,000 on sales of \$240,000, and it expects to have a total assets turnover ratio of 2.0. Under these conditions, the average tax rate will be 40 percent.

Required:

- (a) Prepare the income statement and determine the ROE, show your working using the Du-point equation. (25 marks)

- (b) Evaluate the relative advantages of standard costing using relevant examples.

(15 marks)

[Total: 40 marks]

SECTION B: Answer any three (3) questions from this section.

QUESTION 2

Product X has a standard direct material cost as follows.

10 kilograms of material Y at \$10 per kilogram = \$100 per unit of X.

During period 4, 1,000 units of X were manufactured, using 11,700 kilograms of material Y which cost \$98,600.

Required:

Calculate the following variances.

- (a) The direct material total variance. (7 marks)
(b) The direct material price variance. (7 marks)
(c) The direct material usage variance. (6 marks)

[Total: 20 marks]

QUESTION 3

Assuming that the principal budget factor has been identified as being sales, describe in detail the stages involved in the preparation of a budget. [20 marks]

QUESTION 4

Kondo Limited sells one product, Supercreme, a cream suitable for a variety of first aid uses. The company commenced operations earlier this year and expects to sell 100,000 tubes of Supercreme.

The following information is available:

	\$
Selling price per tube	7.00
Direct material cost per tube	2.10
Direct labour cost per tube	1.35
Variable overhead cost per tube	0.75
Total fixed costs for the year	210,000

CVP analysis may provide answers to the following questions:

For Kondo Limited, what is the Break-even point (BEP) in tubes and sales revenue?

[20 marks]

QUESTION 5

Discuss four (4) main money market instruments using relevant examples in the Zimbabwean market. [20 marks]

QUESTION 6

Financial markets facilitate the movement of funds from those who save money to those who invest money in capital assets. Savings are distributed among investments and expenditures through securities traded in the financial markets. Discuss these statement with the aid of relevant examples

[20 marks]

END OF EXAMINATION PAPER