

BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF SCIENCE AND ENGINEERING
DEPARTMENT: SPORTS SCIENCE
MASTER OF SCIENCE DEGREE IN SPORTS SCIENCE
SM509: SPORT FINANCE

DURATION: 3 HOURS

TOTAL MARKS: 100

(Plus 15 Minutes for Practical Preparation/Case Reading)

INSTRUCTIONS TO CANDIDATES

Answer **two** questions from each section.

JUN 2023

Section A

Question 1:

QUESTION 1:

a. As an investor, are choosing between investing in a partnership agreement to run a football team or a sports equipment manufacturing factory for five years. The football team investment will cost \$150 000, whereas that of the sports equipment manufacturing factory will cost \$100 000. The cost of capital that applies to both investments is 10 percent. During that life span the net cash flows for the football team will be \$75 000 per year and those for the gas-powered truck will be \$40 000 per year.

Task

Calculate the Net Present Value for each project and decide on which to invest in.

(18 marks)

b. The following information was collected from Chief Sports Investments for the first quarter of 2023.

| Month | Purchase \$ | Sales \$ | Electricity \$ | Water \$ | Salaries \$ | Transport \$ |
|---------------|-------------|----------|----------------|----------|-------------|--------------|
| January 2023 | 60 000 | 70 000 | 5 000 | 4 000 | 15 000 | 5 000 |
| February 2023 | 60 000 | 80 000 | 5 000 | 4 000 | 15 000 | 5 000 |
| March 2023 | 50 000 | 60 000 | 5 000 | 4 000 | 15 000 | 5 000 |

Additional information

The closing balance for December 2022 was \$50 000.

50 % of the sales made are paid for when the sale is made, with the balance being cleared in the next two months in equal instalments.

40 % of the supplies are paid for when the purchase is made, and the balance is cleared in the next two months in equal instalments.

Task: Prepare a cash budget for the first quarter of 2023.

(12 Marks)

Question 2:

Assume you are a board member for Finance for a Zimbabwean national sports federation and you have been tasked to draft an annual operating budget from the following figures and present it for adoption at the Annual General Meeting. The Association has empowered you to include any initiatives that can improve the association's financial performance.

| ITEM | AMOUNT US\$ |
|---|-------------|
| Opening Balance | 15 000.00 |
| Bank Charges | 500,00 |
| Bank Interest | 5000.00 |
| Annual Subscriptions Received | 150 000,00 |
| Income Tax | 5 000.00 |
| Gate Revenue Received | 150 000,00 |
| Trophies and Medals Bought | 10 000.00 |
| Association Offices Constructed | 100 000.00 |
| Staff Salaries | 100 000.00 |
| Annual Subscriptions Fees Paid | 5 000.00 |
| Athlete Transfer Fees Received | 50 000 00 |
| Sports Facilities Constructed | 50 000 00 |
| Jersey Rights Sponsorship Received | 100 000 00 |
| Tournament Prizes Sponsorship Received | 20 000 00 |
| Payment for Insurance and Security Services | 10 000 00 |
| Motor Vehicles Bought | 20 000 00 |
| Travel and Subsistence Costs | 20 000 00 |
| Meetings Costs | 5 000 00 |

Task:

- a. Prepare a draft of the assigned operating budget. (20 marks)
- b. How would minimize the impact of behavioral problems and ensure the adoption of the proposed budget at the Annual General Meeting? (10 marks)

Question 3:

The following financial information was extracted from **Saka Muchaitaseyi Sports Merchants**.

Saka Muchaitaseyi Sports Merchants Balance Sheet at 31 December 2023 (US\$)

Current Assets

| | |
|-----------------------------|----------------|
| Cash | 84 000 |
| Accounts Receivable | 165 000 |
| Inventory | 393 000 |
| Total Current Assets | 642 000 |

Current Liabilities

| | |
|-------------------------------------|------------------|
| Accounts Payable | 312 000 |
| Notes Payable | 231 000 |
| Total Current Liabilities | 543 000 |
| Long-Term Debt | 531 000 |
| Total Liabilities | 1 074 000 |
| Owner's Equity | 500 000 |
| Retained Earnings | 1 799 000 |
| Total Owner's Equity | 2 299 000 |
| Total Liabilities and Equity | 3 373 000 |

Saka Muchaitaseyi Sports Merchants Income Statement for 2023 (US\$)

| | |
|----------------------------------|------------------|
| Sales | 2 872 000 |
| Cost of Goods Sold | 1 685 000 |
| Gross Profit | 1 187 000 |
| Depreciation | 785 000 |
| Earnings Before Interest & Taxes | 402 000 |
| Interest | 120 000 |
| Earnings Before Taxes | 282 000 |
| Net Income (Profit) | 186 100 |

Task:

- a. Comment on the liquidity and profitability of Saka Muchaitaseyi Sports Merchants using relevant ratios. (20 marks)
- b. Evaluate the efficiency of working capital management in any sports entity you are familiar with and make recommendations for improvement. (10 marks)

Section B.**Question 4:**

Assume you have been approached by a sports federation in your country for advice it can use crowdfunding to diversify and strengthen its revenue streams for financial sustainability.

Task:

Prepare a draft of your advisory report.

(20 marks)

Question 5:

As the sport finance consultant, you have been tasked to advise a college or school-based sports association which is operating in the Financial Red Zone on the strategies it can adopt for financial sustainability.

Task:

Prepare a draft of your advisory report.

(20 Marks)

Question 6:

As a financial advisor, you have been tasked to advise a Zimbabwean National Sports Association on the strategies it can adopt to prevent bankruptcy after retirement among its athletes.

Task:

Prepare a draft of your advisory guideline.

(20 Marks)

Question 7:

As a Master of Science in Sports Management student at the Bindura University of Science Education, you have been tasked to present a paper at a departmental seminar focusing on developing interventions to reduce the negative effects of the commercialisation of sport on the Zimbabwean sports industry.

Task:

Prepare a draft of your presentation.

(20 Marks)

END OF PAPER