

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 PAPER
DURATION: 3 HOURS 30 MINUTES

 JUN 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

Budiriro Company has \$5 million in total assets. The company's assets are financed with \$1 million of debt, and \$4 million of common equity. The company's income statement is summarized below:

Operating Income (EBIT)	\$1,000,000
Interest Expense	100,000
Earnings before tax (EBT)	\$ 900,000
Taxes (40%)	360,000
Net Income	\$ 540,000

The company wants to increase its assets by \$1 million, and it plans to finance this increase by issuing \$1 million in new debt. This action will double the company's interest expense, but its operating income will remain at 20 percent of its total assets, and its average tax rate will remain at 40 percent.

Required:

- (a) Prepare the new Income Statement. Calculate the return on assets (ROA) and return on equity (ROE) for Budiriro Company both before and after the purchase of additional assets.

(25 marks)

- (b) Describe the cash flow management in Finance in the context of working capital

(15 marks)

[Total: 40 marks]

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

QUESTION 2

The following particulars have been extracted from the books of Mambo Enterprises:

	2019	2020	2021
	\$	\$	\$
Net Purchases	500 000	800 000	1 050 000
Trade Payables	100 000	200 000	300 000

Required:

- (a) Calculate the creditors turnover for the years 2019, 2020 and 2021. **(10 marks)**
- (b) If the creditors turnover for 2021, would be 3 times, what would be the impact on the working capital? **(10 marks)**

[Total: 20 marks]

QUESTION 3

Evaluate treasury bills securities and applications in the financial markets. **[20 marks]**

QUESTION 4

Describe the main classifications of investors and their expectation of returns and risk concepts. **[20 marks]**

QUESTION 5

Evaluate the main components and subcomponents of financial risk within the Zimbabwe financial services sector.

[20 Marks]

QUESTION 6

Describe in detail the factors that should be considered by listed and unlisted companies in making a rights issues

[20 marks]

END OF EXAMINATION PAPER