

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**  
**FACULTY OF COMMERCE**  
**GRADUATE SCHOOL OF BUSINESS**  
**MASTER OF SCIENCE IN ENTREPRENEURSHIP AND INNOVATION**  
**ENTREPRENEURIAL FINANCING (MEI 502)**

**EXAMINATION PAPER**

**DURATION: 3 HOURS 30 MINUTES**

**E- JUN 2023**

**INSTRUCTIONS AND INFORMATION TO CANDIDATES**

1. Section A is compulsory and carries 40 marks.
  2. Answer Question One 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**

#### **CASE STUDY: ZADF LOBBIES FOR EXEMPTIONS TO INCREASE MILK PRODUCTION**

The Zimbabwe Association of Dairy Farmers (ZADF) is lobbying government for a raft of exemptions to make the sector productive as high costs of stock feed and raw materials have stifled production. This comes amid calls for milk processors to support more raw milk production through financing farmers to have more dairy cows, employ more production cost reduction methods and develop infrastructure on farms.

During its annual general meeting, ZADF chairperson Ernest Muzorewa said the association was lobbying the Reserve Bank of Zimbabwe (RBZ) for exemptions from the 200% interest rate, especially for the current loans being serviced to below 100% to promote productivity at farm level. The central bank hiked interest rates from 80% to 200% last months to curb speculative borrowing, which has adverse effects on the exchange rate.

Muzorewa said he believed that for the dairy sector to grow and produce surplus milk for the country and meet National

Development Strategy 1 objectives, there was a need for the government to go the extra mile in supporting the milk producers.

We are therefore lobbying that the 5% levy on imported milk products be channelled towards capacitating banks and reducing the interest rates for financing facilities for dairy businesses. That such loans be for farm mechanisation in irrigation equipment, milking machines, milk tanks, silage cutters, tractors and heifer purchases,” he said.

Muzorewa added that ZADF also hoped that the 5% levy on imported dairy products introduced by the government would motivate all processors to strengthen raw milk production. “Dairy farmers are requesting lower interest rates as a productive sector incentive at farm level across banks. Stock feeds, raw material availability and cost is the biggest problem stifling growth of raw milk production,” he said.

“We are lobbying for the allocation of maize for stock feed to both manufacturers and dairy farmers from GMB.” Muzorewa said a regression model used by economists showed a very strong negative relationship between raw milk production and milk powder imports. “The problem is for every kilogram of milk powder imported into the country, the country loses 6.08 litres of local raw milk production based on historical data available. The milk powders imported adversely affect producer prices resulting in depressed national raw milk production,” he said.

Meanwhile, Muzorewa said the industry was bracing itself for newly created Africa Continental Free Trade Area (AfCFTA) and its effect on the dairy industry. The AfCFTA is an ambitious trade pact to form

the world’s largest free trade area by creating a single market for goods and services of almost 1,3billion people across Africa and deepening the economic integration of Africa.

He said it was the association’s hope that milk producers will have reduced the cost of milk production by 2024 for sustainability and viability. That way, he pointed out, the country’s milk prices could be competitive compared to the regional prices.

In 2021, milk production recorded a significant growth as volumes increased from 76 million in 2020 litres to 80 million litres, buoyed by increased productivity and increased herd due to heifer imports.

*Source: Chikomo, M. Zimbabwe Independent: Business Digest: July 29 to August 4 ,2022, p3*

***Required:***

**Carefully consider the following questions and answer them based on the case study above as well as your broad appreciation of issues in Entrepreneurial Finance.**

- a. How can exemptions describe in the case of ZADF help in the financing of dairy farmers in Zimbabwe? **(5 marks)**
- b. Explain the kind of financing arrangement where milk processors finance dairy milk producers, highlighting its advantages in the Zimbabwean context. **(10 marks)**



- c. Apparently, this arrangement has had its fair share of problems in the Zimbabwean context. Outline some of its draw-backs using the ZADF case as an example. **(10 marks)**
- d. Explain the factors that could be negatively affecting the financing of dairy farming in Zimbabwe. **(10 marks)**
- e. What would you say are the best ways to boost financing of dairy farming in Zimbabwe, in view of the challenges cited by the ZADF executives? **(5 marks)**

**[Total: 40 marks]**

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

**QUESTION 2**

Explain how you can effectively analyse the financing needs of an entrepreneurial firm.

**[20 marks]**

**QUESTION 3**

Discuss the characteristics of equity sources of financing available to new, young, and small businesses, and the factors which investors weigh most heavily when making investment decisions.

**[20 marks]**

**QUESTION 4**

Describe the knowledge and skills required to handle issues related to the sale of an entrepreneurial firm.

**[20 marks]**

**QUESTION 5**

Discuss the concepts of entrepreneurial finance and the major considerations when funding new business ventures.

**[20 marks]**

**QUESTION 6**

Discuss, with the aid of examples, the various investment appraisal methods that may be used to guide investor decision making.

**[20 marks]**

**END OF EXAMINATION PAPER.**