

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

MAR 2024

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.

SECTION A: [COMPULSORY]

QUESTION 1

Tanaka company has been operating for a few years, and recently the Board of Directors has passed a resolution to court some shareholders to inject some capital for market share growth. The following financial information has been presented to prospective shareholders :

Income Statements

For Year Ended 31/12/2022	(\$000's) 2022	(\$000's) 2021
Turnover	87 150 533	11 584 098
Cost of Sales	(60 866 3860)	(8 310 281)
Gross Profit	26 284 147	3 273 817
Other Operating Income	238 391	55 678
	26 522 538	3 329 495
Distribution Expenses	(509 330)	(78 985)
Administrative Expenses	(2 909 449)	(243 852)
Other Operating Expenses	(6 121 944)	(729 918)
Profit from Operations	16 981 815	2 276 740
Finance Costs	(2 222 685)	(44 825)
Profit before taxation	14 759 130	2 231 915
Taxation	(2 035 053)	(587 323)
Profit after Taxation	12 724 077	1 644 592
Minority Interest	(774 699)	(81 139)
Profit for the Year	11 949 378	1 563 453

Balance Sheet

	2022 \$000's	2021 \$000's
ASSETS		
NON-CURRENT ASSETS		
Property, plant, equipment & biological assets	17 930 392	1 264 608
Intangible assets	259 509	-
Interest in subsidiaries & joint ventures	-	-
Intercompany	-	-
Total Non-Current Assets	18 189 901	1 264 608
CURRENT ASSETS		
Inventories	9 716 092	1 153 874
Accounts receivable	12 662 592	1 314 935
Cash	658 845	59 260
Total Current Assets	23 037 529	2 528 069
TOTAL ASSETS	41 227 430	3 792 677
EQUITY & LIABILITIES		
Share capital	98 939	98 539
Share Premium	325 418	324 718
Non distributable reserves	6 437 906	7 705
Distributable	13 679 037	1 729 659
Total Capital & Reserves	20 541 300	2 160 621
Minority Interest	607 382	110 136
NON-CURRENT LIABILITIES		
Shareholders' Loans	-	-
Deferred Taxation	2 845 608	294 824
Total Non-current Liabilities	2 845 608	294 824
CURRENT LIABILITIES		
Accounts payable	7 669 618	759 332
Taxation	2 359 713	467 764
Short-term financing	7 203 809	-
Total Current Liabilities	17 233 140	1 227 096
TOTAL EQUITY & LIABILITIES	41 227 430	3 792 677

Required:

- (a) Using applicable financial ratios, perform a financial evaluation using the above information and advice in a report to the prospective shareholders. **(30 marks)**
- (b) Describe the essence of the financial goal of liquidity maximization. **(10 marks)**

[Total: 40 marks]

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

QUESTION 2

Pecking order theory has been developed as an alternative to traditional theory in capital structure decisions. Discuss. **[20 marks]**

QUESTION 3

Discuss the significance and limitations of the discounted cash flow methods of valuation using relevant examples. **[20 marks]**

QUESTION 4

Hove (Pvt) Ltd bases its overhead absorption rate on labour hours. The following information is available for 2021.

Budgeted overheads	\$600,000
Actual overheads	\$660,000
Budgeted labour hours	120,000
Actual labour hours	110,000

Required:

- (a) Calculate the over- or under-absorption of overheads for 2021. **(10 marks)**
- (b) Management should try to establish an absorption rate that provides a reasonably 'accurate' estimate of overhead costs for jobs, products or services. Justify. **(10 marks)**

[Total: 20 marks]

QUESTION 5

Discuss the operations of financial markets in terms mobilizing funds, determination of prices and liquidity in the Zimbabwean context. **[20 marks]**

QUESTION 6

Describe using relevant examples the main concepts and challenges of capital budgeting decisions in the manufacturing sector of Zimbabwe.

[20 marks]

END OF EXAMINATION PAPER