BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

AUG 2024

GRADUATE SCHOOL OF BUSINES

MASTER OF SCIENCE IN EDUCATION

ENTREPRENEURSHIP AND FINANCIAL MANAGEMENT (ME 517)

EXAMINATION QUESTION PAPER

INSTRUCTIONS AND INFORMATION TO CANDIDATES

1. Section A is compulsory
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 exam

SECTION A (Compulsory) [40 Marks]

QUESTION 1.

Read the article on the basics of Financial Management below and answer the questions that follow.

The Basics of Financial Management.

Financial management is an important managerial activity that is concerned with financial decision making in the area of investment of funds, financing activities and distribution of profits. It is one of the important functions of management and many a times referred to as the life blood of business. But the subject of finance does not operate in isolation and it is largely dependent on various other related disciples.

The term finance refers to 'provision of money' that is used for various purposes. Finance per se is important to the day to functioning of all enterprises due to its multiple uses. One of the reasons for the significance of finance is that it can be used for multiple activities like consumption, savings, donations etc. Secondly, finance is important because it is a scare resource and it is not available for free. Finance can be procured at a cost and therefore, the financial resources are used with much care and diligence. The third significant aspect of finance is that, when invested properly it is capable of growing. When you invest in financial instruments, they are capable of appreciation and income generation and therefore people consider the management of finance a very important activity. This confirms the fact that irrespective of the size of the enterprise, finance is very much required for its smooth functioning and growth.

Relationship between Finance and other Disciplines

Financial management is one of the important functions of management and many a times referred to as the life blood of business. But the subject of finance does not operate in isolation and it is largely dependent on various other related disciples.

Economics

The subject of financial management draws heavily from economics. Economics essentially is the study of allocation of scarce resources among competing ends. Finance as a resource is scarce and not easily available which has to be carefully allocated among the various departments in the organization. Therefore, financial management draws heavily from the field of Economics to make appropriate financial decisions based on the principles of economics. Economics can be basically divided into Micro economics and Macroeconomics. The study of Macroeconomics deals with the environment in which firms operate and considers the economy as a whole.

Its takes care of the structure, presence of financial institutions, functioning of capital markets, the monetary policy and fiscal policies of the government etc. As enterprises do not operate in isolation the impact of the macroeconomic policies on the functioning of the enterprise needs to be recognized while taking financial decisions. Microeconomics is concerned with 'the theory of the firm', which describes the functioning of the enterprise and their economic decisions. Various micro economic concepts like Theory of demand and supply, Production functions, Cost analysis, Utility theories etc are usually taken into consideration while taking financial decisions.

Accounting

There is a strong relationship between Finance and Accounting. Essentially accounting provides the input data for financial decision making. Accounting per se deals with the systematic recording of financial transactions. The Accounting information is usually used to take financial decisions by way of financial statement analysis, cost benefit analysis etc. In that way, we see that accounting significantly contributes to financial management. Accounting principles are based on Accrual principle and the all transactions are viewed at the time of sale and not at the time of collecting them. In case of financial management, the treatment of funds is based on principle of cash flows where they are considered at the time of actually incurring them. Accounting is largely concerned with the way of presentation of data, whereas financial management largely depends on decisions regarding financial planning, allocation and control of financial resources.

Other Disciples

Financial activity encompasses various areas and therefore conceptual application of basic concepts from different areas of finance becomes indispensable. Various areas like Product development, Advertisement and promotion, Product launching etc are important in the domain of marketing which requires large financial outlays. Financial managers should be able assess and appreciate its requirements and create provisions for allocation of funds. Production is also an integral part of the enterprise and an area where funds are constantly required for purchase of machinery, its upkeep and maintenance. Therefore, financial decision making in the organization cannot happen successfully without understanding the fundamental concepts of various areas of finance. To supplement the quality of financial decision making, finance also draws from Quantitative methods.

Time Value of Money

Money has time value. This can be understood by recollecting the fact that usually we spend today on assets, invest in business etc in anticipation of returns that will be accrued in future. These benefits will last over the life of the assets, or till we hold the assets (in case of financial assets). There are cash outflows today in anticipation of future cash flows in future. For logical reasoning, the cash flows obtained at different time intervals, it becomes necessary to convert the sums of money to a common point of time.

The concept of time value of money means that the value of a unit of money is different in different time periods. The money that is held in hand today is worth more than the money that is likely to receive in future. Due to this, investors will prefer and value the money received today, than that is likely to be received in future. This is perhaps to the fact that, future is uncertain and entails the fact that due to some reason the quantum and quality of funds may be delayed. Also, the fact that, when we have money now, the options for reinvestment is available which is absent in the case of future cash flows. This is called as 'time preference for money'. Two techniques of Compounding and Discounting are used for evaluating and comparing cash flows received at different time periods.

Compounding

Whenever we want to find out the future value of the present cash that is in our hand, we use the technique of compounding. Interest is compounded when the amount earned on its initial principal is added back to the principal at the end of the accounting year. So, when we know the initial principal, interest rate and number of years we would like to calculate, the compounded value can be calculated using the formula,

Future Value (FV) = Present Value(1+r)n. This is known as the future value of cash flows.

Discounting

The concept of discounting is used to evaluate the values of cash flows obtained at different time intervals. In order for logical comparisons all the values have to be brought to present value terms and therefore, the future values are discounted using a discount rate which is usually the opportunity cost of capital, or cost of capital (minimum accepted rate of return). This is called as the present value of future cash flow and is computed using the formula, Present Value (PV) = Future Value/(1+r)n

Source: Adapted from Subha, (2020)

Questions

a) What is meant by using 'money to make money' in Financial Management. [10 marks]

b) What is the difference of Present Value of Money (PV) and the future Value of Money (FV) [10 marks]

c) How is Financial Management related to Economics?

d) What is the difference between Financial Management and Financial Accounting? [10 marks]

[Total 20 Marks]

SECTION B (Answer any three questions)

QUESTION 2

Examine the strategies to improve entrepreneurship education in Zimbabwe. **[20 Marks}**

QUESTION 3

Examine the highlights of the entrepreneurial process for your fellow Masters students.

[20 Marks]

QUESTION 4

Evaluate with examples the importance of managing the Small Business Life Cycle (SBLC)

[20 marks]

QUESTION 5

Analyze the importance of entrepreneurship education (EE) to developing countries. **[20 Marks]**

QUESTION 6

Evaluate the sources of finance for entrepreneurship development in Zimbabwe. **[20 Marks]**

END OF EXAMINATION QUESTION PAPER