

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF SCIENCE AND ENGINEERING

BS213 CORPORATE FINANCE II

TIME: 3 HOURS

SECTION A: ANSWER ALL QUESTIONS [40 marks]

Question 1 (25 marks)

- a) Discuss the roles and objectives of Financial Statement Analysis (FSA). How does FSA contribute to informed decision-making for different stakeholders? (10 marks)
- b) Provide an overview of the key components of financial statements, including the Income Statement, Statement of Financial Position, Cash Flow Statement, and Statement of Changes in Equity. (10 marks)
- c) Explain how understanding these financial statements is essential for effective financial statement analysis. (5 marks)

Question 2 (15 marks)

- a) Define permanent, fixed working capital and temporal fluctuation or seasonal working capital. How do these concepts influence a company's working capital strategy? (10 marks)
- b) Analyze the trade-off between profitability and risk in working capital management, providing examples to illustrate your points. (5 marks)

SECTION B: ANSWER ANY 2 QUESTIONS [2 X 30 marks]

Question 3 (30 marks)

- a) Describe the DuPont System of financial ratio analysis. How does it help in assessing a company's performance? (12 marks)
- b) Discuss how financial ratios can be used to evaluate a company's sustainable growth and overall performance. (9 marks)
- c) Explain the importance of trend analysis and benchmarking in financial statement analysis. Why is it essential to look beyond the numbers? (9 marks)

Question 4 (30 marks)

- a) Discuss the basic objectives and motives for holding cash. How do these objectives relate to liquidity management? (12 marks)
- b) Explain the concept of float management and the strategies a company can use to manage disbursements effectively. (10 marks)
- c) Describe the Cash Operating Cycle and its importance in cash management. How do cash management models and banking policy play a role in this cycle? (8 marks)

Question 5 (30 marks)

- a) From a managerial perspective, discuss the factors involved in credit granting decisions. Explain the 5Cs of credit analysis. (13 marks)
- b) Explain the key variables in a company's credit policy and the controls used in managing accounts receivables. (10 marks)
- c) How can changes in credit terms impact a company's receivables management? Provide examples to support your explanation. (7 marks)

Question 6 (30 marks)

- a) Compare and contrast forwards and futures markets in the context of international financial management. What are the key differences in their use for managing currency risk? (10 marks)
- b) Explain the concept of arbitrage in international finance. How does the principle of parity (interest rate parity, purchasing power parity) relate to arbitrage opportunities? (13 marks)
- c) Discuss the different types of exposures faced by companies in international finance. Provide examples of how these exposures can be managed. (7 marks)