

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

**EXAMINATION PAPER**

JUN 2025

**DURATION: 3 HOURS 30 MINUTES**

**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 examination.

## **SECTION A: COMPULSORY**

### **QUESTION 1**

#### **CASE STUDY: DELTA PONDERES US\$ FINANCIAL REPORTING**

If one of the main reasons for financial reporting is to give stakeholders a fair assessment of the economic and operational performance of the business, then perhaps this is high time companies consider reporting in United States dollars (US\$). To make any meaningful decisions, the numbers should be representative of the operations and comparable to either peer numbers or previous numbers.

According to official numbers, the majority of transactions in the country are now concluded in foreign currency, and even the bulk of deposits in the banking sector are in the hard currency, 88% as at June 2023. Given this background, I would be persuaded to believe that US dollar reporting makes sense, not only for companies but for other national financial numbers like the national budget, fiscal collections and Gross Domestic Product (GDP) estimates.

In all honesty, a lot of economic agents, including financial analysts have stopped bothering themselves with the gibberish Zimbabwe dollar (ZWL) numbers, not because they have anything against the currency but because it is just difficult to make any sense out of them. To put things into context, when the year started, the official exchange rate was ZW\$705 per US\$1, right now as I am writing this article that number is ZW\$5738 and could be a different number by the time you read the article.

If you are from around here, you know that the official figure is not even the transactional number, but yet reporting is done on the basis of converting using the official exchange rate. This leaves financial numbers vulnerable to all sorts of manipulation, both intentionally and unintentionally. Any casual reader would likely fall into a trap of believing that a company is growing given the double digit and even triple digit growth rates in either top or bottom line being reported in Zimbabwe dollar terms.

In this hyperinflationary environment, you will notice that some of the earnings have absolutely nothing to do with the operations of the business but the fair value adjustments on non-monetary assets. Listed companies in Zimbabwe are given a 90-day latitude between the end of their financial year and the latest time they can report their numbers. This year, a number of the companies including OK Zimbabwe and Starafriacorporation asked for additional time after that deadline as they attended to different issues. By the time the numbers, even in inflation adjusted terms are reported, they will no longer be in sync with reality, and this has resulted in qualified opinion by most auditors.

You often hear analysts at briefings asking management about what percentage of their business is in local currency versus otherwise. Albeit most of them admitting that the larger portion of their operations are denominated in US-dollar, they prefer to consider Zimbabwe dollar as their functional and reporting currency.

Although a whole debate can be held, especially with accountants on which one should be the functional and reporting currency, we can all agree that even the inside management of these companies do not use the local currency numbers to plan or make other long-term decisions,

less they will be fired. Delta Corporation, one of the biggest firm in the country and the biggest listed company on the Zimbabwe Stock Exchange (ZSE), hinted on changing its functional currency. In a statement by its chairperson accompanying the half-year results, the blue-chip beverages manufacturer hinted that "...and have concluded that it will be necessary to change the Group's functional currency of the F24 financial statements to US dollars."

The misconception in the market that if you are listed on the ZSE, you have to report in Zimbabwe dollar will soon be corrected. In fact, Tigere Real Estate Investment Trust (REIT) set the bar high when they started reporting their half year numbers in US dollar albeit being listed on the ZSE. Although the counter might have been relatively small to make aa bold statement to other issuers, I have no doubt it has inspired others to reconsider their reporting style.

Now that Delta is considering it, I believe it is a matter of time before most companies join the bandwagon and also consider that the multi-currency regime has seven more years. It would be unfortunate to have companies only present more representative numbers. We hope to see even the authorities taking it upon themselves to present the 2024 budget in hard currency. Just to be clear that it is not a fixation on the greenback, but aa dire need to get numbers that represent the situation on the ground.

We are reliably informed that the Zimbabwe gold-backed digital token (ZiG) will also aim at assisting with the volatility on the Zim-dollar front, and by all means if it happens that the ZiG live to its expectation, why not report in it in the coming years. However, it has to prove first that it is a stable instrument over a fair amount of time, at least three years in my opinion.

In conclusion, US dollar reporting is not going to be an easy pill to swallow. There will be less sugar-coating and manicuring of numbers, if it is a loss it is a loss and I am sure that will not sit well with other issuers but I think the process is necessary and has to start now.

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*Source: Rufaro Hozheri (2023): **Delta Ponders US\$ financing reporting**, The Zimbabwe Independent, Economic and Finance Review, November 17 to 23, page 9*

**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 financing.

- a. What are the major issues you studied in Entrepreneurial Financing that come up in this case study of Delta Corporation? (5 marks)
- b. Discuss the major stakeholders for Delta Corporation and their interest in proper financial reporting? (10 marks)

c. In your view, and given the raging debate about dollarization, to what extent can the use of the greenback help to stabilize business planning and forecasting in the Zimbabwean market?

(10 marks)

d. Identify and briefly discuss the various aspects of entrepreneurial financing that have been made difficult by the hyperinflationary environment in Zimbabwe. (10 marks)

e. What do you suggest Zimbabwean entrepreneurs should do to address the financing environment in which they operate? (5 marks)

[Total: 40 marks]

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**SECTION B** *Choose any three [3] questions from this section.*

**QUESTION 2**

Discuss the financing needs of an entrepreneurial firm. [20 marks]

**QUESTION 3**

Discuss the various financing arrangements that are offered to small- to- medium enterprises in Zimbabwe by micro-finance institutions. [20 marks]

**QUESTION 4**

What are the key themes that are of current interest to researchers in entrepreneurial financing in Zimbabwe? [20 marks]

**QUESTION 5**

Discuss the variation factors that a potential investor assesses before deciding to invest in a new small business in Zimbabwe. [20 marks]

**QUESTION 6**

Assess the usefulness of a new venture life-cycle approach to financing a businesses in Zimbabwe. [20marks]

**END OF EXAMINATION PAPER.**