



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE
MASTER OF COMMERCE DEGREE IN BUSINESS
ADMINISTRATION
MANAGERIAL FINANCE

MBA 203

PART 2 SEMESTER 1 EXAMINATION

TOTAL MARKS [100]

DATE: OCTOBER 2024

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

1. Discuss the relationship between managerial finance, economics and accounting.(25)
2. (i) Explain the significance of the following as used in Managerial finance:
 - a) Compounding (2)
 - b) Discounting (2)
 - c) Present value (2)
 - d) Future value (2)

(ii) Kudakwashe places \$800 in a savings account paying 6% interest compounded annually. Calculate how much money will be in the account at the end of 5 years. (2)

(iii) At age 25 Mary started to contribute to her retirement account by making monthly contributions of \$100. If her IRA pays 6.4% interest compounded semiannually, how much will she collect when she retires at age 65, and how much will she make on her investment? (5)

(iv) Examine the roles of a finance manager (10)
3. Discuss the advantages and disadvantages of the following short-term sources of finance.
 - a) Trade credit (9)
 - b) Factoring (8)
 - c) Commercial paper (8)

4. (a) The following are the financial statements of ZIBAKO Company.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	
	\$	\$
Sales		
Cash Sales	30 000	
Credit Sales	27 000	30 000
Less Cost of goods sold		236 000
Gross profit		64 000
Less: Operating expenses		
Warehousing	13 000	
Transport	6 000	
Administration	19 000	
Selling	11 000	49 000
Operating profit (EBIT)		15 000
Interest		2 000
Profit before tax		13 000
Income tax		1 000
Profit for the year		12 000

**STATEMENT OF FINANCIAL POSITION FOR YEAR ENDED 31
DECEMBER 2021**

ASSETS	\$	\$
Non- current assets		30 000
Current Assets		
Cash at bank	10 000	
Receivables	50 000	
Stock	60 0000	120 0000
Total assets		150 000
EQUITY AND LIABILITIES		
Equity and reserves		
Share capital	75 0000	
Reserves	25 000	
Debentures	-	100 000
Liabilities		
Non-current liabilities	10 000	
Current Liabilities	40 0000	50 000
Total equity and liabilities		150 000

Required:

Calculate:

- a) Gross profit margin (2)
- b) Net profit margin (2)
- c) Return on assets (2)
- d) Current ratio and comment (3)
- e) Inventory turnover (2)
- f) Debtors collection period (2)
- g) The debt ratio (2)

(b) Discuss the limitations of financial ratios (10)

5. Explain the 3 motives for holding cash (25)

6. Discuss the 7Cs of credit appraisal model (25)

END OF PAPER