



**REFORMED CHURCH UNIVERSITY**

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**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**

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**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**

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

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

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

**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**