



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF HUMANITIES, EDUCATION AND SOCIAL SCIENCES

DEPARTMENT OF HUMANITIES AND SOCIAL SCIENCES

EXAMINATION PAPER

Bachelor of Science (Hons) in Development Studies: Part 2 Semester 2

COURSE CODE : ADS 208
COURSE TITLE : Basic Financial Management
DURATION : 3 Hours
DATE :

INSTRUCTIONS TO CANDIDATES:

1. Answer any THREE questions only. You are encouraged to attempt question 2 only if you have attempted question 1
2. Each question carries 25 Marks.
3. Start each question on a new page of your answer sheet.
4. Use relevant examples or case studies in answering your questions

NB Read the information below before answering the questions

Chipo and Tatenda are running a small retail shop in Nyabira using the name Chiptat Trading.

Chipo and Tatenda seek to maximize their profits so that they can start a charitable organisation looking after the orphans in the nearby township. Most of their operations and financial records are still fragmented and they do not have proper basic financial management knowledge. In order to formalise and grow their enterprise they are seeking your help as a person who has completed a course in Financial Management at Zegu.

Below is scattered information that Chipo and Tatenda randomly placed in a table for Chiptat Trading for the year 2020

Description	Amount \$
Sales	13400
Purchases	8520
Electricity bills	380
Rent expense	480
Wages	1040
Sundry expenses	140
Carriage inwards	220
Building	4000
Fixtures and fittings	1740
Debtors	2400
Capital	4200
Creditors	1800
	80

Loan with no interest from Chipu's boyfriend	2000
Ruvarashe at 0% interest	
Stock at 31 December 2020	1100

- 1a) Advise Chipu and Tatenda on the importance of Financial Statements in their enterprise (9)
- b) Using the random information in the table (which is usually found in the trial balance), prepare an income statement for Chiptat (16)
- 2a) Define the following terms so that Chipu and Tatenda can understand the balance sheet
- i) Tangible and intangible assets (6)
 - ii) Current assets (3)
 - iii) Owners' equity (3)
- b) Prepare the balance sheet for Chiptat for the year 2020 (13)
- 3 Using information from the table, qualitatively explain the broad categories of ratios that Chipu and Tatenda needs to understand to effectively run their enterprise (25)
- 4 Other than profit from their business, suggest ways that Chipu and Tatenda can use to mobilize financial resources for their Charity Organisation. (25)
5. Discuss various ways through which Chipu and Tatenda can use to increase the profitability of their business. (25)
6. Explain the various budgeting methodologies that Chipu and Tatenda may adopt in exercising Budgeting in their operations. (25)