



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF HUMANITIES, EDUCATION AND SOCIAL SCIENCES

DEPARTMENT OF DEVELOPMENT STUDIES

EXAMINATION PAPER

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

COURSE CODE : ADS 208
COURSE TITLE : Financial Management For Development
DURATION : 3 Hours
DATE : 16 FEB 2022

INSTRUCTIONS TO CANDIDATES:

1. Answer any THREE questions only.
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

1. "While a critical factor in development, finance is by no means the only important variable in development". Discuss (25) marks

2. The following is information for 2 projects i.e. Project A and Project B

Initial capital invested is \$10 000

Project A cash flows

Year 1 -\$3000

Year 2 -\$6000

Year 3- \$3000

Year 4- \$4000

Project B cash flows

Year 1 -\$5000

Year 2- \$3000

Year 3- \$3000

Year 4- \$5000

i) Using payback period, determine which project is better than the other between project A and project B. (12 marks)

ii) Calculate the IRR for Project A above. (13 marks)

3. i) Discuss the importance of Ratio Analysis in financial management. (13 marks)

ii). Given that a project had an initial investment of \$12 000 and that the Discount factor was 15%, calculate: the Net Present Value (NPV); and the Profitability Index (PI), if the expected cash flows are as follows:

Year 1- \$5000

Year 2- \$6000

Year 3- \$4000

Year 4- \$3000 (12 marks)

4. You are presented with the following information regarding N. Richards.

Fixed costs are \$4 per unit while variable costs are \$2 per unit. N.Richards is expected to produce 4000 units, and their selling price is \$24 per every 4 items.

a) Calculate Break Even Point. (12 marks)

b).explain whether they are making profit or not. (13 marks)

5. A project has a 5 year life. It involves an investment in machinery and plant totalling \$900 000 and \$100 000 initial working capital, therefore totalling an initial investment of \$1million. As a compensatory factor, management believes that the machinery will realise \$200 000 at the end of year 5 as the project is wound down.

Would you invest in this project?

NB: Calculate ARR on Investment. (25 marks)

End of Question Paper !!