



**ZIMBABWE EZEKIEL GUTI UNIVERSITY**

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**FACULTY OF HUMANITIES, EDUCATION AND SOCIAL SCIENCES**

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**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** : 06 OCT 2022

**INSTRUCTIONS TO CANDIDATES:**

1. Answer Question and any TWO questions only from Section B.
2. Each question carries 25 Marks.
3. Start each question on a new page of your answer sheet.

**SECTION A (compulsory)**

1. You are given two projects that have the following information.

**Project A.**

An initial amount of \$500 000 was invested, and the expected annual revenues are as follows:  
\$100 000 for the first 2 years,  
\$200 000 for the next 3 years.  
Planning horizon is 5 years.

**Project B.**

A sum of \$25 000 was invested in a project.  
Expected annual cashflows are as follows;  
\$5 000 in year 1; \$ 9 000 in year 2; \$10 000 each in years 3 & 4; and \$ 3 000 in year 5.

Using the payback method, determine which project is better than the other and why? (10 marks)

B. The cost of a project is \$1 000.  
It has a time horizon of 5 years and the expected cashflows are;

Year 1 - \$200  
Year 2 - \$300  
Year 3 - \$300  
Year 4 - \$400  
Year 5 - \$500

Compute the IRR of this project. (10 marks)

If the opportunity cost of capital is 12%; should we accept this project? (5 marks)

**SECTION B (Answer any 2 questions from this section)**

2. Describe the various methods/ways by which a project is appraised. (25 marks)

3. An investor borrowed \$5 000 to invest in a project with the following average cash flows;

Yr 1- \$4000  
Yr 2- \$3500  
Yr 3- \$2100  
Yr 4- \$2200

Calculate the Net Present Value (NPV) of the project, and make a decision about the project.  
(25 marks)

4. Write brief notes on any 5 of the following terms:

Opportunity cost  
Break even point  
Balance sheet  
Equity  
ISALS

Debt financing (25 marks)

5. a) A project has the following information:

The selling price of items is \$24 while the variable cost for 18 units is \$180.

Given that the fixed costs for this project amount to \$2800; determine the BEP for this project (12 marks)

b) Discuss agency problems and agency theory. (13 marks)

**End of Question Paper !!**

5/5 PM