



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS, MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

COURSE CODE : MSTM524
COURSE TITLE : STRATEGIC MARKETING FINANCE
DURATION : 3 Hours
LEVEL : 1.2

10 APR 2025

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed
3. Answer question number **one (1)** in Section A (Compulsory) and any other **three (3)** questions in Section B.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets []
6. Show all workings, where applicable.

Section A (Compulsory)

Question 1:

Extracts from the recent financial statements of Tinarwo Pvt Ltd. are as follows:

Statement of profit or loss

	2024 (\$000)	2023 (\$000)
Sales revenue	15 600	11 100
Cost of Sales	<u>9 300</u>	<u>6 600</u>
Gross profit	6 300	4 500
Administration expenses	<u>1 000</u>	<u>750</u>
Profit before interest and tax	5 300	3 750
Interest	<u>100</u>	<u>15</u>
Profit before tax	<u>5 200</u>	<u>3 735</u>

Statement of Financial Position

		2024 (\$000)		2023 (\$000)
Non Current Assets	(\$000)	3 050	(\$000)	3 650
Current Assets				
Inventory	3 000		1 300	
Cash	120		900	
Receivables	<u>3 800</u>		<u>1 850</u>	
		<u>6 920</u>		<u>4 050</u>

Total Assets		<u>10 770</u>		<u>7 700</u>
Profit before tax	<u>5 200</u>	<u>3 735</u>		
		2024		2023
	(\$000)	(\$000)	(\$000)	(\$000)
Total equity		6 100		5 950
Current liabilities				
Trade payables	2 870		1 600	
Overdraft	<u>1 000</u>		<u>150</u>	
		<u>3 870</u>		<u>1 750</u>
Total equity and liabilities		<u>9 970</u>		<u>7 700</u>

All sales were on credit. Tinarwo Pvt Ltd. has no long term debt. Credit purchases in each year were 95% of cost of sales. Tinarwo Pvt Ltd. pays interest on its overdraft at an annual rate of 8%. Current sector averages are as follows:

Inventory days: 90 days

Receivables days: 60 days

Payables days: 80 days

Required:

a) Calculate the following ratios for each year and comment on your findings.

i. Inventory days

ii. Receivables days

iii. Payables days

[6

marks]

b) Calculate the length of the cash operating cycle (working capital cycle) for each year and explain its significance [4 marks]

c) Discuss how risks arising from granting credit to foreign customers can be managed and reduced [7 marks]

d) Briefly describe the benefits of a just in time (JIT) procurement policy [8 marks]

SECTION B**Question 2:**

Hove Glass Co, a small family run business, manufactures hand blown glass products and has an established reputation for quality going back several decades. Owing to increased demand for its most popular products from customers in the Middle and Far East, Hove Glass Co has focused on manufacturing a single product, a vase available in an array of colours, which has the following cost and selling price structure:

	£/unit	£/unit
Selling price		280
Direct material	64	
Direct labour	60	
Variable overhead	16	
Fixed overhead	<u>28</u>	
		<u>168</u>
Profit per unit		<u>112</u>

The fixed overhead absorption rate is based on the normal capacity of 2,000 units per month. Assume that the same amount is spent each month on fixed overheads. Budgeted sales for next month are 2,200 units.

Required:

- Calculate the breakeven sales units and value for the next month. [6 marks]
- Explain the term 'margin of safety' and calculate the margin of safety for the next month. [6 marks]
- Calculate the profit for the next month if sales are 5% lower than budgeted. [5 marks]
- Calculate the sales required (in units) to achieve a profit of £259,000 in the next month given the direct materials cost increases by 8% and direct labour cost increases by 6%. [6 marks]
- State two assumptions made when carrying out breakeven analysis [2 marks]



Question 3:

Using illustrations, discuss the concept of financial involvement in marketing [25 marks]

Question 4

You have been appointed as the Chief Financial Officer of Hope Hive Pvt Ltd Co, which is financed by private equity. Members of the public have developed considerable interest in the company and it continues to rapidly grow under the leadership of its dynamic founder and Chief Executive Officer (CEO), Matthew Pikiti. Matthew Pikiti owns over 30 per cent of the company's equity and has also loaned the business considerable sums to uphold its development. The balance of the other investors consist of some small shareholdings held by current and past employees and the remainder is in the hands of a private equity company which is represented by two directors on the board. You enjoy a package of other benefits and a substantial salary. Your role description gives you overall responsibility to the board for the financial direction of the company, the management of its financial resources, direction and oversight of its internal control systems and responsibility for its risk management. After three months in the job you are called to a meeting with Matthew Pikiti and the company's non-executive chairman. In that time you have made significant progress in improving the financial controls of the business and the current year end, which is four weeks away, looks very promising. The company's cash generation is strong and its underlying earnings growth promises to be in excess of 20 per cent.

The CEO tells you that he would like you to set up a plan to take the company to full listing as a first step to him undertaking a substantial reduction in his financial stake in the business. He tells you to keep this discussion as confidential, as he expects that the market would react adversely to the news. However, he would like to see what could be done to make sure that the year end figures are as strong as possible. Given your performance, he also tell you that they would like to offer you a substantial incentive in the form of share options.

Required:

(a) Prepare a board paper, describing the procedure for obtaining a listing on the Zimbabwe Stock Exchange [8 marks]

(b) Prepare a briefing note, itemizing the advantages and disadvantages of such a step for a medium-sized company. [8 marks]

(c) Discuss any ethical considerations or concerns you may have concerning this proposed course of action. [9 marks]

[Total: 25 marks]

Question 5

‘Creating a marketing budget is an important task for the marketing department’ Discuss

[25 marks]

THE END

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