



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS, MARKETING AND ENTREPRENEURSHIP

EXAMINATION PAPER

COURSE CODE : MTSM523
COURSE TITLE : STRATEGIC FINANCIAL MANAGEMNT
AND COSTING
DURATION : 3 Hours
LEVEL : 2.1
DATE : 11 JUN 2025

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer **All FOUR (4)** questions.
3. The number of marks for each question or part question is shown in brackets []
4. Use of non-programmable calculators is allowed.
5. Show all your workings in order to gain full marks.

Question one

Critically evaluate the reasons why the actions of the managers are in conflict with the interest of shareholders. (12marks)

You are aware that there could be a possibility of conflict arising in your bid to help relationships from various stakeholders, discuss what could cause such conflict between shareholders and creditors, show these could be resolved

(13 marks)

[Total: 25 marks]

Question two

Makudo Ltd manufactures three products using the same plant and similar processes. The following information relates to September 2023.

Products			
	X	Y	Z
Production Volume(units)	5 500	600	7 000
Material cost per unit	\$50	\$160	\$170
Component cost per unit	\$21	\$3	\$12
Direct labour cost	\$30	\$120	\$90
Direct labour hours per unit	½ hour	2 hours	1 ½ hours
Machine hours per unit	¼ hours	1 hour	1 ½ hours
Selling price per unit	\$150	\$380	\$400

Fixed manufacturing overhead costs for the month are as follows:

Item description	\$
Machine related overheads	349 300
Set up costs	44 800
Ordering costs	20 900
Material handling costs	75 060
Component administration	8 940
Fixed manufacturing overheads	499 00

At present, manufacturing overhead costs are allocated to products based on machine hours at a cost driver rate of \$40 per machine hour.

Makudo Ltd is considering a change to activity –based costing and for this purpose, has estimated activity levels as follows:

	X	Y	Z
Number of set ups	6	2	8
Number of orders	5	1	4
Number of material handlings	12	3	12
Number of components	7	1	4

Makudo Ltd has received a special order from Zambia for 200 units of Y, 320 of Z per unit (1 kwacha = (1.50). The direct labour hours available are fully utilized and no further capacity is available. The order must be accepted in full and delivered within 14 days of accepting the order.

Required:

- a) Advise Makudo Ltd whether or not to accept the order. Your advice must address both quantitative and qualitative issues.

(10 marks)

- b) Explain fully factors that influence the cost of finance

(15 marks)

[Total 25 Marks]

Question three

a) Critically evaluate stages in investment appraisal.

(10 marks)

b) A company is considering an investment of \$200 000 in a project which is expected to last for 4 years. Scrap value of \$40 000 is estimated to be available at the end of the project. Profits (before depreciation) are estimated at:

Year 1	\$100 000
Year 2	\$100,000
Year 3	\$60,000
Year 4	\$20 000

Calculate the accounting rate of return (AAR) and show benefits of using this approach of investment appraisal.

(6 marks)

c) Mambo Ltd is considering a project, which is expected to last for 4 years, and requires an immediate investment of \$20 000 on plant. Inflows are estimated at \$7 000 for each of the first two years and \$6 000 for each of the last two years. The company's cost of capital is 10% and the plant would have zero scrap value at the end of the 4 years. Calculate the NPV and recommend if the project should be accepted.

(9 marks)

[Total 25 marks]

Question four

- a) Critically evaluate factors that you consider when paying a dividend (that influence payment of a dividend.

(15 marks)

- b) Discuss fully with the aid of practical examples any three dividend theories that you are familiar with.

(10 marks)

[Total 25 marks]

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