



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 MANAGEMENT
AND COSTING
DURATION : 3 Hours
LEVEL : 2.1
DATE : 28 JUL 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 has three projects under consideration. The cash flows for each project are shown in the following table. The firm has a 16% cost of capital.

| | Project A | Project B | Project C |
|--------------------|---------------|-----------|-----------|
| Initial investment | | | |
| Year 0 | \$40 000 | \$40 000 | \$40 000 |
| | Cash in flows | | |
| 1 | \$13 000 | \$7 000 | \$19 000 |
| 2 | \$13 000 | \$10 000 | \$16 000 |
| 3 | \$13 000 | \$13 000 | \$13 000 |
| 4 | \$13 000 | \$16 000 | \$10 000 |
| 5 | \$13 000 | \$19 000 | \$7 000 |

1.a) Calculate each project's payback period. Which project is preferred according to this method?

(6 marks)

b) Calculate each project's net present value (NPV). Which project is preferred according to this method?

(9 marks)

c) Comment on your findings in parts a and b, and recommend the best project. Explain your recommendation.

(3marks)

1.d. Discuss the investment process undertaken by an organisation intending to invest into the long term.

(7 marks)

[Total 25marks]

Question three

Maponga Ltd is a company that owns popular Jazz clubs in Harare and Bindura. The Chief Executive Officer (CEO), Mr. Josh Jeff, is keen to take the Kwaito movement to Bindura and would like to start by introducing an annual Kwaito festival to the city. Market research costing \$400 000 that was undertaken last year indicated that there is a growing jazz consciousness in the city and a demand for live Kwaito entertainment. The Department of Arts and Culture can grant JJ a license to run the festival for 5years, beginning in 2020

Mr. Jeff has requested your help with the investment appraisal and has provided you with the following information. The annual contribution from the festival is expected to be \$2 500 000 increasing by 8% each year. An investment in working capital of \$ 500 000 is required at the beginning of the project in addition to the initial capital outlay of \$2000 000. Rental of the festival grounds amounts to \$200 000 payable annually in arrears and will increase by 5% p.a . A one-time deposit of \$40 000 is required upfront and will be returned at the end of the project. Interest payments on borrowings for the project are \$200 000 p.a. The tax rate is 28%. The WACC is 12%

Maponga Ltd calculation:

| Year | 2018 | 2019 | 2020 | 2021 | 2020 |
|-----------------|-----------|-----------|-----------|------------|-----------|
| Contribution | 2 500 000 | 2 620 000 | 2 749 600 | 2 889 568 | 2 040 733 |
| Market research | - 400 000 | | | | |
| Working capital | -500 000 | | | | |
| Rental expense | -200 000 | -205 000 | -210 250 | -215 762.5 | -221 551 |

| | | | | | |
|-------------------|-------------------------|-----------------|-----------------|-----------------|-----------------|
| Security deposit | -40 000 | | | | |
| Interest payments | <u>-200 000</u> | <u>-200 000</u> | <u>-200 000</u> | <u>-200 000</u> | <u>-200 000</u> |
| Cash flows | <u>-330 000</u> | 1 415 000 | 1 539 350 | 1 673 805.5 | 1 819 182,8 |
| Net Present Value | <u>4 025 052</u> | | | | |
| | | | | | |

Conclusion

The Net present value is positive; therefore, Maponga ltd should accept the project.

Required:

a) 'Critically evaluate Mr Jeff's calculation (you are NOT required to perform a correct calculation.

(10 marks)

b) Critically evaluate the any three capital structure theories you are familiar with giving relevant examples where possible

(15 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)

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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