

**ZIMBABWE EZEKIEL GUTI UNIVERSITY**  
**FACULTY OF ARTS**  
**DEPARTMENT OF DEVELOPMENT STUDIES**  
**END OF SEMESTER MAIN EXAMINATION PAPER**

**B.A (Hons) Development Studies      Part 2 Semester 2**  
**ADS 208    Financial Management for Development**  
**DURATION    3 Hours**  
**DATE    11 JUNE 2018**

**INSTRUCTIONS**

Answer question **ONE** and any other **TWO** questions. Each question carries [**25 Marks**]

Candidates are required to use relevant examples or case studies in answering essay questions.

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1. A young man inherited \$24 000 from his relative. He wants to invest the money in one of the following projects.

Project A: \$16 000; \$18 000; \$22 000; \$20 000

Project B: \$11 000; \$28 000; \$18 000; \$10 000

Project C: \$14 000; \$16 000; \$18 000; \$20 000

- (i). How were the above streams of inflows generated?      **(2 marks)**  
(ii). Using the payback period, compute the best project      **(8 marks)**  
(iii). Using the NPV method and a discount rate of 11%, compute the best project **(10 marks)**  
(iv). Which project would you recommend and why? **(5 marks)**
2. Explain the following terms with aid of examples:
- (a). Preference shares                                      **(5 marks)**  
(b). Balance sheet    **(5 marks)**  
(c). Zero-based budgeting                                      **(5 marks)**  
(e). Income Statement    **(5 marks)**  
(f). Project Appraisal methods                                      **(5 marks)**

3. 'Zimbabwe's low level of development is a result of poor financial management'. Discuss.
4. With the aid of examples, discuss the linkage between financial intermediaries and development.
5. Compare and contrast zero based budgeting and incremental budgeting.