



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE, HUMAN SCIENCES AND EDUCATION
DEPARTMENT OF GOVERNANCE AND MANAGEMENT SCIENCES

QUALIFICATION: BACHELOR OF BUSINESS MANAGEMENT	
QUALIFICATION CODE: 07BBMN	LEVEL: 7
COURSE CODE: BBF612S	COURSE NAME: BUSINESS FINANCE
SESSION: JANUARY 2025	PAPER: PAPER 1/1
DURATION: 2 HOURS	MARKS: 100

SECOND OPPORTUNITY EXAMINATION QUESTION PAPER	
EXAMINER(S)	MS C KAUAMI MS B NDUNGAUA
MODERATOR:	MR ERNEST MBANGA

INSTRUCTIONS
<ol style="list-style-type: none">1. Answer ALL the questions.2. Show all formulae and calculations as marks will be awarded for them.3. Write clearly and neatly.4. Number the answers clearly.
PERMISSIBLE MATERIALS
<ol style="list-style-type: none">1. Calculator.

THIS QUESTION PAPER CONSISTS OF 4 PAGES (Including this front page)

SECTION A: SHORT QUESTIONS

[67 Marks]

Question 1: The Agency Problem

(10 marks)

Discuss management and/or other issues that can lead to the agency problem.

Question 2: Financial Statements

(12 marks)

(1 mark per principle and 1 mark for relevant explanation)

Name and briefly explain any 6 generally accepted accounting principles that have to be adhered to when compiling financial statements.

Question 3: Analysis of Financial Statement

(15 marks)

(1 mark per ratio type and 2 marks for relevant explanation)

Identify the basic types/groups of financial ratios that can be used in financial statement analysis, explain what they measure and give an example of each type/group.

Question 4: Capital Budgeting

(14 marks)

Among key decisions that a financial manager makes are decisions pertaining to capital budgeting.

1. Briefly explain capital budgeting (4)
2. Discuss the two approaches to making capital budgeting decisions (10)

Question 5: Financing

(16 marks)

(2 marks per correct answer)

Briefly outline the characteristics that distinguish debt from equity as a source of finance.

SECTION B: CALCULATIONS

[33 Marks]

Question 6: Profit Planning: Break-even analysis

(11 marks)

Make use of the relevant information listed below to determine the break-even point in:

- a) Units (volume) (3)
- b) Monetary terms (value) (2)
- c) The margin of safety ratio (3)
- d) If a selling commission of N\$ 10.00 per unit is paid, what will the break-even point in units be? (3)

Mbate Garments cc:

Expected turnover/sales in units	20 000
Selling price per unit	N\$100
Total fixed costs	N\$500 000
Total variable costs	N\$1 000 000

Question 7: Time value of money

(13 marks)

Solve the following time value of money scenarios:

- a) Determine the Future Value of an amount of N\$ 88 000, invested for eight (8) years, which is earning 14% interest (3)
- b) Determine the Present Value of an amount of N\$ 15 000, which is receivable in six (6) years from now, when the discount rate is 14%. (3)
- c) Determine the following: (7)
 - i) annual payments to Amortise a loan of N\$ 700 000, repayable over ten (10) years, where the interest rate is 14%. (3)
 - ii) using the annual payment, distinguish between the interest payable and principal amount payable in year 1 only. (4)

Additional Information

Interest factors @ 14% years 1 to 10

	FVIF	FVIFA	PVIF	PVIFA
1.	1.140	1.000	0.877	0.877
2.	1.300	2.140	0.769	1.647
3.	1.482	3.440	0.675	2.322
4.	1.689	4.921	0.592	2.914
5.	1.925	6.610	0.519	3.433
6.	2.195	8.536	0.456	3.889
7.	2.502	10.730	0.400	4.288
8.	2.853	13.23	0.351	4.639
9.	3.252	16.09	0.308	4.946
10.	3.707	19.34	0.295	5.216

Question 8: Working Capital Management

(9 marks)

Managing the cash conversion cycle (CCC)

1. Discuss the importance of the cash conversion cycle for the management of working capital in a business. (2)
2. Calculate the CCC for a business where the AAI = 60 days, the ACP = 90 days and the APP = 60 days (3)
3. What can or should be done to improve this CCC? (4)