



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: OCTOBER 2025	PAPER: PAPER 1/1
DURATION: 2 HOURS	MARKS: 100

FIRST 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, except Question 3 where you can choose either A or B.2. Show all formulae and calculations as marks will be awarded for them.3. Utilise Annexures 1 & 2 attached at the back to answer questions as applicable4. Write clearly and neatly.5. Number the answers clearly.
PERMISSIBLE MATERIALS
<ol style="list-style-type: none">1. Calculator.

THIS QUESTION PAPER CONSISTS OF 8 PAGES (Including this front page)
SECTION A: [54 MARKS]

Question 1: Financial Goal of a Firm (12 marks)
Briefly discuss the fundamental principles of Financial Management
(4 marks per correct answer)

Question 2: Understanding Financial Statements (12 marks)
(2 marks per principle and explanation)

List and briefly explain any 6 Key Generally Accepted Accounting Principles

Question 3: Financial Planning and control (12 marks)
(2 marks per answer)

Choose **either A or B**.

A. Briefly discuss the advantages of budgeting

OR

B. Briefly explain ANY 6 principles of budgeting

Question 4: Capital Budgeting (18 marks)

A. Briefly discuss the approaches to capital budgeting decision making
(1 mark for approach, 4 marks explanation x 2 = 10 marks)

B. There are various capital budgeting techniques, one of which is the payback period, a non-discounted cash flow method. Briefly discuss the payback period method and its primary disadvantages/weaknesses.
(2 marks explanation, 2 marks disadvantages x 3 = 8 marks)

SECTION B**[46 Marks]****Question: 5 Ratio analysis****(23 marks)****Part A: Questions**

Make use of the Financial Statements on page 5, Annexure 1 and calculate:

- i) One Profitability Ratio (3 marks)
- ii) One Liquidity Ratio (3 marks)
- iii) One Activity Ratio (3 marks)
- iv) One Debt Ratio (3 marks)
- v) One Market Securities Ratio (3 marks)

(Kindly note 3 marks awarded per question, including formulae and calculations. Please **do not present more than one ratio per category**, only the first one will be graded)

Part B: Questions

Make use of the Selected Ratios on page 6 to answer the following questions:

1. How has Coola (PTY) Ltd performed in comparison to 2024 performance in activity and debt ratios? Compare with the ratio you calculated. (4 marks)
2. What corrective action do you suggest for the activity and debt ratios you discussed in no.1? (4 marks)

Question 6: Time Value of Money**(17 marks)**

Kindly use the financial tables on pages 7 and 8, Annexure 2 to answer the questions below.

1. You are exploring investment options that will yield the greatest return for the shareholders of ABC Ltd. The company has a surplus of N\$1,500 000 and you need to make a decision between two high risk investment options with a return of 24% p.a. compounded interest for five years. Calculate both options and indicate which option you will consider. (2 marks per question x 2, 1 mark for choice = 5 marks)
 - i. Option 1: interest is calculated semi-annually.
 - ii. Option 2: Interest is calculated quarterly

2. Determine the annual deposits you have to make to Accumulate an amount of N\$155 000 over a period of five (5) years when the annual interest rate is 12%.
(3 marks)
3. Determine the Future Value of an amount of N\$ 15 000, invested for eight (8) years, which is earning 12% interest.
(3 marks)
4. You receive a loan of N\$1 000 000, repayable over ten (10) years with 12% interest.
- Calculate the annual repayment. (2 marks)
 - Distinguish between the interest payable and principal amount payable in year 1 only. (4 marks)

Question 7: Financing

(6 marks)

- i) Determine the weighted average cost of capital (WACC) for a firm which finances 30% of its assets by means of debt, bearing an interest rate of 12% and 70% by means of equity, where the required return on equity is 18%. The firm is subject to a tax rate of 32%.
(6 marks)

Annexure 1: Financial Statements

Coola (PTY) Ltd Statement of financial performance for the year ended 28/02/2025

Sales turnover	250 000
COS	115 000
Gross Profit	135 000
Fixed expenses (including interest expense)	70 000
Net Profit before tax	65 000

Coola (PTY) Ltd Statement of the financial position as at 28 February 2025

Liabilities:

Ordinary Share Capital	150 000
Retained earnings	<u>28 550</u>
	<u>178 550</u>
Long-term loan	50 000
<u>Current liabilities:</u> trade creditors	<u>21 450</u>
	<u>250 000</u>

Assets:

Fixed assets	150 000
<u>Current assets:</u>	100 000
Stock/inventory 45 000	
Debtors 40 000	
Cash <u>15 000</u>	
	<u>250 000</u>

***Additional Information:**

- interest paid = N\$ 5000
- tax rate = 33%
- opening stock/inventory = N\$ 18000
- 50% of sales are on credit
- all purchases are on credit
- number of ordinary shares = 34 000
- market price of shares = N\$ 3.40
- the amount declared for dividends is N\$15000
- one year = 360 days

***Selected Ratios - Coola (PTY) Ltd Performance: 2024**

APP	30 days (creditors terms are 45 days)
ACP	80 days (credit terms 90 days)
Inventory Turnover	5 times
Return on Equity	25%
Debt Ratio	24%
Debt-Equity	30%