



**NAMIBIA UNIVERSITY  
OF SCIENCE AND TECHNOLOGY  
Faculty of Management Sciences**

Department of Management

<b>QUALIFICATION: Bachelor in Business Management</b>	
<b>QUALIFICATION CODE: 07BBMA</b>	<b>LEVEL: 7</b>
<b>COURSE: Business Finance</b>	<b>COURSE CODE: BBF612S</b>
<b>DATE: November 2019</b>	<b>SESSION: 1<sup>st</sup> Opportunity</b>
<b>DURATION: 2 hours</b>	<b>MARKS: 100</b>

<b>1st OPPORTUNITY EXAMINATION QUESTION PAPER</b>	
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**THIS QUESTION PAPER CONSISTS OF 6 PAGES**  
(Including this front page)

**INSTRUCTIONS**

1. Answer all questions except for question 4 where you should only answer either (a) or (b).
2. Show all formulae and calculations as marks will be awarded for them.
3. Write clearly and neatly.
4. Number the answers clearly.
5. Please refer to additional information for interest factors.

**PERMISSIBLE MATERIALS**

1. Calculator.

## Section A:

[15 Marks]

### Question 1: Multiple Choice Questions – Choose the correct Answer(s)

*Please note that all numerical questions carry 3 marks.*

1. The term which refers to management being held responsible for those items, and only those items, that management can actually control: (1 mark)
  - a. Control budgeting
  - b. Responsibility accounting
  - c. Control accounting
  - d. Personal accounting
  
2. The following are important considerations in financing assets, except: (1 mark)
  - a. Inflation
  - b. Suitability
  - c. Control
  - d. Timing
  
3. A firm can finance its long-term financing by means of the following: (1 mark)
  - a. Equity, bank overdraft, debentures, bonds
  - b. Mortgage loan, equity, trade credit, bonds
  - c. Bonds, debentures, equity, mortgage loan
  - d. Trade credit, equity, overdraft, mortgage loan
  
4. A good source of finance for a business that has difficulty in collecting debts is (1 mark)
  - a. Factoring
  - b. Debentures
  - c. Trade credit
  - d. Invoice discounting
  
5. Which of the following long-term financing methods is interest free? (1 mark)
  - a. Debentures
  - b. Bonds
  - c. Equity
  - d. Mortgage.
  
6. Bonds (1 mark)
  - a. require monthly instalments, comprising an interest component and partial down payment of the principal.
  - b. are forms of equity financing which may be used for an indefinite period.
  - c. may be converted into overdraft accounts.
  - d. require interest payments every six months and repayment of the principal at maturity.

7. Which of the following is correct? (1 mark)
- The capital market is the place where the supply and demand for short-term funds meets.
  - The claims of owners on income have priority over the claims of creditors.
  - A firm may be financed by means of ordinary shares and preference shares only.
  - Financial risk is the risk of the firm being unable to cover its interest payments.
8. You will receive an amount of R1 700 eight years from now. However, if you received the amount right now and invested it, you would earn 8% interest p.a. on the amount. What would the amount be worth if you received it now instead of waiting eight years? (3 marks)
- N\$ 819
  - N\$ 1 564
  - N\$ 918
  - N\$1 700
9. A firm has an Average age of inventory (AAI) of 15 days, an Average collection period (ACP) of 90 days and an Average payment period (APP) of 45 days. What is the Cash conversion cycle (CCC)? (3 marks)
- 30 days
  - 120 days
  - 60 days
  - 120 days
10. The NSE Securities Exchange is an example of a (1 mark)
- primary market.
  - secondary market.
  - primary and secondary market.
  - none of the above.
11. The more financial leverage a firm has: (1 mark)
- The higher the risk and possible return
  - The higher the return on owners' equity
  - The greater the probability of shareholders financing assets without losing control of the firm.
  - All of the above

## Section B: Short Questions

[55 Marks]

### Question 2: Financial goal of a firm

(14 marks)

What tool can one use to evaluate the competitive environment that a business operates in? With the help of a diagram list the 5 components of the tool and explain each briefly.

### Question 3: Financial Statement Analysis

(15 marks)

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

### Question 4: Profit planning and control

(12 marks)

Answer only one question, either a) OR b)

- a) Briefly discuss the advantages of budgeting
- OR**
- b) Briefly discuss the principles of budgeting

### Question 5: Financing

(14 marks)

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

## Section C

[30 Marks]

### Question 6: Time value of money

(17 marks)

Solve the following time value of money scenarios:

- a) Determine the Future Value of an amount of N\$ 15 000, invested for eight (8) years, which is earning 12% interest. (3 marks)
- b) Determine the Present Value of an amount of N\$ 12 000, which is receivable in six (6) years from now, when the discount rate is 12%. (3 marks)
- c) Determine the annual deposit 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%. (4 marks)
- d) Determine the following: (7 marks)
  - i) annual payments to Amortise a loan of N\$ 1 000 000, repayable over ten (10) years, where the interest rate is 12%. (3 marks)
  - ii) using the annual payment, distinguish between the interest payable and principal amount payable in year 1 only. (4 marks)

### Additional Information

#### Interest factors @ 12%

#### years 1 to 10

FVIF:	1.120; 1.254; 1.405; 1.574; 1.762; 1.974; 2.211; 2.476; 2.773; 3.106
FVIFA:	1.000; 2.120; 3.374; 4.779; 6.353; 8.115; 10.089; 12.30; 14.78; 17.55
PVIF:	0.893; 0.797; 0.712; 0.636; 0.567; 0.507; 0.452; 0.404; 0.361; 0.322
PVIFA:	0.893; 1.690; 2.402; 3.037; 3.605; 4.111; 4.564; 4.968; 5.328; 5.650

### Question 7: Break-even point

(13 marks)

Omusati Manufacturers cc have entered the leather market and are making strides with their new FELLIES BRAND (FB). They would like to determine their break-even point to assess the profitability of FB. Make use of the information listed below to determine the break-even point in:

- a) Units (3 marks)
- b) Monetary terms (2 marks)
- c) Margin of Safety (3 marks)
- d) If a discount of N\$ 10.00 per unit is paid, what will the break-even point in units be? (2 marks)
- e) If a commission of N\$10.00 per unit is included, what will the break-even point in units be? (2 marks)
- f) Which strategy would you recommend between the commission and discount strategy and why? (1 mark)



**Information**

Omusati Manufacturers cc

Expected turnover/sales in units		20 000
Selling price per unit	N\$	80
Total fixed costs		500 000
Total variable costs		1 000 000

**-END-**