ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, INNOVATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS STUDIES

SUBJECT: Financial Management 1 | **PAPER NO: 500/15/S13**
500/22/S13

DURATION: 3 Hours

JUNE 2026 EXAMINATION

REQUIREMENTS

Non programmable calculator

INSTRUCTIONS TO CANDIDATE

1. **Answer all questions.**
2. **Round off answers to 4d.ps.**
3. **All questions carry equal marks.**

PAPER NO: 500/15/S13
500/22/S13 – FINANCIAL MANAGEMENT 1

QUESTION 1

a) You intend to borrow $10 000 at interest rate of 8% p.a. for five years. If the loan is repayable through five equal annual instalments, calculate the instalment amount. (5 marks)

b) Draw up an amortisation schedule for the loan in (a) above. (10 marks)

c) Differentiate between:

i) Independent and mutually exclusive projects. (3 marks)
ii) Sunk costs vs incremental cash flows. (2 marks)

QUESTION 2

a) Explain the three (3) main decisions of a financial manager of a company. (6 marks)

b) Compare and contrast preferred stock and debentures as sources of capital of a company. (14 marks)

QUESTION 3

a) Explain the limitations of the Economic Order Quantity (EOQ) model. (10 marks)

b) A company sells 10 000 units of a product annually. The ordering cost per order is $100, and the holding cost per unit per year is $4. Calculate the Economic Order Quantity (EOQ) for this product. (5 marks)

c) Outline any five (5) legal forms of business organisation and explain their contributions to the economy. (5 marks)

QUESTION 4

a) Discuss any five problems of using ratio analysis when evaluating a firm's performance. (10 marks)

b) Outline and explain any five (5) factors in capital structure decision making. (10 marks)

QUESTION 5

a) Differentiate wealth maximisation from profit maximisation. (8 marks)

b) Explain any four (4) factors to consider when making actual payment of dividends. (12 marks)

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