ZIMBABWE

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

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BANKING AND FINANCE

SUBJECT: Micro-Business Finance **PAPER NO:** 524/15/S08

DURATION: 3 Hours

NOVEMBER/DECEMBER 2022 EXAMINATION

REQUIREMENTS

Non-programmable calculator

INSTRUCTIONS TO CANDIDATE

1. Answer any five (5) questions.
2. Each question carries equal marks.

This paper consists of 4 printed pages.

PAPER NO: 524/15/S08 – MICRO-BUSINESS FINANCE

QUESTION 1

a) Explain any five (5) methods of business growth. (10 marks)

b) Explain the following terms:

   i) Time value of money (5 marks)
   ii) Collateral security (5 marks)

QUESTION 2

Microfinance and money lending institutions give loans to clients for various needs. Explain five (5) ways in which they can protect themselves against defaulting parties. (20 marks)

QUESTION 3

Discuss any five (5) sources of micro-business finance. (20 marks)

QUESTION 4

a) Identify and briefly explain the five (5) major components of a business plan. (10 marks)

b) Two projects have the following expected cashflows:

YEAR	A	B
0	(250 000)	(250 000)
1	90 000	50 000
2	90 000	75 000
3	90 000	100 000
4	90 000	150 000

The discount rate is 16%.

Required:

Determine the pay back period of each project and advise on which project to accept. (10 marks)

QUESTION 5

a) Mr Diva borrowed $10 000 at 8% p.a to be repaid over five years from MJ finance. The loan is to be amortized into five equal annual payments.

   i) Calculate the annual loan repayment (4 marks)
   ii) Prepare the loan amortization schedule (10 marks)
   iii) How much interest will John pay in Year 3 (1 mark)

b) Assuming you have \$5000 and you expect to earn 5% interest on that sum each year for the next two years. Interest is p.a.

Calculate the future value of your \$5000. (5 marks)

QUESTION 6

Mr Rock has a retail shop and he employs a part-time bookkeeper who has produced the following Trial balance as at 31 December 2009.

	DR	CR
Sales		37 500
Purchases	14 030	
Inventory at 01/01/09	2 190	
Discount allowed	720	
Discount received		680 000
Heating	8 680	
Advertising	1 810	
Insurance	1 070	
Wages	1 290	
Buildings at cost	11 420	
Building accumulated depreciation at 01/01/19	1 142	
Shop fittings at cost	2 640	
Shop fitting accumulated depreciation	396	
Receivables	430	
Motor vehicles at cost	6 000	
Depreciation – motor vehicles		3 380
Payables		610
Cash in hand	880	
Bank overdraft		932
Capital at 01/01/09		16 520
Drawings	10 000	
Totals	61 160	61 160

The following notes also needed to be taken into account.

a) Closing inventory 31/12/09 was \$3 680.

b) Insurable prepaid at 31/12/09 was \$710.

c) Wage unpaid at 31/12/09 was \$1 310.

d) Depreciation for 2009 need to be provided as follows:

Buildings 5% on cost
Shop fittings 7.5% on cost
Motor vehicles 25% p.a. on reducing balance basis

As a recent graduate of the national certificate in Banking and Finance you have been requested to help the bookkeeper prepare the following.

i) A comprehensive income statement for the year ended 31 December 2009. (10 marks)

ii) A statement of financial position as at 31/12/2009. (10 marks)

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