NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF COMMERCE

DEPARTMENT OF BANKING

BACHELOR OF COMMERCE (HONOURS) DEGREE IN BANKING

BANKING AND DEVELOPMENT IICBA 4201

FINAL EXAMINATION   APRIL/MAY 2015

TIME: 3 HOURS

INSTRUCTIONS TO CANDIDATES

- Question One (1) is compulsory

- AnswerQuestion One (1) and any otherthree(3) questions.

- Start the answer to each full question on a fresh page of the answer sheet.

- All calculations are to be presented in good style and workings should be shown.

INFORMATION FOR CANDIDATES

- Each full question carries 25 marks

- Use of calculators is permissible

- The businesses in this question paper are intended to be fictitious.

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This paper consists of 4 printed pages

QUESTION ONE (Compulsory)

Webmasters.Com has developed a powerful new server that would be used for corporations' internet activities. It would cost $10 million to purchase the equipment necessary to manufacture the server, and $3 million net operating working capital would be required. The servers would sell for $24 000 per unit, and Webmasters believes that the variable costs would amount to $17 500 per unit. The company's fixed costs would also rise by $1 million per year. Conditions are expected to remain stable during each year of the operating life; that is, unit sales, sales price, and costs would be unchanged. The project would have a life of 4 years. The equipment would be depreciated for five years on a straight line method. The estimated market value of equipment at the end of the project's life is $500 000. Webmaster's corporate tax rate is 40% and capital gains tax is 5%. The cost of capital is 10%. The equipment's economic life is five years and would be fully depreciated over that period.

Required:

a) Estimate the project's cashflows for capital budgeting on a timeline over 4 years.
   [10 marks]

b) Calculate the project's Net Present Value (NPV), Internal Rate ofReturn (IRR), Modified Internal Rate ofReturn (MIRR), Payback and Discounted Payback.
   [12 marks]
c) Should the project be accepted?   **[3 marks]**

TOTAL[25 Marks]

QUESTION TWO

Given the following data for the Critical Path Method (CPM):

Activity	Predecessor	Duration
A	-	8
B	A	12
C	B	4
D	B	7
E	C,D	8
F	D	12
G	E,F	3

a) Draw the network diagram. **[4 marks]**
b) Perform the forward and backward CPM computations and show the Early Start (ES), Late Start (LS), Early Completion (EC), Late Completion (LC), Total Slack (TS) and Free Slack (FS) for each activity.**[12 marks]**
c) Determine the critical path.**[2 marks]**
d) Discuss the importance of the above concepts (in a and b) to a banker.**[7 marks]**

   TOTAL **[25 Marks]**

QUESTION THREE

Evaluate the impact of contractual savings institutions (insurance companies and pension funds) on development finance in Zimbabwe. **[25 Marks]**

QUESTION FOUR

Assess the impact of international trade performance on the Zimbabwean banking sector.

[25 Marks]

QUESTION FIVE

With reference to the Economic Structural Adjustment Program (ESAP) in the early 1990s in Zimbabwe, evaluate the effectiveness of multilateral development institutions

like the World Bank and theInternational Monetary Fund on economic performance of developing countries.**[25 Marks]**

QUESTION SIX

Discuss the challenges faced by the private sector in financing public infrastructural projects in Zimbabwe.**[25 Marks]**