NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF INDUSTRIAL TECHNOLOGY

DEPARTMENT OF CIVIL AND WATER ENGINEERING

CIVIL ENGINEERING BUSINESS STUDIES II

TCW 5102

Main Examination

December 2016

This examination paper consists of 4pages

Time Allowed: **3 hours**

Total Marks: **100**

Special Requirements: **None**

INSTRUCTIONS

1. Answer any **FOUR** Questions.
2. All questions carry equal marks.
3. Questions can be answered in any order.
4. All **working notes** where necessary must be shown.

MARK ALLOCATION

QUESTION	MARKS
1.	25
2.	25
3.	25
4.	25
5.	25
6.	25
TOTAL	100

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QUESTION 1

a)   Explain the duties of employers towards their employees according to the Labour
      Relations Act.   **(15 marks)**

b)   Explain how a contract of employment may be terminated.   **(10 marks)**

QUESTION 2

a)   Compare and contrast the following types of business organizations:

   i)   A sole proprietorship with a partnership,   **(9 marks)**

   ii) A partnership with a company.   **(9 marks)**

b)   Explain the disadvantages a public company has over a private company.
                                                                     (7 marks)

QUESTION 3

A company has to choose between two projects both of which involve an investment of
$25,000. The current cost of capital is 10%. The net cash flows of the projects are:

Year	Project A $	Project B $
1	2,000	15,000
2	3,000	5,000
3	3,000	5,000
4	8,000	3,000
5	22,000	9,000

Required:

a)   For each Project calculate the following:
   i)   Simple Payback Period…………………….   **(3 marks)**
   ii)   Net Present value (NPV) …………………   **(6 marks)**
   iii) Profitability Index (P.I.)   …………………   **(3 marks)**
   iv)   Modified internal Rate of Return (MIRR) …………….   **(7 marks)**

b)   State 3 advantages and 3 disadvantages of the Discounted Payback method.
                                                                     (6 marks)

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QUESTION 4

Discuss the information needs of each of the following accounting information users indicating how such information may be used:

a) Management,   **(5 marks)**

b) Shareholders,   **(5 marks)**

c) The bank;   **(5 marks)**

d) Employees;   **(5 marks)**

e) Competitors.   **(5 marks)**

QUESTION 5

The following list of balances has been were extracted from the books of Tanya Ltd as at
31 December 2015:

	$	$
Issued and paid-up capital:		
160 000 ordinary shares @ $1		160 000
40 000 8% preference shares @ $2		80 000
P & L account (1 January 2015)		7 780
General reserve		25 000
7% debentures		40 000
Premises cost	287 910	
Motor vehicles (cost)	32 000	
Plant, equipment (cost)	16 880	
Provision for depreciation of motor vehicles		4 800
Stock (1 January 2015)	49 600	
Bank overdraft		11 752
Cash	1 558	
Purchases and Sales	535 600	696 500
Returns	500	1 600
Wages	65 460	
Rates, water, insurance	3 600	
General expenses	22 536	
Preference dividend paid	3 200	
Debtors, creditors	60 260	53 944
Bad debts	2 150	
Discount allowed	122	
	1 081 376	1 081 376

Additional details as at 31 December 2015:
  a) Stock value $39 400.
  b) Rates pre-paid $1 000. Wages still outstanding $3 360.
  c) Invoice unpaid for general expenses $30.
  d) Depreciation: motor vehicles 20% on cost.
                    plant and equipment 25% on cost.
  e) The directors of the company propose a dividend of 10% for ordinary shares. Preference shares to receive their final dividend.
  f) Debenture interest is owing as at 31 December 2015.
  g) A provision of $19 200 is to be made for taxation.

Required:

From the information supplied above, prepare the following statements for Tanya Ltd for the year ending 31 December 2015:

(i)	Statement of Comprehensive Income	**(11 marks)**
(ii)	Statement of Changes in Equity	**(4 marks)**
(iii)	Statement of Financial Position	**(10 marks)**

QUESTION 6

a)   Explain the term 'time value of money' as used in Finance.   **(4 marks)**

b)   As a winner of last month's lotto, you have decided to invest $10 000 of your windfall with Stuart Bank of Zimbabwe for a period of three years at 24% per annum.

Calculate the future value if interest is compounded under each of the following possibilities:

i)   annually;   ii)   half-yearly;   iii)   quarterly;

iv)   monthly;   v)   Weekly;   vi)   Daily, and

vii)   Continuously.   **(21 marks)**

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