



NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMUNICATION AND INFORMATION SCIENCE
DEPARTMENT OF JOURNALISM AND MEDIA STUDIES
BACHELOR OF SCIENCE (HONS) IN JOURNALISM AND MEDIA STUDIES
BUSINESS AND FINANCIAL REPORTING
IJM 4213

Final Examination Paper

May 2017

This examination paper consists of 10 pages.

Time Allowed: 3 Hours
Total Marks: 100
Special Requirements: None
Examiner's Name: Ms.NqobileNyathi

INSTRUCTIONS

1. Answer **anyfour** questions.
2. Start each answer on a new page.
3. Poor spelling and grammar will be penalised.

MARK ALLOCATION

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

i. Identify the three main branches of business journalism and explain what each of them is concerned with. **(10 Marks)**

ii. Why is business journalism important to business/industry, financial markets and the country as a whole? **(15 Marks)**

Total: [25 Marks]

QUESTION2

The Business Editor of the *Bulawayo Gazette* has assigned you to interview an economist from the National University of Science and Technology about Zimbabwe's cash crisis. You will use the interview to produce a Q and A that answers questions readers might have about cash shortages, as well as show how the crisis has affected Bulawayo businesses.

i. Identify 5 sources of information you could consult when conducting research before your interview. **(5 Marks)**

ii. Identify 5 issues you would research before your interview. **(5 Marks)**

iii. Write an introduction for your Q and A. **(5 Marks)**

iv. Come up with 10 questions you could ask during your interview. **(10 Marks)**

Total: [25 Marks]

QUESTION 3

i. What is fiscal policy? **(3 Marks)**

ii) Come up with ten questions you would ask in order to write a comprehensive and fully contextualised story about the budget. **(10 Marks)**

lii) What is monetary policy? **(2 Marks)**

iv) List five challenges the Reserve Bank of Zimbabwe is attempting to overcome through its monetary policy. **(5 Marks)**

v) Identify five measures the RBZ has put in place to deal with these challenges. **(5 Marks)**

Total: [25 Marks]

QUESTION4

Examine the ZSE report in **Annexure 1** and answer these questions:

- i. Identify a potential news angle. **(3 Marks)**
- ii. Identify the 5Ws and H you should ask to support your angle and write a comprehensive and balanced story. **(12 Marks)**
- iii. Identify the information contained in the report that could help you answer the 5Ws and H. **(10 Marks)**
- Total: [25 Marks]**

QUESTION 5

Analyse the financial statement in **Annexure 2** and answer these questions:

- i. Were TSL's financial statements examined by an auditor before publication? **(1 Mark)**
- ii. Which company audited the results? **(1 Mark)**
- iii. What was the auditor's opinion of the results? **(1 Mark)**
- iv. Where can shareholders and other interested parties inspect the auditor's report? **(1 Mark)**
- v. Which three standards have been used in the preparation of the consolidated financial results? **(3 Marks)**
- vi. Is the company in good or bad health? Identify 12 indicators from the financial statement to support your answer. **(12 Marks)**
- vii. Identify three potential news angles. **(3 Marks)**
- viii. How does TSL plan to deal with macroeconomic challenges in 2017? **(3 Marks)**
- Total: [25 Marks]**

QUESTION 6

- i. Use the information in **Annexure 1** to write two news intros. **(10 Marks)**
 - ii. Use the angles you identified in Question 5(vii) to write three news intros. **(15 Marks)**
- Your intros are for stories that will be published tomorrow.
- Total: [25 Marks]**

GROUP CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	Full Year Ended 31 Oct 2016 Audited US\$	Restated Full Year Ended 31 Oct 2015 Audited US\$
Revenue	47,235,811	48,598,657
Profit from operations	5,633,884	6,756,935
Fair value adjustments and impairments	155,755	(459,548)
Net finance costs	(1,532,220)	(1,130,796)
Profit before tax	4,257,419	5,166,591
Income tax charge	(1,106,558)	(1,916,447)
Profit for the period	3,150,861	3,250,144
Attributable to:		
Equity holders of the parent	3,312,621	3,095,821
Non-controlling interest	(161,760)	154,323
	3,150,861	3,250,144
Number of shares in issue	357,102,445	357,102,445
Earnings per share (cents)	0.9	0.9
Headline earnings per share (cents)	0.8	1.0
Other comprehensive income:		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of property	378,304	852,662
Deferred tax on revaluation of property	(97,413)	(219,560)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Gain on available for sale investment	1,279,396	
Deferred tax on gain on available for sale investment	(12,794)	-
Total other comprehensive loss, net of tax	1,547,493	633,102
Total comprehensive income	4,698,354	3,883,246
Attributable to:		
Equity holders of the parent	4,811,107	3,596,178
Non-controlling interest	(112,753)	287,068
	4,698,354	3,883,246

NB: This annexure contains the same information as the financial statement on page 5 and 6. It has been included to assist with readability.

GROUP CONDENSED STATEMENT OF FINANCIAL POSITION

	As at 31 Oct 2016 Audited US\$	Restated As at 31 Oct 2015 Audited US\$
ASSETS		
Non-current assets		
Property, plant and equipment	31,531,902	31,355,652
Investment properties	35,165,556	34,156,500
Available-for-sale investment	6,900,000	5,620,604
Biological assets	1,292,256	1,409,765
Intangible assets	817,074	817,074
Deferred tax asset	-	254,244
	75,706,788	73,613,839
Current assets		
Inventories	7,617,589	8,775,631
Amounts due from former associate company	295,472	1,996,562
Trade and other receivables	10,395,546	10,152,374
Cash and bank balances	3,267,629	2,162,585
	21,576,236	23,087,152
Investment held-for-sale	2,077,000	1,900,000
Total assets	99,360,024	98,600,991
EQUITY AND LIABILITIES		
Equity		
Issued share capital and premium	6,469,824	6,469,824
Non-distributable reserves	42,836,656	41,338,170
Retained earnings	23,234,690	21,100,515
Attributable to equity holders of parent	72,541,178	68,908,509
Non-controlling interest	2,591,559	2,704,312
Total equity	75,132,737	71,612,821
Non-current liabilities		
Interest bearing loans and borrowings	3,079,347	2,089,598
Deferred tax liabilities	7,776,178	8,151,583
	10,855,525	10,241,181
Current Liabilities		
Interest bearing loans and borrowings	8,462,125	10,952,176
Provisions	268,068	502,852
Trade and other payables	4,342,545	5,164,242
Income tax payable	299,024	127,719
	13,371,762	16,746,989
Total equity and liabilities	99,360,024	98,600,991
Current ratio	1.6	1.4

NB: This annexure contains the same information as the financial statement on page 5 and 6. It has been included to assist with readability.

GROUP CONDENSED STATEMENT OF CASH FLOWS

	Full Year Ended 31 Oct 2016 Audited US\$	Restated Full Year Ended 31 Oct 2015 Audited US\$
OPERATING ACTIVITIES		
Profit before tax	4,257,419	5,166,591
Non-cash adjustments to reconcile profit before tax to net cash flows	3,332,796	(1,013,063)
Net (reduction)/increase in working capital	(297,413)	4,052,124
Operating cash flow	7,292,802	8,205,652
Net finance costs paid	(1,532,220)	(1,130,796)
Income tax paid	(1,166,621)	(1,647,941)
Dividends received from associate	720,211	-
Net cash generated from operating activities	5,314,172	5,426,915
INVESTING ACTIVITIES		
Purchase of property, plant and equipment and investment properties	(2,471,001)	(2,156,446)
Proceeds on disposal of property, plant and equipment	587,148	249,575
Repayment of loan by former associate	353,465	-
Acquisition of subsidiary, net of cash acquired	-	(220,896)
Net cash used in investing activities	(1,530,388)	(2,127,767)
FINANCING ACTIVITIES		
Repayment of finance lease liability	-	(158,975)
Net decrease in loans and borrowings	(1,500,302)	(893,495)
Dividends paid to equity holders of parent	(1,178,438)	(1,418,000)
Net cash generated used in financing activities	(2,678,740)	(2,470,470)
Net increase in cash and cash equivalents	1,105,044	828,678
Cash and cash equivalents at the beginning of the period	2,162,585	1,333,907
Cash and cash equivalents at the end of the period	3,267,629	2,162,585
Represented by:		
Cash and bank balances	3,267,629	2,162,585
	3,267,629	2,162,585

NB: This annexure contains the same information as the financial statement on page 5 and 6. It has been included to assist with readability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2016

1. BASIS OF PREPARATION

The consolidated financial statements, from which these abridged consolidated financial statements are an extract, have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act [Chapter 24:03] and the Zimbabwe Stock Exchange.

2. PRESENTATION AND FUNCTIONAL CURRENCY

The Group's presentation and functional currency is the United States Dollar (US\$).

3. ACCOUNTING POLICIES

The accounting policies are consistent with those used in preparing the 31 October 2015 Group financial statements.

4. AUDIT STATEMENT

The consolidated financial statements for the year ended 31 October 2016 were audited by Ernst & Young Chartered Accountants (Zimbabwe). An unqualified opinion was issued on the consolidated financial statements. The audit opinion is available for inspection at the Company's registered office.

5. GOING CONCERN

The abridged consolidated financial results have been prepared on a going concern basis as the directors are of the opinion that the Company is a going concern.

13. REVIEW OF THE ECONOMIC ENVIRONMENT

The macroeconomic environment in 2016 was challenging. Cash and foreign currency shortages became more pronounced; aggregate consumer demand continued to wane and agriculture, in general, was negatively impacted by the El Nino weather pattern. Tobacco especially fared relatively well, with national output increasing from 197 million kgs to 202 million kgs - a growth of 2.6%. The regulatory environment also experienced some significant changes with the introduction of Bond Notes pegged at par to the US dollar, the implementation of tighter exchange control and the enactment of Statutory Instrument 64 of 2016 which is intended to reduce the importation of products which have local equivalents.

All these factors affected the Group and its customers to varying degrees. In the light of this, the Group has produced a somewhat mixed set of results. Whilst the Logistics Operations were heavily impacted by the general operating environment, and the Trading businesses saw shrinkage in volumes due to the weather patterns, tobacco-related operations did, however, perform strongly.

Real Estate Operations meanwhile, posted satisfactory results considering the state of the industry. The Group has, to a marked extent, benefited from the diversity of its operations.

14. PERFORMANCE OVERVIEW

Group revenues were down 3% to US\$ 47.2 million. Whilst the decline in revenues was more pronounced in the Logistics and Trading Operations, these were largely mitigated by increased volume growth in the Tobacco-related businesses and the inclusion, for the first time, of the revenues from the Group's Farming Operations.

Margin compression across all business units, in response to the environment, coupled with an increase in the contribution from sale of product to the overall sales mix have resulted in Group operating profit declining by 17% to US\$ 5.6 million. The Group has been systematically reducing its costs of operations and in the current year this has translated to a saving of US\$ 1.4 million.

Group Profit Before Tax decreased by 18% to US\$ 4.3 million. In previous years, the Group benefited from the recovery of financing costs from its former associate. As a consequence of the disposal of the Group's interest in the associate in 2015, net financing costs, in absolute terms, have increased from US\$ 1.1 million to US\$ 1.5 million. This additional cost has been largely offset by the fair value uplift in the Group's investment properties of US\$ 0.95 million, which was based on independent, professional valuations. Group Profit After Tax has decreased by 3% to US\$ 3.2 million.

During the year, the Group also completed the measurement of the assets of the farming subsidiary it acquired at the end of the previous financial year, which had been accounted for on provisional numbers, resulting in machinery and equipment and accounts receivable balances decreasing by US\$ 0.8 million and US\$ 0.13 million respectively. Consequently, a measurement period adjustment (restatement) of US\$ 0.93 million has been retrospectively adjusted as permitted by International Financial Reporting Standards and has impacted the previously reported 2015 balances as detailed in Note 11. Profit before tax, before the restatement was down 30% on the previously reported numbers. After restatement, Profit before tax is down 18%.

The trending in the level and cost of funding and cash reserves remains satisfactory. Borrowings are down 12% on last year and the Group's gearing has been reduced from 19% to 15%. The Group will continue to improve cash generation and reserves and carefully monitor its financial commitments in the light of the trading environment.