



UNIVERSITY OF ESWATINI

FIRST SEMESTER MAIN EXAMINATION PAPER, NOVEMBER 2019

FACULTY OF SOCIAL SCIENCES

DEPARTMENT OF ECONOMICS

COURSE CODE: ECO427

CORPORATE FINANCE I

TIME ALLOWED: 2 HOURS

Instructions

1. This paper consists of Section (A) and (B);
2. Section A is compulsory;
3. Answer any two (2) questions from Section B.
4. All questions in Section B carry equal marks of 30 each

Special Requirements

1. Scientific Calculator

Additional Material (s)

None

*Candidates may complete the front cover of their answer book when instructed by the Chief Invigilator and sign their examination attendance cards but must **NOT** write anything else until the start of the examination period is announced.*

No electronic devices capable of storing and retrieving text, including electronic dictionaries and any form of foreign material may be used while in the examination room.

DO NOT turn examination paper over until instructed to do so

SECTION A

Question 1 (Compulsory)

- a) Using the information below prepare Jozini Enterprise's profit and loss account for the year ended 30 December 2018. Clearly show all the categories of profits. [20]

Item	Money in Emalangen
Dividend proposed	19 800.00
Sales	173 000.00
Opening stock	70 000.00
Closing stock	62 000.00
Interest expense	5 000.00
Rent	17 500.00
Depreciation	4 500.00
Fittings	16 000.00
Electricity	4 200.00
Interest income	16 000.00
Purchases	36 000.00
Post and stamp duties	2 000.00
Income Tax	16 000.00

- b) Write short notes on the following:
- i. Importance of finance in Economics
 - ii. Insolvency
 - iii. Financial Markets
 - iv. Statement of cash flows
 - v. Market efficiency

[4 marks each]

SECTION B

QUESTION 2

- a) Discuss the three forms or categories of market efficiency. [9]
- b) Find the future values of the following *ordinary annuities*:
- i. E400 per year for 10 years at 10 percent. [4]
 - ii. E200 per year for five years at 5 percent [4]
- c) Find the future value of the following *annuities due*:
- i. E400 per year for 10 years at 10 percent. [4]
 - ii. E200 per year for five years at 5 percent. [4]
- d) Differentiate between wrongful trading and fraudulent trading [5]

QUESTION 3

- a) A director is a steward of the company. The ethics of governance requires that in this stewardship role, each director be faithful to the four basic ethical values of good corporate governance (responsibility, accountability, fairness and transparency). Discuss the five moral duties that directors need to exercise in performing their stewardship role. [20]
- b) Assume the stated annual interest rate is 12%. What is the return and future value of E100 at different compounding frequencies? [10]

Frequency	Future value of E100	Return
Semi-annual		
Quarterly		
Monthly		
Daily		
Continuous		

QUESTION 4

- a) David deposits E24, 000 in his FNB account at the end of every year. The account earns 12% per annum. If he continues this practice, how much money will he have at the end of 15 years? [4]
- b) Sarah invests E700 today in an account that pays 4% interest compounded annually, how much will she have in her account four years from today? [4]
- c) Prepare an amortization schedule for a loan of E33, 000, with an interest of 6.5 percent that requires three equal annual payments of E12, 460 per year. [7]
- d) Discuss any three (3) types of financial markets. [15]