UNAM
UNIVERSITY OF NAMIBIA

FACULTY	Commerce, Management and Law		
DEPARTMENT	Financial and Managerial Accounting		
SUBJECT	Financial Management A		
SUBJECT CODE	AMF3871		
DATE	May/June 2026		
DURATION	3 hours	MARKS	100

FIRST OPPORTUNITY EXAMINATION

EXAMINER	**J NDJULUWA & FM KAPEPISO (UNAM)**
MODERATOR	**L STEYN (NWU)**

This question paper consists of 6 pages including this cover page and 5 questions in total.

Instructions:

- Make sure that you are writing the correct examination paper.
- Answer all questions.
- Show all your workings clearly.
- Answer in ink only (no answer in pencil will be marked).
- Students may use calculators and financial calculators.
- Use of correction fluid is not allowed.
- Smart watches are NOT allowed.
- Round all amounts to the nearest rand and all percentages to two decimal places.
- Read the instruction carefully before attempting to answer the questions.
- **NB: START EACH QUESTION ON A NEW PAGE**

UNIVERSITY OF NAMIBIA EXAMINATIONS

QUESTION 1

(12 marks, 22 minutes)

Your plan is to retire in exactly 20 years. Your goal is to create a fund that will allow you to receive N$200 000 at the end of each year for the next 30 years after retirement based on lifetime expectancies estimated making use of mortality tables used by insurance companies. You know that you will be able to earn 11% per year during the 30-year retirement period.

REQUIRED		**MARKS**
1.1	How large a fund will you need when you retire in 20 years in order to provide the 30-year N$200 000 per year retirement annuity?	**6**
1.2	How much would you need to provide today as a single amount to the fund as calculated in (1.1) if you earn only 9% per year during the 20 years before retirement?	**6**
TOTAL MARKS		**12**

QUESTION 2

(25 marks, 45 minutes)

Below are the summarized financial statements of Tunga Limited, a construction company based in Rundu, in the northern eastern part of Namibia for the years ended 30 July 2024 and 2025.

Statement of Profit and loss and other Comprehensive Income	**2025**	**2024**
	(N$000)	**(N$000)**
Sales	9 630	6 055
Cost of sales	(8 004)	(5 202)
Gross profit	**1 626**	**853**
Administrative costs	(252)	(240)
Selling costs	(300)	(288)
Interest on bank overdraft	(96)	(36)

Profit after tax	**778**	**187**
Tax rate	28%	28%
Statement of Financial Position		
Equipment (carrying amount)	3 480	3 360
Inventories	6 960	4 560
Receivables	4 200	3 600
	14 640	**11 520**
Issued share capital	1 200	1 200
Share premium	960	960
Retained income	4 920	5 232
Bank overdraft	4 800	1 920
Payables	2 760	2 208
	14 640	**11 520**

REQUIRED		
2.1	Calculate the company's profitability ratios for 2024 and 2025 and comment on the management efficiency and performance of the company for 2024 and 2025.	**20**
2.2	What are the limitations of financial information provided by the organisation?	**5**
TOTAL MARKS		**25**

QUESTION 3 (20 marks, 36 minutes)

The directors of Seawater Limited, a fishing company are considering opening a new fishing factory at a coastal town of Luderitz at a cost of N$9.0 million. During the last 5 years, the company has had 6 million shares in issue. The current market price of these shares (at 31 December 2025) is N$4.35. The average expected dividend growth rate is 7%.

The company pays only one dividend each year (on 31 December) and dividends for the last five years have been as follows:

Year	Dividend per share (cents)
2025	42.3
2024	42.3
2023	36.3
2022	34.8
2021	33.0

Seawater Limited currently has 3 million in issue of 7% debentures redeemable in four years' time at par. The par value of these debentures is N$100.00 The current market price of these debentures is N$83.60, and the interest is payable in one amount each year on 31 December. The yield to maturity before tax is 12.6%. The company also has outstanding a N$1 500 000 bank loan repayable in three years' time. The rate of interest on this loan is variable, being fixed at 3% above the bank's base rate which is currently 5%. The company tax rate is 32%.

REQUIRED		MARKS
3.1	Calculate the weighted average cost of capital (WACC) for Seawater Limited as at 31 December 2025. (Show all your workings).	13
3.2	Explain the terms business risk and financial risk and the significance of each in using an existing WACC to appraise a future project.	7
TOTAL MARKS		20

QUESTION 4 (25 marks, 45 minutes)

Consider the following two mutually exclusive projects:

Year	Cash flow A	Cash flow B
0	(N$210 000)	(N$210 000)
1	15 000	80 000
2	30 000	120 000
3	30 000	150 000
4	370 000	60 000

You require a 15% return on your investment.

REQUIRED:		MARKS
4.1	If you apply the payback rule, which investment will you choose? Why?	4
4.2	If you apply the discounted payback rule, which investment will you choose? Why?	5
4.3	If you apply the NPV rule, which investment will you choose? Why?	5
4.4	If you apply the IRR rule, which investment will you choose? Why?	5
4.5	If you apply the Profitability Index (PI) rule, which investment will you choose? Why?	5
4.6	Based on your answers in 4.1 through 4.5, which project will you finally choose? Why?	1
TOTAL MARKS		25

Question 5 **(18 marks, 32 minutes)**

GXG Co is an e-business which designs and sells computer applications (apps) for mobile phones. The company needs to raise N$3,200,000.00 for research and development and is considering the following financing options.

Option 1: GXG Co could suspend dividends for two years, and then pay dividends of 25 Cents per share from the end of the third year, increasing dividends annually by 4% per year in subsequent years. Dividends in recent years have grown by 3% per year. GXG Co has a cost of equity of 9% per year, which is expected to remain constant.

Option 2: At the end of 2025, GXG Co forecast that a firm's free cash flow in 2026 will be 430 000. If GXG Co forecast that free cash flow will grow at 5% per annum thereafter and uses the required rate of return of 10%.

Recent financial information relating to GXG Co is as follows:

	N$000
Operating profit	3,450
Interest	200
Profit before tax	3,250
Taxation	650
Profit after tax	2,600
Dividends	1,600
	N$000
Ordinary shares (nominal value 50 cents)	5,000

REQUIRED:		**MARKS**
5.1	Using the dividend growth valuation model, calculate the value of GXG Co under option 1.	**8**
5.2	Using the free cash flow model valuation, calculate GXG Co's enterprise value under option 2.	**8**
5.3	Comment on the results which valuation model will you recommend.	**2**
TOTAL MARKS		**18**

END OF EXAMINATION PAPER