

UNIVERSITY OF DAR-ES-SALAAM
Faculty of Mechanical and Chemical Engineering
Department of Engineering Management and Entrepreneurship

MG445 (Exercise 2)

1. Name the components that make-up the working capital of any business?
2. Using transactions cards shown in the table inhere of the Koji Company Limited of Dar Es Salaam for the period ending on 31st December 2005, prepare an investment plan of the Koji Company Limited to indicate the investment portfolio and also determine the solvency of the company on the date of investment. However, Koji Company financed its procurement of vehicles and office equipment through a loan from reputable bank in Dar-es-Salaam, whereas, the working capital required was able to access only 60% through the loan bank. The rest of investments were financed using own equity. What is the solvency of the company at the accounting or investment date acceptable to the banks for financing the project?

No.	Item	Otherwise specified, all are in Tshs.
1.	Office rent	500,000
2.	Loan for vehicles, office equipment and working capital is at an interest rate of:	10%
3.	Working capital required is only the specified of the annual working capital	40%
4.	Sales	12,000,000
5.	Selling and Marketing costs	200,000
6.	Tax Payable	10%
7.	Office Equipment	3,000,000
8.	Vehicles	2,500,000
9.	Top management salaries, etc.	1,300,000
10.	Direct Labour	2,000,000
11.	Raw Materials Purchased (in a period)	2,000,000
12.	Raw Materials Beginning	1,000,000
13.	Office equipment life span (years)	10
14.	Ending Stock of Materials	1,000,000
15.	Factory Overhead	500,000
16.	Total Fixed Assets	10,000,000
17.	Account Payable	500,000
18.	Business licence and registration	400,000
19.	Receivables rated	1%
20.	Total Fixed Assets life span (years)	10

3. Determine the interest rate Poda Company Limited of Mbeya got when acquired a loan from Mtakula Bank Limited as of 31st December 2005 using transactions cards shown in the table below as recorded on the 31st December 2005.

No.	Item	Otherwise specified all are in Tshs.
1.	Office rent	500,000
2.	Interest expenses	400,000
3.	Sales	12,000,000
4.	Selling and Marketing costs	200,000
5.	Tax Payable	10%
6.	Office Equipment	1,500,000
7.	Top Management Staff Salaries, etc.	1,300,000
8.	Direct Labour	2,000,000
9.	Raw Materials Purchased (in a period)	2,000,000
10.	Raw Materials Beginning	1,000,000
11.	Office equipment life span (years)	10
12.	Ending Stock of Materials	500,000
13.	Factory Overhead	500,000
14.	Total Fixed Investments	10,000,000
15.	Total Equity	11,500,000
16.	Vehicle and lathe machine life span (years)	5
17.	Account Payable	500,000
18.	Vehicle and lathe machine	3,000,000
19.	Working capital (WC) required of annual WC	60%
20.	Equity of the working capital required	80%
21.	Receivables rated	10%
22.	Total Fixed Assets life span (years)	20
23.	Business licence and registration	500