



HERBERT CHITEPO SCHOOL OF LAW AND BUSINESS SCIENCES

DEPARTMENT OF ECONOMICS AND FINANCE

EXAMINATION

BACHELOR OF COMMERCE

PART 2 SEMESTER 2

COURSE

RETIREMENT FUNDING

CODE

HRMI 228

YEAR

2024

DATE

DURATION

3 HOURS

GREAT ZIMBABWE UNIVERSITY
RECEIVED
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EXAMINATIONS OFFICE

INSTRUCTIONS TO CANDIDATES

1. THE PAPER COMPRISES 5 QUESTIONS.
2. YOU ARE REQUIRED TO ANSWER ANY FOUR QUESTIONS.
3. BEGIN THE ANSWER TO EACH QUESTION ON A FRESH PAGE OF THE ANSWER BOOKLET.
4. NON-PROGRAMMABLE FINANCIAL OR SCIENTIFIC CALCULATORS ARE ALLOWED INTO THE EXAMINATION.

Question 1

1.1 Define the following terms:

- a) Retirement funding (2)
- b) Excess withdrawal risk (2)
- c) Annuity due (2)
- d) Ordinary annuity (2)
- e) Index funds (2)

1.2 Describe the structure of the pension system in Zimbabwe. (15)

[Total marks 25]

Question 2

2.1 Explain the two categories of investment assets. (5)

2.2 Describe any five different types of mutual funds. (20)

[Total marks 25]

Question 3

3.1 Distinguish between:

(a) future value and present value. (4)

(b) Compounding and discounting. (4)

(c) Stephan has deposited \$8,000 in his retirement account at the start of the year and plans to invest the same every year until five years. The interest rate earned will be 8%. You are required to do the calculation of the future value of an annuity due. (2)

3.2 Describe the strategies of managing investment risk, interest rate risk and inflation risk in retirement funding. (15)

[Total marks 25]

Question 4

4.1 Define defined benefit plans and explain any 4 of their key characteristics. (10)

4.2 Discuss the advantages of defined benefit plans. (15)

[Total marks 25]

Question 5

5.1 a) identify any five road blocks to retirement planning. (5)

b) Distinguish between the replacement ratio method and expense method of determining how much annual income will be needed in the first year of retirement to achieve a client's goals in retirement. (5)

5.2 Discuss why benefits may be less than expected in defined benefit plans. (15)

[Total marks 25]

END OF EXAMINATION

Formulae

$$PV \text{ annuity due} = A \times \left[\frac{1 - (1 + r)^{-n}}{r} \right] \times (1 + r)$$

$$FV = A \times \left[\frac{(1 + r)^n - 1}{r} \right] \times (1 + r)$$