

SECTION A**[30 marks]**

1.1	D	✓
1.2	D	✓
1.3	D	✓
1.4	D	✓
1.5	C	✓
1.6	C	✓
1.7	B	✓
1.8	A	✓
1.9	A	✓
1.10	A	✓
1.11	D	✓✓
1.12	D	✓✓
1.13	A	✓✓
1.14	A	✓✓
1.15	D	✓✓
1.16	C	✓✓
1.17	B	✓✓
1.18	D	✓✓
1.19	C	✓✓
1.20	B	✓✓

QUESTION 2

2.1	6 marks				
	FV	=	235 000	✓	
	PV	=	50	✓	
	N	=	114	✓	(2017 - 1903)
	I/YR	=	7.70%	✓P	
	PV	=	235 000		
	I/YR	=	7.70%		
	N	=	23	✓	(2040 - 2017)
	FV	=	1 294 282.38	✓	
2.2	4 marks				
	P/Y	=	12		
	PMT	=	25	✓	
	PV	=	-6 528.91	✓	
	N	=	180	✓	(15 x 12)
	I/YR	=	4.656%	✓P	

QUESTION 3

3.1 (4 marks)

Share	Total Market Value	Weightings ✓	Return	Expected Return
A	575 000	57.79%	19.30%	11.15%✓
B	420 000	42.21%	14.20%	5.99%✓
	995 000			17.14%✓

3.2 (6 marks)

Share A

$$Re = 8.5\% + 1.8(6\%)$$

$$Re = 19.30\%\checkmark$$

Share A is correctly priced ✓P as the required return 19.30% is equal to the expected return of 19.30%. ✓ P

Share B

$$Re = 8.5\% + 1.2(6\%)$$

$$Re = 15.70\%\checkmark$$

Share B is incorrectly priced ✓P as the required return of 15.70% is not equal to the expected return of 14.20% ✓ P

Question 4
(25 marks)

Gijima Ltd							
Cash Budget for period							
		January		February		March	
	Sales	60 000		70 000		85 000	
	Purchases	60 000		48 000		55 000	
w1	Credit Sales	48 000	√	56 000	√	68 000	√
w2	Cash Sales	12 000	√	14 000	√	17 000	√
	Cash Collections						
	Cash sales	12 000		14 000		17 000	
w3	60% credit sales collected	28 800	√	33 600	√	40 800	√
w4	40% credit sales collected	18 000	√	19 200	√√	22 400	
	Total Cash Collections	58 800	√P	66 800		80 200	
	Cash disbursements						
	Purchases	60 000		48 000		55 000	
	Wages	7 000	√	8 000	√	8 000	
	Overheads	2 000		2 000	√	2 000	
	Tax					8 000	√
	Bottling plant			30 000	√		
	Total cash disbursements	69 000	√P	88 000		73 000	
	Opening cash balance	50 000	√	39 800	√P	18 600	
	Collections	58 800	√P	66 800		80 200	
	Disbursements	(69 000)	√P	(88 000)		(73 000)	
	Closing cash balance	39 800	√	18 600		25 800	√P
	Workings						
	w1	(80% x 60 000)		(80% x 70 000)		(80% x 85 000)	
	w2	(20% x 60 000)		(20% x 70 000)		(20% x 85 000)	
	w3	(60% x 48 000)		(60% x 56 000)		(60% x 68 000)	
	w4	(opening balance AR)		(40% x 48 000)		(40% x 56 000)	

QUESTION 5

5.1 (3 marks)

- Only applicable to companies that pay dividends ✓
- Reasonably steady growth is assumed ✓
- Does not consider risk ✓
- Any other valid point ✓

5.2 (8 marks)

Perpetuity

$$(7 \times 1.05) \checkmark / (16.5\% - 5\%) \checkmark = R63.91 \checkmark$$

Value

$$Cf_1 = 3 \checkmark$$

$$Cf_2 = 4 \checkmark$$

$$Cf_3 = 7 + 63.91 = 70.71 \checkmark$$

$$I = 16.5\% \checkmark$$

$$P_0 = 50.24 \checkmark (P)$$

5.3 (2 marks)

$$Re = (100 \times 10\%) \checkmark / 105 \checkmark$$

$$Re = 0.952 = 9.52\%$$

5.4 (2 marks)

Yield to maturity= The rate required in the market on a bond. ✓

Coupon rate= interest payments on a bond ✓

5.5 (2 marks)

Discount ✓

Reason

The market value is less than par value. ✓

Or

YTM > Coupon rate ✓

5.6 (6 marks)

P/Y = 2

FV = 1 000 ✓

I = 10.58% ✓

PMT = 50 ✓ $((1000 \times 10\%) / 2)$

PV = 960.29

N = 25 ✓ semi-annual periods

25 X 6 = 150 Months ✓✓

5.7 (2 marks)

Value of bond- decrease ✓

Coupon rate of the bond- Remains the same. ✓

1.1	D	
1.2	D	
1.3	D	
1.4	D	
1.5	C	
1.6	C	
1.7	B	
1.8	A	
1.9	A	
1.10	A	
1.11	D	$FV = R49\,000(1.076)^{40} = R917\,670.84$ $FV = R49\,000(1.071)^{40} = R761\,684.14$ $\text{Difference} = R917\,670.84 - 761\,684.14 = R155\,986.70$
1.12	D	$PV = R310,000/1.22^{63} = R1.12$
1.13	A	<p>Given the debt-equity ratio of 0.57, if total debt is R0.57 then total equity is R1.00 and total assets are R1.57.</p> <p>Total debt ratio = $0.57/1.57 = 0.36$</p>
1.14	A	<p>Inventory turnover = $R892,700/[(R94,300 + 110,200)/2] = 8.73$ times</p> <p>Inventory period = $365/9.73 = 41.81$ days</p>
1.15	D	$\text{Disbursements}_{Q2} = (30/90)(.62)R3,400 + (60/90)(.62)R4,600 = R2\,604$
1.16	C	$PV = 1020.50$ $FV = 1000$ $N = (30 - 10) = 20$ $PMT = 80$ $I = 7.79$
1.17	B	$V = (0.35 \times 1.05)/(14\% - 5\%)$ $V = 4.08$
1.18	D	$R = 3.35/32.50$ $R = 10.31\%$
1.19	C	$\text{Wacc} = (55\% \times 8\% \times 73\%) + (45\% \times 19\%)$ $\text{Wacc} = 3.31\% + 8.55\%$ $\text{Wacc} = 11.86\%$
1.20	B	$B = (60\% \times 1.5) + (20\% \times 1.3) + (20\% \times 1.7)$ $B = 0.9 + 0.26 + 0.34$ $B = 1.5$