

SECTION A**[30 marks]**

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

SECTION B**[20 marks]****2.1 6 marks (8 available)**

FV	=	30000	✓	30000	
N	=	5	✓	5	
I/YR	=	3.50%	✓	2.50%	✓
				R	
PV	=	R	25,259.20	✓P	26,515.63 ✓P
Difference	=	(26 515.63 - 25 259.20)		✓P	
	=	1,256.43		✓P	

2.2 4 marks

P/Y	=	52		
PMT	=	500	✓	
PV	=	25000	✓	
I/YR	=	23.40%	✓	(15 X 12)
N	=	57.67	✓P	

57.67 WEEKS**CHECK**

QUESTION 3

3.1

Share	Share Price	No	Total Market Value	Weightings ✓	Beta	Portfolio Beta
A	R5.75	100 000	575 000 ✓	57.79%	1.8	1.04 ✓
B	R8.40	50 000	420 000 ✓	42.21%	1.2	0.51 ✓
			995 000			1.55 ✓

3.2

Assume W is the weight for share A.

$$(W * 1.8) \checkmark + ((1-W) * 1.2) \checkmark = 1.3$$

$$1.8W + 1.2 - 1.2W = 1.3$$

$$0.6W = 0.10$$

$$W = 16.67\%$$

$$A = 16.67\% \checkmark \quad B = 83.33\% \checkmark$$

OR

Assume W is the weight for share B.

$$((1-W) * 1.8) \checkmark + (W * 1.2) \checkmark = 1.3$$

$$1.8 - 1.8W + 1.2W = 1.3$$

$$-0.6W = -0.5$$

$$W = 83.33\%$$

$$A = 16.67\% \checkmark \quad B = 83.33\% \checkmark$$

SECTION C

[50 marks]

Question 4

(25 marks)

4.1 [15 marks]

	CURRENT	PROPOSED	CHANGE	IMPACT
Cash discount	2%✓ x 1.5m✓ x 10%✓ = 3 000	10%✓ x 1.575m✓ x 15%✓ = 23 625	23 625 – 3 000 = +20 625✓P	-20 625✓P
Bad debt	8%✓ x 1.5m✓ = 120 000	5%✓ x 1.575m✓ = 78 750	120 000 – 78 750 = - 41 250✓P	+41 250✓P
The proposed credit policy will increase✓P net profit by 20 625 (41 250 – 20 625)				

4.2 [10 marks]

	Q1		Q2		Q3		Q4	
Beginning receivables	150,000	✓	126,667	✓P	140,000		125,000	
Sales	380,000		420,000	✓	375,000		550,000	
End receivables	126,667	✓✓	140,000	✓	125,000	✓	183,333	✓
CASH COLLECTIONS	403,333	✓✓	406,667		390,000		491,667	

	Q1		Q2	
Beginning receivables	150,000	✓	126,667	✓P
Sales	380,000		420,000	✓
End receivables	126,667	✓✓	140,000	✓
CASH COLLECTIONS	403,333	✓✓	406,667	

QUESTION 5

5.1

$$\text{Ratio} = (R_m - R_f) / B$$

$$= (20\% - 7\%) \checkmark / 1.3 \checkmark$$

$$= 10\% \checkmark \checkmark$$

5.2

Share offers a risk premium of 10% per unit of systematic risk $\checkmark \checkmark$

5.3

$$R_e = R_f + B(R_p)$$

$$= 7\% + 1.5 \checkmark (10\%) \checkmark$$

$$= 22\% \checkmark \checkmark$$

5.4

$$V = \text{PMT} / R$$

$$= (8\% * 100) / 12\%$$

$$= R66.67$$

5.5

Value of the shares will increase. \checkmark

5.6

$$N = 5 \checkmark$$

$$\text{PMT} = (1000 * 10\%) 100 \checkmark$$

$$\text{FV} = 1\ 000$$

$$I=8.79\% \checkmark$$

$$PV= 1\,047.32$$

$$\text{Total} =(1047.32 \times 100000) =R104\,732\,225.10 \text{ or } R104\,732\,000 \checkmark \checkmark$$

5.7

Perpetuity

$$5.5/14\%=39.29 \checkmark \checkmark$$

Value

$$Cf_0=0$$

$$Cf_1= 2 \checkmark$$

$$Cf_2= 5.5 \checkmark$$

$$Cf_3= 11+ 39.29=50.29 \checkmark$$

$$I=14\% \checkmark$$

$$PV=39.93 \checkmark$$

Value is R39.93

1.1	C	
1.2	D	
1.3	A	
1.4	C	
1.5	C	
1.6	C	
1.7	C	
1.8	A	
1.9	B	
1.10	D	
1.11	D	$FV = R1,500(1.087)^{25} = R12,073.41$ $FV = R1,500(1.087)^{20} = R7,955.77$ $Difference = R12,073.41 - 7,955.77 = R4,117.64$
1.12	B	$PV = R175,000/1.066^{20} = R48,740.95$
1.13		$Total\ equity = R4,910/.52 = R9,442.31$
	D	$Total\ assets = R4,910 + 9,442.31 = R14,352.31$
1.14	B	$Inventory\ turnover = [.71(R1,648,900)]/R75,800 = 15.44$ $Inventory\ period = 365/15.44 = 23.63\ days$
1.15	C	$Cash\ balance = R710 + 1,860 - 1,520 - 320 - 510 = 220$
		$N=10$ $I=8.8\%$ $FV=1000$
1.16	B	$PV= 430.24$
		$V=0.37/(14\%-5\%)$ $V=4.11$
1.17	A	
1.18	B	$R= (60\%*8.5\%)+(40\%*15\%)$ $R=11.10\%$
		$N=20$ $PMT=(80/2)=40$ $FV=1000$ $PV=980.75$ $I=8.29\%$
1.19	B	$after\ tax=8.29\%*73\%=6.05\%$
		$Share\ B= (1.5-(60\%*1.2))/40\%$ $Share\ B=0.78/40\%$
1.20	D	$Share\ B= 1.95$