



FACULTY OF MANAGEMENT
DEPARTMENT OF BUSINESS MANAGEMENT
FINAL ASSESSMENT

<u>MODULE</u>	:	STRATEGIC MANAGEMENT ACCOUNTING
<u>CODE</u>	:	STM 8X10
<u>DATE</u>	:	6 JUNE 2016
<u>DURATION</u>	:	THREE (3) HOURS
<u>TIME</u>	:	8h00 to 11h00
<u>VENUE</u>	:	
<u>TOTAL MARKS</u>	:	100

<u>EXAMINER(S)</u>	:	Ms S Bronkhorst
<u>MODERATOR(S)</u>	:	Ms C Human
<u>NUMBER OF PAGES</u>	:	7 Pages

INSTRUCTIONS:

1. This is a closed-book assessment.
2. Question papers must be handed in.
3. Read the questions carefully and answer only what is asked.
4. Number your answers clearly.
 - a. Indicate the numbers of the questions on the front cover of your answering book.
 - b. Answer all the questions (based on the case study) in the examination book provided.
 - c. Start every question on a new page.
5. The general University of Johannesburg policies, procedures and rules pertaining to written assessments apply to this assessment.
6. Table A-1 with the Present Value Interest Factors is attached as Annexure A.

QUESTION 1

UJ Company is planning (budgeting) a couple of years into the future, estimating growth in sales revenue, costs, profits and capital expenditure, using pro forma financial statements.

Their estimated growth figures are based on the "2015" information of their pro forma financial statements in Table here below.

- 1.1. Reconstruct the Pro Forma Financial Statements for 2016 and 2017 after determining sustainable growth.

Calculate Sustainable growth.

(4)

UJ PRO FORMA FINANCIAL STATEMENTS

		g=?	g=?
	2015	2016	2017
INCOME STATEMENT			
Sales	550		
Net Income	250		
Dividend	150		
Retained Earnings	100		
BALANCE SHEET			
Total Assets	1 000		
Equity	550		
Debt	450		
Total Capital	1 000		

(16)

- 1.2. Use the information supplied and determine for UJ Company the:

1.2.1. Profitability (2)

1.2.2. Activity (2)

1.2.3. Debt: Equity Relation (2)

1.2.4. Retention (2)

(28)

QUESTION 2

Information provided from Clicks Ltd audited annual financial statements for the year ended 31 August 2015:

Equity	2 012 807
Debt	<u>5 543 131</u>
Total	7 555 938

Revenue	23 285 096
Total Expenses	<u>21 898 503</u>
EBIT	1 386 593
Interest (10%)	(57 309)
Tax	<u>(374 709)</u>
Net Income	954 575

You are required to calculate:

- | | |
|---------------|-----|
| 2.1. RONA | (3) |
| 2.2. Leverage | (3) |
| 2.3. ROE | (3) |
| | (9) |

QUESTION 3

The Mulby Company is planning to reduce the selling of mulbies from R60 per unit to R50 per unit. Fixed costs are R900 000 per annum, variable costs are R30 per unit; 50 000 units are made and sold. How many additional units must be sold to make up for the price reduction?

(10)

QUESTION 4

If a supermarket can reduce inventory days from 55 to 50 days (a cost of sales per day of R54 800) without facing a stock-out on any items calculate the impact on the activity ratio.

Net assets	=	R 2 240 000
Sales	=	R 25 000 000
Current Liabilities	=	R 2 500 000
Fixed Assets	=	R 2 000 000

(10)**QUESTION 5**

Information made available from financial statements of XYZ Ltd are made available to you.

Opening equity	60 000
Opening Debt	<u>40 000</u>
Opening Capital	100 000

Fixed Assets	20 000
Working Capital	<u>80 000</u>
Nett Assets	100 000

Revenue	100 000
Cost of Revenue	<u>55 000</u>
Gross Profit	45 000
Overheads	<u>30 000</u>
EBIT	15 000
Interest	<u>4 800</u>
Profit after interest	10 200
Tax	<u>4 080</u>
Net Income	6 120

Cost of Equity = 17.5%
Interest at 12%
Tax at 40%

You are required to calculate the EVA

(17)

QUESTION 6

When shareholders purchase shares they are in effect paying today for the expectation of future stream cash from the company. The price paid represents the average value placed on the expected stream by buyers and sellers. In a free and efficient market, the calculated market value of each share of equity would equal the average view of buyers and sellers of the value per share, i.e. the share price.

You are required to:

6.1. Complete the Pro Forma Balance Sheet and Income Statement

6.2. Calculate the MVA

when the following assumptions have been made:

1. Capital is effective from day 1 of year 1, Y1
2. WACC = 14% in Y0, 14% in Y1, 14% in Y2, 16.5% in Y3
3. 1000 shares have been issued
4. Interest, tax and leverage remain constant
5. Growth is 10% per annum

(26)

Income Statements

	Y0	Y1	Y2	Y3
	R	R	R	R
Sales		110 000		
CoS		60 500		
Gross Profit		49 500		
Overheads		22 000		
EBIT		27 500		
Interest		8 800		
PBT		18 700		
Tax		7 480		
Net Income		11 220		
Taxed Interest		5 280		
NOPAT		16 500		
Dividends		5 220		
Retained Earnings		6 000		

Balance Sheets

	Y0	Y1	Y2	Y3
	R	R	R	R
Equity	60 000			
Loans	<u>40 000</u>			
Capital	100 000			
Fixed Ass	60 000			
Work Cap	<u>40 000</u>			
Net Assets	100 000			

Annexure A

Table A-1

Present value factors

Discount rate per period

	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%
1	0.990	0.980	0.971	0.962	0.952	0.943	0.933	0.924	0.915	0.905	0.896	0.887	0.878	0.869	0.860	0.851	0.842	0.833	0.824	0.815
2	0.980	0.961	0.943	0.926	0.907	0.890	0.873	0.855	0.838	0.821	0.804	0.787	0.770	0.753	0.736	0.719	0.702	0.685	0.668	0.651
3	0.971	0.945	0.915	0.886	0.856	0.827	0.798	0.769	0.740	0.711	0.682	0.653	0.624	0.595	0.566	0.537	0.508	0.479	0.450	0.421
4	0.961	0.926	0.893	0.860	0.826	0.792	0.758	0.724	0.690	0.656	0.622	0.588	0.554	0.520	0.486	0.452	0.418	0.384	0.350	0.316
5	0.951	0.915	0.880	0.845	0.810	0.774	0.738	0.702	0.666	0.630	0.594	0.558	0.522	0.486	0.450	0.414	0.378	0.342	0.306	0.270
6	0.942	0.905	0.868	0.831	0.794	0.756	0.718	0.680	0.642	0.604	0.566	0.528	0.490	0.452	0.414	0.376	0.338	0.300	0.262	0.224
7	0.933	0.895	0.857	0.818	0.779	0.739	0.699	0.659	0.619	0.579	0.539	0.499	0.459	0.419	0.379	0.339	0.299	0.259	0.219	0.179
8	0.923	0.884	0.845	0.805	0.765	0.725	0.685	0.645	0.604	0.564	0.524	0.484	0.444	0.404	0.364	0.324	0.284	0.244	0.204	0.164
9	0.914	0.874	0.834	0.793	0.753	0.712	0.671	0.630	0.589	0.548	0.507	0.466	0.426	0.385	0.345	0.304	0.264	0.223	0.183	0.142
10	0.905	0.864	0.823	0.782	0.741	0.699	0.658	0.616	0.575	0.533	0.492	0.451	0.410	0.369	0.328	0.287	0.246	0.205	0.164	0.123
11	0.896	0.854	0.812	0.770	0.728	0.686	0.644	0.602	0.560	0.518	0.476	0.434	0.392	0.350	0.308	0.266	0.224	0.183	0.141	0.100
12	0.887	0.844	0.801	0.758	0.715	0.672	0.629	0.586	0.543	0.500	0.457	0.414	0.371	0.328	0.285	0.242	0.200	0.157	0.114	0.071
13	0.879	0.835	0.791	0.747	0.703	0.659	0.615	0.571	0.527	0.483	0.439	0.395	0.351	0.307	0.263	0.219	0.175	0.131	0.087	0.043
14	0.870	0.825	0.780	0.736	0.691	0.646	0.601	0.556	0.511	0.466	0.421	0.376	0.331	0.286	0.241	0.196	0.151	0.106	0.061	0.017
15	0.861	0.815	0.769	0.724	0.678	0.632	0.586	0.540	0.494	0.448	0.402	0.356	0.310	0.264	0.218	0.172	0.126	0.080	0.034	0.000
16	0.853	0.806	0.759	0.713	0.666	0.619	0.572	0.525	0.478	0.431	0.384	0.337	0.290	0.243	0.196	0.149	0.102	0.055	0.009	0.000
17	0.844	0.796	0.748	0.701	0.653	0.605	0.557	0.509	0.461	0.413	0.365	0.317	0.269	0.221	0.173	0.125	0.077	0.030	0.000	0.000
18	0.836	0.787	0.738	0.690	0.641	0.592	0.543	0.494	0.445	0.396	0.347	0.298	0.249	0.200	0.151	0.102	0.053	0.005	0.000	0.000
19	0.828	0.778	0.728	0.679	0.629	0.579	0.529	0.479	0.429	0.379	0.329	0.279	0.229	0.179	0.129	0.079	0.030	0.000	0.000	0.000
20	0.820	0.769	0.718	0.668	0.618	0.567	0.517	0.466	0.415	0.364	0.313	0.262	0.211	0.160	0.109	0.058	0.009	0.000	0.000	0.000
25	0.790	0.737	0.684	0.631	0.578	0.524	0.470	0.416	0.362	0.308	0.254	0.200	0.146	0.092	0.038	0.000	0.000	0.000	0.000	0.000
30	0.750	0.695	0.640	0.585	0.530	0.475	0.419	0.363	0.307	0.251	0.195	0.139	0.083	0.027	0.000	0.000	0.000	0.000	0.000	0.000
35	0.700	0.643	0.586	0.529	0.472	0.415	0.357	0.300	0.243	0.186	0.129	0.072	0.015	0.000	0.000	0.000	0.000	0.000	0.000	0.000
40	0.640	0.581	0.523	0.465	0.407	0.349	0.291	0.233	0.175	0.117	0.059	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
45	0.570	0.510	0.451	0.392	0.333	0.274	0.215	0.156	0.097	0.038	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
50	0.500	0.439	0.379	0.319	0.259	0.199	0.139	0.079	0.019	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

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