



JUNE EXAMINATION

PROGRAMME : HUMAN MOVEMENT STUDIES
MODULE NAME : SPORT MARKETING & FINANCE 3C
MODULE CODE : SFM03C3/MBK3C01/HMS1CA3/MBK3C02/
HMS2CB3
DATE : JUNE 2016
DURATION : 3 HOURS (180 Minutes)
TOTAL MARKS : 150

EXAMINER : PROF WIM HOLLANDER/MS REINETTE VAN
GALEN/ MS JORDY BOLTON
MODERATOR : PROF HB KLOPPER; MS W MABUTO
NUMBER OF PAGES : NINE (9) PAGES

INSTRUCTIONS TO CANDIDATES:

MAKE SURE THAT YOU HAVE THE COMPLETE PAPER.

ANSWER ALL THE QUESTIONS.

SECTION A IS SPORT MARKETING.

SECTION B IS SPORT FINANCE.

SECTION A - SPORT MARKETING (75 MARKS)

QUESTION 1 (10 MARKS)

You are requested by the management of a gymnasium to do a presentation on sport marketing. You decided to firstly focus in your presentation on defining sport marketing and then discuss the nature of sport marketing by referring to sport financing and sport promotion. Make use of examples from the sport industry to support your discussion.

QUESTION 2 (10 MARKS)

Discuss consumer process of decision-making to buy and consume a sport product by using examples from the sport industry.

QUESTION 3 (17 MARKS)

You are starting a new sport organization and would like to develop a strategic sport marketing plan. Explain how you would go about by referring to the strategic marketing planning process utilizing examples from your organization.

QUESTION 4 (10 MARKS)

You are required to develop a sales-orientated organizational structure for the Golden Lions Rugby Union. Explain what you would consider and implement in such a structure.

QUESTION 5 (12 MARKS)

Explain some of the advantages co-op sponsorships by using examples from the sport industry.

QUESTION 6 (16 MARKS)

Explain self-concept and social identity, learning, and perception as individual factors of sport consumers.

SECTION B - SPORT FINANCE (75 MARKS)

QUESTION 1 (10 MARKS)

THIS QUESTION CONSIST OF 10 MULTIPLE CHOICE QUESTIONS

REQUIRED:

Answer the following questions by choosing the correct answer. Write the letter you have chosen as your answer next to the question number.

- 1.1 Which of the following statements explains why wealth maximization is not the same as profit maximization?
- A. Money grows in value over time
 - B. The wealth of shareholders could be reduced by risk
 - C. Financial records are prepared on a cash basis
 - D. All of the above are reasons
- 1.2 *Financial management* differs from financial accounting for the following reasons:
- i) Financial management is legally required and its format is determined by laws
 - ii) Financial management takes into account the concept of risk
 - iii) Financial management is focused on reporting the financial position and performance of a company
 - iv) Financial management focuses on information that is expressed in monetary terms as well as non-monetary information
 - v) Financial management looks at the business as a whole
- A. i, iii, iv are correct
 - B. i, ii, iii are correct
 - C. ii, iv are correct
 - D. All of the above are correct
- 1.3 When a financial manager acts in their own interest and does not take the interest of the owners or shareholders into account it results in an agency problem. Which one of the following is NOT a solution to solving the agency problem:
- A. Give managers shares in the company.
 - B. Link financial manager's bonus to the growth in the company's share.
 - C. Ensure that the manager's performance is managed on the correct basis, in line with the company's goals.
 - D. Measure manager's performance on the short term profits of the company.

1.4 Which one of the following statements is CORRECT regarding a closed corporation?

- A. The owners keep all the profits
- B. It is easy and inexpensive to form
- C. It is the most regulated enterprise
- D. It is a legal form of a corporate personality designed to for small businesses

1.5 For the Dolphins cricket team, deciding on whether to bring in an older experienced cricket player or two new up and coming younger cricket players is an example of what?

- A. Opportunity cost
- B. Sunk cost
- C. Irrelevant cost
- D. Direct labour cost

1.6 Costs can be classified according to the needs and use of the cost information. Which of the following is correct?

- i. Classification for allocating costs to cost objects: Help to determine the actual cost of a product or service
- ii. Classification for management: Helps determine which costs should be managed and by whom
- iii. Classification according to behaviour: How will costs react to a change in activity level?
- iv. Classification for decision making: Which costs should be taken into consideration when decisions are made?
- v. Classification according to activity type: How should costs be allocated to each activity?

- A. i, ii, iii
- B. ii, iv
- C. i, iii, iv
- D. None of the above

1.7 Which of the following is CORRECT regarding the assumptions of CVP?

- A. Everything produced is sold
- B. All variables remain constant
- C. Single product or constant sales mix
- D. All of the above are true

- 1.8 It is possible to express all cash-flows in terms of their value at the end of a project's life. The *process* of calculating these values is known as:
- A. Future value
 - B. Compounding
 - C. Interest on interest
 - D. Discounting
- 1.9 You own an investment that pays you a R500 monthly payment indefinitely. Interest is calculated at 11% per annum compounded yearly. What would the minimum price be that you be willing to sell your investment for today?
- A. R4 545.45
 - B. R54 347.83
 - C. R543.48
 - D. None of the above
- 1.10 Which ONE of the following is not a disadvantage of the payback method?
- A. The target is subjectively set
 - B. It incorporates the time value of money
 - C. Risk is not explicitly included
 - D. It ignores cash flows after payback period

QUESTION 2 (15 MARKS)

One of your friends completed their degree in nutrition, and with your knowledge of the sports industry you then both decided to start a sports nutrition company. The company, which you called Nutri-Sport, specialises in nutrition bars.

This is the 5th year that Nutri-Sport has been operating and is doing incredibly well. An analysis of the company's finances during the year reveals the following:

- 125 830 nutrition bars were sold during the year
- The company generated revenues of R3 504 300 for the year
- Insurance, electricity, depreciation and salaries amounted to of R1 370 950
- Total variable costs amounted to R2 130 400, which includes sales commissions, various raw materials used in the nutrition bars, and stationery.

REQUIRED:

- 2.1 From the information given above, identify:
- i. Two fixed costs (2)
 - ii. One Indirect material, one direct labour and one non-manufacturing costs. (3)
- 2.2 Calculate the per unit sales price. (1)
- 2.3 Calculate the contribution margin. (1)
- 2.4 Calculate the contribution margin per unit. (1)
- 2.5 Calculate the contribution margin ratio. (1)
- 2.6 How many nutrition bars would you need to sell to break-even? (2)
- 2.7 Since the company has been doing so well, it has been decided to expand the business and buy a machine that will help them streamline the production process of the nutrition bars. The machine is estimated to cost R13 500.
- i. what will the new break-even point be (rand amount) for this new level of sales? (2)
 - ii. Should Nutri-Sport invest in this new machine? (what would your recommendation be?) (2)

QUESTION 3 (15 MARKS)

Hercules Muscles, a well-known fitness instructor, is considering opening a new branch of his Gym in Gauteng. Initially the new branch will involve a substantial investment to buy all the equipment for the gym but Hercules is confident that the new branch will attract enough new members. Hercules will obtain funding for the new branch at a cost of 12%. A target payback period of 4 years has been set by management.

Hercules has to choose between two locations – East Rand or the West Rand. The expected cash flows and other information for the two locations are as follows:

Year	West Rand	East Rand
0	(25 000)	(28 000)
1	6 000	9 000
2	8 000	10 000
3	8 000	5 000
4	12 000	5 000
5	12 000	5 000

NPV	6 864.38	?
IRR	11%	16%
Payback period	?	3 years

REQUIRED:

- 3.1 Would you classify the investment that Hercules Muscles is considering as a capital Investment? Discuss and motivate your answer. (2)
- 3.2 Calculate the net present value (NPV) for the EAST Rand location and make a choice based on your results. (5)
- 3.3 Calculate the payback period for the WEST Rand location and make a choice based on your results. (5)
- 3.4 State an advantage of using the accounting rate of return as capital budgeting method. (1)

QUESTION 4 (15 MARKS)

The Blitz Bokke has just qualified to participate in the Olympic Games.

Due to their success the team has received a lot of media attention and as a result managed to get a new sponsor for the team. The value of the sponsorship deal is R 500 000. The contract stipulates that the team will receive the sponsorship amount in monthly payments.

REQUIRED:

- 4.1 Determine the value of the monthly instalments that the Blitz Bokke will receive from their new sponsor over the next three years. Assume a discount rate of 12% will be appropriate for your calculations. (5)
(Show all calculations)

The coach of the Blitz Bokke, Neil Powell was appointed in 2013. His annual package in 2013 was negotiated at R 800 000.

REQUIRED:

- 4.2 Determine the value of his package at the end of 2016 (4 years later) if he expects a return of 20% compounded annually.
(Show all calculations) (5)

The airplane tickets to Rio de Janeiro, where the Olympic Games will take place, amounts to R16 500 per person. The team that will travel to Rio consist of 8 players a coach and conditioning coach. The Olympic committee invested R100 000 eight years ago when it was announced that Sevens Rugby will become an Olympic Sport.

REQUIRED:

- 4.3 Determine the return that the Olympic Committee had to receive on their investment to be able to purchase the tickets today.
(Show all calculations) (5)

QUESTION 5 (10 MARKS)

ENERGIZED Bunnies recently started to manufacture their first product called PARTY ANIMAL energy drink. The drink will be available in two flavours – Late Night Boost and Good Morning Sunshine.

The marketing department has forecasted the sales and purchases numbers for the first year after the launch as follows:

<i>Late Night Boost</i>		
	Sales Budget	Purchases Budget
First quarter	60 000	70 000
Second quarter	70 000	60 000
Third quarter	85 000	80 000
Fourth quarter	95 000	100 000

Additional information:

- All the purchases of the ingredients and sales are on credit.
- It is expected that 70% of debtors settle within the month of sale and 30% the month thereafter.
- Records of purchases indicate that 90% of purchases are settled in the month of purchase and the balance in the month thereafter.
- Wages are R7 000 for the first quarter after which it is expected to increase to R8 000 due to annual wage negotiations in the second quarter.

- Other overheads are R2 000 per month are also paid in the month incurred.
- Provisional tax of R8 000 has to be paid in the third quarter.
- A new bottling machine will be purchased in the SECOND quarter for R 30 000.
- At the beginning of the year the company had the following balances in its books:

Cash	R50 000
Trade debtors	R18 000

REQUIRED:

- 5.1 Prepare a cash budget for ENERGIZED Bunnies for quarter TWO and THREE.
(Show all calculations) **(10)**

TOTAL: 150