



**NOVEMBER EXAMINATION**

**PROGRAM** : HUMAN MOVEMENT STUDIES  
**MODULE NAME** : SPORT FINANCE  
**MODULE CODE** : STM 22B2  
**DATE** : 27 NOVEMBER 2017  
**DURATION** : TWO (2) HOURS  
**TOTAL MARKS** : 100 MARKS

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**NUMBER OF PAGES** : FIVE (5) PAGES

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**INSTRUCTIONS TO CANDIDATES:**

**MAKE SURE THAT YOU HAVE THE COMPLETE PAPER.**

**ANSWER ALL THE QUESTIONS.**

**THIS PAPER CONSISTS TWO (2) SECTIONS**

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**SECTION A: MULTIPLE CHOICE QUESTIONS (10 MARKS)**

1. Net Profit Margin Shows.....

- A. The contribution from the business core, to covering the operating expenses.
- B. How good a company is at converting revenue into profits that are made available for shareholders?
- C. Overall effectiveness of management in generating profits with its available assets.
- D. The return the business has earned, on the owners investment (owners' equity).

2..... shows the ability of business to pay short term debts immediately.

- A. Current ratio
- B. Debt ratio
- C. Quick ratio
- D. Networking capita

3. What is Inflation?

- A. The fee paid for using other people's money.
- B. It is the difference between the value of the assets and the value of the liabilities
- C. A compulsory financial contribution imposed by a government to raise revenue
- D. The gradual increase or rise in the price of goods over a period of time.

4..... is one of the main indications of a company's overall financial health.

- A. Liquidity
- B. Cash flow
- C. Assets
- D. Liabilities

5. The financial goal of the company is to.....

- A. Maximize return on various investments
- B. Optimise solvency
- C. Maximize shareholder's wealth
- D. Keep the amount of tax to be paid as low as possible

6. A series of fixed budgets set to different levels of sales activity within an organization is a.....

- A. Static budget
- B. Period budget
- C. Cash budget
- D. Flexible budget

7. At the beginning of the year, you paid for your school's soccer tour to Namibia. You are deciding whether to fly back or drive home with a friend. Identify which one of the following costs will be irrelevant when calculating the cost of your return trip.

- A. The cost of petrol
- B. Cost of the soccer tour
- C. The cost of the flight
- D. Tolls cost

8. Which budgets are prepared for one level of activity, usually around the forecasts made for sales?

- A. Static budgets
- B. Flexible budgets
- C. Period budgets
- D. Rolling budgets

9. Which profitability ratio measures the overall effectiveness of management in generating profits with its available assets?

- A. Return on investment
- B. Return on equity
- C. Gross profit
- D. Net profit

10. Investors will assume risk based on.....

- A. their risk tolerance
- B. investment strategy
- C. Their expected profit
- D. A & B

## **SECTION B: DISCUSSIONS & CALCULATIONS**

11. Identify the following according to whether they are sunk, opportunity costs or non-manufacturing overhead. (4 marks)

- A.) Machinery that cuts and shapes cricket bats
- B.) Admin staff that are paid a salary

- C.) Buying a new training ground or utilizing/ 'renting' a nearby schools sports ground
- D.) Maintaining the VIP boxes at the stadium

12. What is the difference between financial accounting and financial management? (8 marks)
13. Name and discuss the two different types of risk in finance. (5 marks)
14. The financial statements consist of: the statement of comprehensive income, the statement of financial position, and the statement of cash flows. What does each one display? (What does it tell us about the company?) (6 marks)
15. Name and explain the three main budget processes. (6 marks)
16. Name and describe three possible reasons for why the company needs cash? (6 marks)
17. Answer the following sections about the Cash Conversion Cycle of the company: (10 marks)
- A. Define the Cash Conversion Cycle. (2 marks)
  - B. What does it indicate? (1 mark)
  - C. How to calculate it (provide the formula)? (1 mark)
  - D. Provide three ways in which you can shorten the cash conversion cycle? (6 marks)
18. Why does money lose its value over time? (2 marks)
19. What is the definition of partnership? (4 marks)
20. What is the role of the financial manager with regards to decisions made in the organisation? (2 marks)
21. How much will R1000 deposited in a saving account earning an annual interest rate of %6 be worth at the end of 5 years? (4 marks)
22. A friend of yours is a personal trainer who has a number of personal clients that they see at various gyms. They know you are studying sports finance and have asked you to help them manage their finances more efficiently.
- Your friend incurs the following expenses:
  - Your friend pays himself a salary of: R2000 per month
  - Petrol R500 per month
  - Equipment (stopwatch, weight measurement equipment, training clothes, etc) R4000 a year
  - Each client pays R100 a month, earning a total of R3000 a month.
  - Your friend likes to keep a cash reserve of R1000 a year.
  - At the beginning of the year your friend had R300 in cash reserve

Required:

Set up a cash budget (10 marks)

23. With using balance sheet and income statement of the company, calculate the following ratios for 2015. (23 marks)

- Net working capital (3 marks)
- Net profit (4 marks)
- Current ratio (4 marks)
- Debt ratio (8 marks)
- Return on equity (4 marks)

#### Income Statement

	2015
Revenue	3 200 000
Cost of sale	1 800 000
Gross profit	1 400 000
Net profit	400 000

#### Balance Sheet

	2015
Non-current assets	9 800 000
Current assets	4 700 000
Total equity	3 700 000
Non-current liabilities	1 200 000
Current liabilities	2 800 000
Inventory	3 500 000