UNIVERSITY OF JOHANNESBURG

FACULTY	: Health Sciences
DEPARTMENT	: Sport and Movement Studies
CAMPUS	: DFC
MODULE	: Sport Finance and Marketing 3C SFM03C3
SEMESTER	: First
EXAM	: **SSA** 2018

DATE	: July 2018	**SESSION**	: 08:30-11:30
ASSESSOR(S)	: Prof W Hollander/ Ms van Gaalen/ Ms Bolton		
MODERATOR	: Ms Janita van Wyk		
DURATION	: 3 HOURS	**MARKS**	: 150

NUMBER OF PAGES: 9 PAGES

INSTRUCTIONS:

1. Answer ALL THE QUESTIONS.
2. Number your answers clearly
3. Answer section A and section B in separate books

SECTION A – SPORT MARKETING (75 MARKS)

QUESTION 1 (18 MARKS)

Kaizer Chiefs SC requested you to use the individual factors of soccer consumers to develop a marketing plan. Discuss those individual factors of soccer consumers that you will take into account by using examples to discuss those factors.

QUESTION 2 (13 MARKS)

You are requested to develop a strategic sponsorship plan for the local gymnasium. Describe the steps that you would follow to develop such a plan and use examples.

QUESTION 3 (13 MARKS)

One of the core marketing aspects of sport for any sport organization is to retain its supporters. Explain what you will do to develop supporter retention programmes. Provide examples from the sport industry to supplement your discussion.

QUESTION 4 (22 MARKS)

You have to develop a marketing strategy for the Golden Lions Rugby Union. Discuss the strategic steps of the marketing planning process that you would utilise. Make use of examples to supplement your discussion.

QUESTION 5 (9 MARKS)

There are four bases for the segmentation of sport products. Discuss any three of these bases by using examples from the sport industry to support your discussion.

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SECTION B – SPORT FINANCE (75 MARKS)

QUESTION 1 (26 MARKS)

THIS QUESTION CONSIST OF 13 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. Financial managers should strive to maximize the current value per share because it will result in:

   A. An increase in the remuneration of all employees
   B. A guarantee that the company will grow at the maximum rate
   C. Maximising the current shareholders wealth
   D. Maximising the profits of the company

2. Identify which one of the following is NOT an internal stakeholder of EDIDES, a sport clothing manufacturer.

   A. The senior management team of the EDIDES
   B. The clothing trade union consisting of employees of the EDIDES
   C. The suppliers of the EDIDES
   D. The employees of the EDIDES

3. Mark is the financial manager of a company that sells energy drinks. Identify which one of the following situations would concern Mark.

   A. Embarking on a new advertising campaign for the brand
   B. Identification of a new supplier of ingredients to the company
   C. Price-fixing of the price of water by the government
   D. Renegotiation with bank to provide a lower lending rate for a loan

4. Identify which one of the following entities is the MOST likely to experience an agency problem:

   A Sole proprietorship
   B Public company
   C Owner managed limited company
   D Partnership

5. Identify which ONE of the following decisions made by the financial manager of a company will create an agency problem.

   Decision 1: Refused to borrow money, as doing so would have created losses.
   Decision 2: Refused to lower selling prices as this would have reduced net profits.
   Decision 3: Agreed to expand the company at the expense of shareholders' value.

Decision 4: Agreed to pay bonuses based on the market value of the company shares.

A. Decision 1
B. Decision 2
C. Decision 3
D. Decision 4

6. The aim of Financial Management is to...

A. maximise cash inflow, as soon as possible, at the lowest risk, on a short term basis
B. to maximise cash inflow, as soon as possible, at the highest risk, on a sustainable basis
C. to maximise cash inflow, as soon as possible, at the lowest risk, on a sustainable basis
D. to minimise cash inflow, as soon as possible, at the lowest risk, on a sustainable basis

7. A company manufactures rugby shirts. The material used to manufacture a rugby shirt would be classified as direct material, and in terms of cost behavior, the material could also be described as a:

A Variable cost.
B Non-manufacturing cost
C Relevant cost
D Fixed cost

8. Magic Catering is contracted to cater for all events at Johannesburg stadium. All the table linen is cleaned on a daily basis. The laundry cost of table linen can be classified as a

A. Expense
B. Non-manufacturing cost
C. Indirect cost
D. Direct cost

9. Identify which one of the following will be included in the manufacturing cost of special edition leather soccer balls for the 2018 Soccer World Cup.

A. Cost of leather
B. Design cost
C. Salary paid to the CEO of the company
D. Marketing costs

10. Which of the following is a direct cost of Brown's Power Biscuits, a bakery that bakes and sells protein enriched biscuits to various gym's?

A. The cost of flour and baking soda.
B. The cost of the packaging for the biscuits.
C. The cost of electricity.
D. The cost of quality controller that ensure all biscuits are of the highest standard.

11. Identify which one of the following is NOT an example of an indirect cost:

A. The labour cost of a sales representative at Sport Warehouse
B. The cost of repainting the showroom of Sport Warehouse
C. Overtime paid to the store manager of Sport Warehouse for working on Saturdays
D. The cost of advertising the monthly specials of Sport Warehouse in a local newspaper

12. Bats and Balls Ltd manufacture wooden beach bats for various toy stores. Bats and Balls estimated the following average cost per set of beach bats:

Direct materials	R 8.65
Direct labour	R 1.10
Manufacturing overheads	R 0.95

<u>Prime cost per unit is:</u>

A. R 8.65
B. R 9.75
C. R 2.05
D. R 9.60

13. Bats and Balls Ltd has recently invested in new rubber grips used on the range of beach bats that they manufacture. Identify how the cost of rubber grips would be classified as....

A Material, Direct cost
B Labour, Indirect cost
C Labour, Direct cost
D Material, Indirect cost

QUESTION 2 (10 MARKS)

Sport Buddy Ltd manages and runs several school sports programmes at various local schools. They also manage and provide coaches for each of the sports programmes. They are looking at employing another coach for one of their sports programmes but are not sure if it will be beneficial or not. They know that you are studying sports finance at UJ and have approached you for some help with the calculations.

After a brief meeting with them you are able to collect the following information:

- They have selling and administrative costs of R1 793 000
- They had revenues of R4 840 000 (which is comprised of the membership fees paid for the various sports programmes)
- They sold 8 800 memberships
- They incurred total variable costs of R2 904 000

REQUIRED:

2.1 Calculate the contribution margin? **(2)**

2.2 Calculate the per unit sales price? **(2)**

2.3 Calculate the contribution margin per unit? **(2)**

2.4 How many memberships would they need to sell to break-even? **(2)**

2.5 If Sports Buddy Ltd decides to employ the new coach, they plan to pay them R7 200, what will the new break-even point be (rand amount)? **(2)**

QUESTION 3 (6 MARKS)

The Black Cat rugby club is a sporting market leader in national rugby circles. The Cats own and manages the Black Cat's rugby team, a stadium (known as 'The Den' – home ground of the Cats) and a growing merchandise range.

The Black Cats rugby club are examining the viability of hosting an international rugby match. Estimated costs and revenues are given below:

The Black Cats Rugby Club	
Selling price (ticket price)	R100
Expected sales (25 000 tickets)	R2 500 000
Fixed Costs	
Fees paid to match officials and ground staff	R220 000
Advertising costs	R78 000
Maintenance	R23 000
Security	R130 500
Total Fixed Costs	R451 500
Variable costs	
Variable overhead (manufacturing, sales & administrative)	R375 000
Ticket printing and distribution	R11 600
Total Variable Costs	R386 600

The management of The Black Cats rugby club have requested the following information:

REQUIRED:

3.1 The number of tickets that must be sold to break-even? **(3)**

3.2 How many tickets must be sold to earn R500 000 target profit? **(3)**

QUESTION 4 (18 MARKS)

Speedway Motors is currently preparing a cash budget for the year. They are unsure of how their finances are doing and have approached a sports manager to help them. The sports manager gathers the following information:

Over the past year they incurred the following revenues:

- Ticket sales for motosport races R6 000 000
- Food and beverage sales R1 400 000
- Parking revenue amounts to R10 000 per month

Expenditure for the year included:

- Raceway lease R102 000 per month for 12 months
- Maintenance R400 000

Statement of Comprehensive Income for the year ended 31 March 2014	
	(R)
Revenue	900 000
Cost of services	450 000
Gross profit	450 000
Operating expenses	309000
Earnings before tax	141 000
Tax	42 300
Net profit	98 700

Ratios calculated for the 2016 year end:

- Net profit margin: 9%
- Return on Investment: 1.10%
- Debt-equity ratio: 48.65%
- Gross profit margin: 45%
- Current ratio: 5:1
- ROE: 15%

Industry averages for 2017:

- Net profit margin: 15%
- Return on Investment: 12%
- Debt-equity ratio: 60%
- Gross profit margin: 60%
- Current ratio: 2.0
- ROE:20%

REQUIRED:

5.1	Calculate the profitability ratios for 2014	**(4)**
5.2	Explain what is measured by each of the ratios above.	**(8)**
5.3	Caution should be used when using ratios. Name 3 things one should be aware of when using ratios.	**(3)**

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TOTAL: 150 MARKS