

# **Accountancy@UJ**

### **Financial Management 1B**

**BSR1B01/FNM1B01** 

## LAST ASSESSMENT OPPORTUNITY 21 November 2019

#### **ANSWER BOOK**

Time: 130 minutes Marks: 100

#### **INSTRUCTIONS:**

- This answer book (for Section C) consists of **14** pages.
- Clearly PRINT your initials, surname and student number in the spaces provided on this question paper.
- Answer <u>ALL</u> questions in the spaces provided in black or blue pen on the <u>answer book</u>. Please note that marks will ONLY be allocated to answers written in these spaces!
- Make use of the spaces below the questions (where applicable) for all workings/calculations.
- Silent, non-programmable calculators may be used, unless instructed otherwise.
- Round all calculations to TWO decimal places unless instructed otherwise.
- Answers with Tippex and in pencil will **not** be marked and the paper will **not** be eligible for a remark.

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SECTION A [20 marks]

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3       1         4       1         5       1         6       1         7       1         8       1         9       1         10       1         11       1         12       1         13       1         14       1         15       1         16       1         17       1         18       1         19       1	1	1
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SECTION B [40 marks]

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22	2
23	2
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25	2
26	2
27	2
28	2
29	2
30	2
31	2
32	2
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36	 4
37	2
38	2

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SECTION C										[4	0 marks]
Answer the follo	wing	g qu	estior	ns in	the	spac	es p	rovio	ded.		
QUESTION 1											[8 marks]
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to use for his delive of 10% p.a. He mu											ffective rate
REQUIRED:											
1.1. Determine	the va	alue d	of his n	nonth	nly in	stalme	ent				(3)

Determine how much Jabu will still own the bank after 18 months?

(1)

1.2.

MODUL	E: FINAN	CIAL MA	ANAG	SEME	NT 1	B (BS	R1B0	)1/F	-NM	1B01	) ANS	SWE	ER BOOK	Page 5 of 14
STUDE	NT NUM	BER:												
														ved all the tips that he
	ed over as follow		non	ths a	at Bı	g Ba	ank a	at r	nom	iinai	rate	Of	9.5% p.a.compour	nded monthly. The tips
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Month		R2 80												
Month		R4 00												
Month	4	R3 75	0											
1.3.	Determ	nine the	e va	lue (	of Ja	abu's	tips	s a	t the	e be	ginni	ng	of month 1?	(2)
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1.4.	If the ir value c								sav	/ings	s inci	rea	ased, what impact	would that have on the

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QUESTION 2 [8 MARKS]

The following is a current abridged statement of financial position relating to Bona Co, a company listed on the JSE.

	Rm	Rm	Notes
Equity and liabilities			
Share capital	12		1
Retained earnings	15		
Total equity		27	
Non-current liabilities			
Long-term borrowings	13		2
Current liabilities	21		3
Total liabilities		34	
Total equity and liabilities		61	

#### Notes:

- 1. The share capital of Bona Co consists of 12 million of ordinary shares currently trading at R1.50 per share
- **2.** Long-term borrowings consists of a loan. Repayments on the loan are due each year at 15% of the current value, for a period of 10 years
- **3.** Current liabilities consists of Trade and other payables as well as bank overdraft, with interest of 20% per annum payable thereon.

#### Additional information:

- **1.** The current long-term government bond yield is 10% and equity risk premium is expected to be 6% going forward.
- **2.** The corporate tax rate is 28%

2.1	Calculate the after-tax weighted average cost of capital of Bona Co.	(8)

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QUESTION 3 [6 MARKS]

After experiencing accommodation shortages during their University days, two friends decided to go into the business of providing affordable student accommodation at Auckland Park for University of Johannesburg (UJ's) students and other surrounding universities. They projected the following cash-flows in building and developing their first student accommodation that will lodge 150 students.

Year	Cash flow (million)
0	-R1 590 000
1	R360 500
2	R475 000
3	R450 000
4	R539 000
5	R587 500

Based on their research and the current risk profile of their company, they have determined the following benchmarks in order to ensure that they make decisions in the best interest of the company.

- Profitability Index of the project is 35
- Target Average Accounting Rate of Return (ARR) is 75.76%
- Target Payback Period (PBP) is 2.5 years
- Required rate of return is 12.20%
- Weighted Average Cost of Capital is 12%

3.1		accounting or rejected?	rate	of	return	(ARR)	and	advise	whether	the	project	should (2)

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3.2 Calculate the pa	aybac	ck pe	eriod	and	ladv	/ise	whe	ther	the	proje	ct sh	ould b	e acc	epte	d or		
rejected?																	(2
3.3 Calculate the n	et pr	eser	nt va	lue	(NP	V) a	and a	advis	se w	hethe	er the	proje	ct sh	ould	be a	ccepted	
rejected?																	(2

QUESTION 4 [5 MARKS]

Jabulani Limited's accountant has just retired and as yet have not hired anyone to replace her. Management are trying to determine the value of the raw material issued to work-in-progress and have contacted you to assist them with the process. They provided you with the following transactions:

Date	Unit cost price	Purchases from supplier	Returns to supplier	No of units transferred to WIP
3 April	R10	120 units		
10 April				100 units
20 April			20 units	
26 April	R15	150 units		

#### Additional information:

Opening raw material stock: 25 units at an average price of R12 per unit.

Any returns to suppliers are made at original cost. The return on 20 April relates to purchases made on 3 April.

4.1 Using the weighted average method of valuation, prepare the stores ledger account of April.	nt for the month <b>(5)</b>

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QUESTION 5 [5 MARKS]

Madiba Magic Limited manufacture the original "Madiba" shirt. Madiba Magic accounts for its stock on the FIFO basis. You have been provided with the following transactions for the month and have been asked to provide the accountant with the closing stock balance to be included in his month end report.

Opening inventory: 200 shirts at R100 each

Actual purchases and sales for the month:

DATE	PURCI	SHIRTS SOLD	
	Quantity	Price per shirt	
2	250	R125	
8			220
15	150	R1352	
20			200
29			50

5.1 Determine the closing stock balance to be included in the accountant's month end report.	(2)

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.2 Calculate the va	ilue d	of co	ost c	of sa	ıles	for A	April.					(3
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QUESTION 6 [8 MARKS]

Sipho is a tutor at UJ, who is employed on a contract basis and is paid per week for the hours that he works. For the past study week before exams, Sipho worked the following hours:

Day of the week	No. of hours worked
Monday	8
Tuesday	8
Wednesday	9
Thursday	10
Friday	10
Saturday	8

Sipho's contract states that he will receive R80 for every hour worked, and he is expected to work 8 hours per day. Overtime is paid at 1.5 times his normal rate, and weekends are paid at double the normal daily rate.

The following deductions are made from Sipho's remuneration:

- Pension fund contributions of 8% (UJ also contributes 8%)
- PAYE is calculated as 15% of taxable remuneration
- Weekly Medical Aid premiums of R150 are payable to MediMed, of which Sipho and UJ contribute 50% each
- UIF payments are made monthly, but are deducted from Sipho's wages each week. 1% is contributed by Sipho and 1% by UJ.

Sipho incurred 9 unproductive hours during this week

6.1 Calculate the net wages for Sipho for the week	(4)

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6.2 Calculate the L	ab	our	rec	overy	/ pe	r h	ou	r to	o UJ for th		the	ne week	(4