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| **FACULTY/COLLEGE** | College of Business and Economics |
| **SCHOOL** | Johannesburg Business School |
| **DEPARTMENT** | Industrial Psychology and People Management |
| **CAMPUS(ES)** | APK |
| **MODULE NAME** | Finance for Non-Financial Experts |
| **MODULE CODE** | HRM8X01 |
| **SEMESTER** | Second |
| **ASSESSMENT OPPORTUNITY, MONTH AND YEAR** | FSAO – Final Summative Assessment Opportunity<br>November 2019 |

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|---|---|---|---|
| **ASSESSMENT DATE** | 18 November 2019 | **SESSION** | 08:30 – 11:30 |
| **ASSESSOR(S)** | Mr R van der Walt | | |
| **MODERATOR(S)** | Mr B Mogapi (Internal), Mrs R van Hoepen (External) | | |
| **DURATION** | 1.5 hours (90 min) | **TOTAL MARKS** | 50 |

| | |
|---|---|
| **NUMBER OF PAGES OF QUESTION PAPER (Including cover page)** | 6 |

**INFORMATION/INSTRUCTIONS:**

- Open Blackboard and navigate to the appropriate module and Assessment tab
- Start with the OTQ section, the password will be provided
- Open a new Word document, save it with your student number and name.
- Type your student number inside the document and complete the long questions
- Upload your submission once completed and email it to rickyvdw@uj.ac.za as a backup
- You may use Excel and Word
- You may not use the internet, cell phone, email or any other materials

**QUESTION 1** **(20 MARKS)**

Your company provides labour dispute and mediation services to large corporates in the Cape Town area. Whenever companies experience problems that cannot be resolved with employees internally, they approach you as an impartial, external mediator.

Your results for the 2019 financial year are presented below:

| | **2019**<br>**R** | **2020 Budget**<br>**R** |
|---|---|---|
| Mediation cases (R720 per case) | 1 584 000 | ? |
| *Variable costs:* | | |
| Legal representation | 216 000 | |
| Commission | 324 000 | |
| Legal documentation costs | 50 400 | |
| *Fixed costs:* | | |
| Office rental – Total for the year | 330 000 | |

*Required:*

*1.1)* **Prepare** the budget for the 2020 financial year using the Percentage-of-Revenue method and assuming the number of cases increases by 200 cases. **5 marks**

*1.2)* **Discuss** the ethical implications of being an external mediator but still receiving payment from the companies for which you provide the mediation services. **3 marks**

*1.3)* **Identify** two strategies that can be used to manage the annual office rental costs. **2 marks**

*1.4)* **Calculate** the number of cases that is needed to reach break-even in 2019 and for the budgeted 2020. **10 marks**

***Note: Round to 2 decimals*** **Total for Question 1 = 20 marks**

**QUESTION 2** **(10 MARKS)**

You work for the HR division of a large corporate bank, situated in Cape Town. Recently, one of the other managers approached you for assistance in dealing with two different type of roles needed for a project.

The project requires a financial accountant as well as a managerial accountant, but the manager was unsure as to what the difference is. In addition, the project is very much linked to a medium sized company with a limited budget.

*Required:*

*2.1)* **Compare** and **Contrast** the roles of a financial accountant and a managerial accountant by drafting a job description for each one. **5 marks**

*2.2)* **Discuss** how these two roles would change and evolve depending on whether or not the company is a small, medium or large entity. **5 marks**

***Note: Round to 2 decimals*** **Total for Question 2 = 10 marks**

**QUESTION 3** **(20 MARKS)**

You currently work for Unwind HR (Pty) Ltd, which is a successful HR recruitment firm. The company has an office in Cape Town and services the local corporate community. Below is an extract from their Annual Financial Statements:

**Unwind HR (Pty) Ltd**
**Statement of Financial Position**
***as at 31 July 2019***

| | **2019** | **2018** |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **374 950** | **343 750** |
| Property, plant & equipment | 215 450 | 178 250 |
| Vehicles | 87 000 | 93 000 |
| Investment in gold coins | 50 000 | 50 000 |
| Brand name | 22 500 | 22 500 |
| **Current assets** | **57 600** | **57 100** |
| Inventory | 11 900 | 17 300 |
| Accounts receivable | 27 300 | 8 800 |
| Cash | 18 400 | 31 000 |
| **Total assets** | **432 550** | **400 850** |
| **EQUITY AND LIABILITIES** | | |
| **Shareholder's equity** | **91 250** | **53 350** |
| Share capital (4 partners) | 1 000 | 1 000 |
| Retained profit | 100 250 | 67 350 |
| Dividends paid | (10 000) | (15 000) |
| **Non-current liabilities** | **310 000** | **320 000** |
| Long-term debt | 310 000 | 320 000 |
| **Current liabilities** | **31 300** | **27 500** |
| Accounts payable | 21 900 | 17 200 |
| Bank overdraft | 9 400 | 10 300 |
| **Total equity and liabilities** | **432 550** | **400 850** |

**Unwind HR (Pty) Ltd**
**Statement of Financial Performance**
***for the period ended 31 July 2019***

| | 2019 | 2018 |
|---|---|---|
| Total Revenue | 196 000 | 188 000 |
| Employee recruitments | 122 000 | 113 000 |
| Employee unfair dismissal arbitration | 74 000 | 75 000 |
| *Less:* Cost of Sales | (66 700) | (57 200) |
| Wages | (53 000) | (45 000) |
| Direct Material | (13 700) | (12 200) |
| **Operating Profit** | **129 300** | **130 800** |
| *Less:* Office hire | (38 000) | (32 500) |
| **Profit Before Interest and Tax** | **91 300** | **98 300** |
| *Less:* Interest (8%) | (24 800) | (25 600) |
| **Profit Before Tax** | **66 500** | **72 700** |
| *Less:* Taxation | (18 600) | (20 350) |
| **Profit After Tax** | **47 900** | **52 350** |

*Required:*

*3.1)* **Prepare** the profitability and liquidity ratios for the two years and comment on the differences between the two. Your comments should highlight what the implications of an increase/decrease are. **17 marks**

*3.2)* **Discuss** some of the shortcomings of ratio analysis that could affect your results. **3 marks**

***Note: Round to 2 decimals*** **Total for Question 3 = 20 marks**

***Formula sheet***

**Gross profit margin (or %) =** $\frac{\text{Revenue – cost of sales}}{\text{Revenue}} \times 100$

**Gross profit mark-up =** $\frac{\text{Revenue – cost of sales}}{\text{Cost of sales}} \times 100$

**Operating profit margin (or %) =** $\frac{\text{Operating profit}}{\text{Revenue}} \times 100$

**Net profit margin (or %) =** $\frac{\text{Net profit}}{\text{Revenue}} \times 100$

**Asset turnover =** $\frac{\text{Revenue}}{\text{Total assets}}$

**Non-current asset turnover =** $\frac{\text{Revenue}}{\text{Non-current assets excluding investments}}$

**Inventory turnover =** $\frac{\text{Cost of sales}}{\text{Average inventory}}$

**Return on capital employed =** $\frac{\text{Profit after tax}}{\text{Capital employed (shareholders' funds only)}} \times 100$

**Return on equity =** $\frac{\text{Net profit}}{\text{Equity}} \times 100$

**Return on assets =** $\frac{\text{Operating profit}}{\text{Total assets}} \times 100$

**Current ratio =** $\frac{\text{Current assets}}{\text{Current liabilities}}$

**Quick ratio =** $\frac{\text{Current assets less inventory}}{\text{Current liabilities}}$

**Interest cover =** $\frac{\text{Profit before interest and tax}}{\text{Interest expense}}$

**Gearing =** $\frac{\text{Non-current debt}}{\text{Shareholders' funds + non-current debt}} \times 100$