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	SSAO – Supplementary Summative Assessment Opportunity

ASSESSMENT DATE	January 2020	**SESSION**	TBA
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)	5

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)**

You recently decided to start up your own Human Resource assistance firm and plan to provide on- and off-site support to HR departments across Gauteng. Your main function will be to perform the initial screening interview on clients that apply for work, and the HR department will then compensate you for each screening.

You thought about the costs involved and have come up with the following proposed budget:

	Proposed monthly budget R	**Dec 2019 Budget R**
External interviews (20 interviews per month)	20 000	?
Average travel costs	-3 000	
Documentation costs	-600	
Marketing material	-1 000	
Telephone costs	-800	
Candidate report	-2 400	
Sundries (fixed)	-2 500	
Net Profit	**9 700**	

For the upcoming month of December 2019 you plan on conducting 30 interviews.

Required:

1.1) **Prepare** the budget for December 2019 using the Percentage-of-Revenue method assuming the selling price per interview increases with R200. **8 marks**

1.2) **Discuss** how budgeting forms part of the Planning Phase of a business. **2 marks**

1.3) **Identify** two strategies that can be used to increase business from 20 to 30 interviews per month. Include at least one advantage and disadvantage of each strategy. **5 marks**

1.4) Assume that the business is growing and you need to rent fixed office space for R50 000 per month, starting January 2019. Using the information in the question, c**alculate** how many interviews you need to conduct in December 2019 in order to break even. **5 marks**

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

QUESTION 2 **(15 MARKS)**

Your colleague from across the cubicle recently sent you this image:

Your colleague knows that you have recently completed a course in Finance and thought that you might know something about it.

Required:

2.1) **Explain** what a set of 'Annual Financial Statements' are. Make sure your explanation covers at a minimum the following:

i. Legal requirements and professional guidance for drafting annual financial statements;
ii. Which statements are included in a complete set of annual financial statements;
iii. An example of three different types of users and what they use the statements for;
iv. Who is responsible for drafting the annual financial statements;
v. What the difference is between US GAAP and IFRS within a South African context.

15 marks

Note: Round to 2 decimals **Total for Question 2 = 15 marks**

QUESTION 3 **(15 MARKS)**

You currently work for Company A, which is a successful HR recruitment firm. The company has a modest office in the Johannesburg Central Business District and services a number of large corporate clients.

At some stage in the past, the company decided to expand their business and they took on a loan from Spamdard Bank, and they are charged 9% interest on the loan. This money was used to purchase equipment for their office, which ultimately didn't yield the extra business that they were hoping for.

Despite this though, the company has performed reasonably well in the recent years and maintained a solid customer base.

Company B, a competitor, has also performed well and has started to tender for business in the same area. This has made the management of Company A uneasy and they have decided to investigate their competitor more closely. Below is a copy of Company A and Company B's Statement of Comprehensive Income for comparison purposes.

	Company A	**Company B**
Total Revenue	711 400	550 800
Workshops	315 400	250 800
Recruitments	396 000	300 000
Less: Cost of Sales	(356 000)	(254 400)
Salaries (8 employees)	(312 000)	(216 000)
Direct Material	(44 000)	(38 400)
Operating Profit	**355 400**	**296 400**
Less: Rent and Administration	(132 000)	(120 000)
Profit Before Interest and Tax	**223 400**	**176 400**
Less: Interest (9%)	(130 500)	(85 500)
Profit Before Tax	**92 900**	**90 900**
Less: Tax (28%)	(26 012)	(25 452)
Profit After Tax	**66 888**	**65 448**

Required:

3.1) **Prepare** the profitability ratios of the two companies and comment on the differences between the two. **12 marks**

3.2) **Advise** and **Discuss** the ethical implications on the directors of Company A of obtaining a copy of their competitors' annual financial statements. **3 marks**

Note: Round to 2 decimals **Total for Question 3 = 15 marks**

Formula sheet

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

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

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

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

Asset turnover = $\dfrac{\text{Revenue}}{\text{Total assets}}$

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

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

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

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

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

Current ratio = $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

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

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

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