



ASSIGNMENT 1ST SEMESTER : FINANCIAL MANAGEMENT (FM)

CHAPTERS COVERED : CHAPTERS 1- 4 & 8

DUE DATE : 3:00 p.m. 20 MARCH 2012

TOTAL MARKS : 100

INSTRUCTIONS TO CANDIDATES FOR COMPLETING AND SUBMITTING ASSIGNMENTS

The complete 'Instructions to Students for Completing and Submitting Assignments' must be collected from any IMM GSM office, the relevant Student Support Centre or can be downloaded from the IMM GSM website. It is essential that the complete instructions be studied prior to commencing your assignment. The following points highlight only a few important notes.

1. You are required to submit ONE assignment per subject.
2. The assignment will contribute 20% towards the final examination mark, and the other 80% will be contributed by the examination, however the examination papers will count out of 100%.
3. Although your assignment will contribute towards your final examination mark, you do not have to earn credits for admission to the examinations; you are automatically accepted on registering for the exam.
4. Number all the pages of your assignment (e.g. page 1 of 4) and write your name and surname, student number and subject at the top of **each** page.
5. The IMM GSM requires assignments to be presented on plain A4 paper. You must show all working calculations, including and where appropriate multiple choice working calculations.
6. A separate assignment cover, which is provided by the IMM GSM, must be attached to the front cover of each assignment.
7. Retain a copy of each assignment before submitting, in case the original does not reach the IMM GSM.
8. The assignment due date refers to the day up to which assignments will be accepted for marking purposes. The deadline is 3:00 p.m. on 20 March 2012. Late assignments will be accepted, but **25 marks** will be deducted from the maximum mark, if received after 3:00 p.m. on 20 March 2012 and up to 5:00 p.m. the following day, after which no assignments will be accepted.
9. If you fail to follow these instructions carefully, the IMM Graduate School of Marketing cannot accept responsibility for the return of the assignment. It may even result in your assignment not being marked.

Results will be available on the IMM GSM website, www.immgsm.ac.za, on Friday, 4 May 2012.

SPECIFIC INSTRUCTIONS

Answer ALL the questions

The use of calculators is permitted. Show ALL calculations.

Read all questions carefully to determine exactly what is required before attempting to answer.

Number your answers clearly and set them out under appropriate headings and sub-headings.

Answer ALL the questions

QUESTION 1 [10]

1. You are required to study the attached financial statements and then answer the following questions:
 - a) Replace the words in the formula, $\text{Capital} = \text{Assets} - \text{Liabilities}$ with the appropriate values from the balance sheet for the year 2011. **(3)**
 - b) Calculate the % change in revenue as stated in the income statement for the year 2011. **(2)**
 - c) Under the heading 'Non-current assets' reference is made to 'Intangible assets'. Explain the concept intangible assets and provide at least three examples thereof. **(5)**

QUESTION 2 [30]

- 2.1 Jackson's Electrical manufactures small electrical motors. You are required to record the basic cash flow statement for the period 1 March 2012 to 31 March 2012, given the following information; **(15)**
 1. The opening bank balance is R20,000.00.
 2. Sales receipts from cash sales this month total R25,000.00.
 3. Credit sales for the month total R32,000.00.
 4. Receipts from credit sales in the previous months total R42,500.00.
 5. Sales made on credit in November 2011 to the value of R3,500.00 must be written off as bad debt.
 6. Materials and overheads for the month are R16,200.00. These were fully paid for.
 7. Depreciation of R3,200 is provided for every month.
 8. Labour costs paid for the month total R13,200.00.
 9. Selling and administrative expenses are 5% of previous month's total sales. Sales for the previous month were R65,000.00.
 10. It is envisaged that a dividend of R11 000 will be paid during the month of May.
 11. Rent for the month amounts to R1,900.00 which is settled at month end.

12. Interest of 8% p.a. on a long-term loan of R150 000 is payable monthly.
 13. Mr. Jackson draws a salary of R21,000.00 per month.
 14. Insurance for equipment is payable annually. The annual amount is R15,000.00 and is payable before the end of March 2011.
- 2.2 Refer to the information provided for Jackson's Electrical in the previous question and calculate the net trading profit for the period 1 March 2011 to 31 March 2011. **(15)**

Ensure that you show all your calculations and give the statement the correct heading.

QUESTION 3 [10]

- 3.1 Party Dress recorded the following stock transactions over the period shown below. You are required to calculate the closing value of stock as at March 2011 using the FIFO method. (There were no units in opening stock.) **(8)**
- a) January 2011 – bought 80 items at R120.00 each.
 - b) January 2011 – sold 30 items for R150.00 each.
 - c) February 2011 – sold 25 items for R154.00 each.
 - d) March 2011 – bought 110 items at R124.00 each.
 - e) March 2011 – sold 90 items at R160.00 each.
- 3.2 Briefly discuss what is meant by the degree of accuracy of the FIFO method of stock evaluation with reference to the balance sheet and income statement of an organisation. **(2)**

QUESTION 4 [10]

- 4.1 Easy Clean purchased a new washing machine and decided to depreciate it using the reducing balance method over a period of 5 years. The machine cost R43,500 and it is anticipated that it can be sold for R2,250 at the end of its useful economic life. You are required to: **(8)**
- a) Give the formula to calculate the reducing balance.
 - b) Calculate the percentage to be used to determine the annual amount of depreciation. (Rounded off to 2 decimal places.)
 - c) Show the depreciation charge to the income statement for the five years. (Round off all figures to 2 decimal places.)
- 4.2 Explain the impact of the reducing balance method of depreciation on the net profit of the business. **(2)**

QUESTION 5 [10]

The following information relates to two competing enterprises manufacturing bricks. *BrickMan* uses mostly manual labour with a few small pieces of equipment.

BrickMachine has invested in expensive equipment and requires only a few labourers to perform the work. Labourers are paid based on the number of bricks manufactured.

Consider the information given below and determine the following:

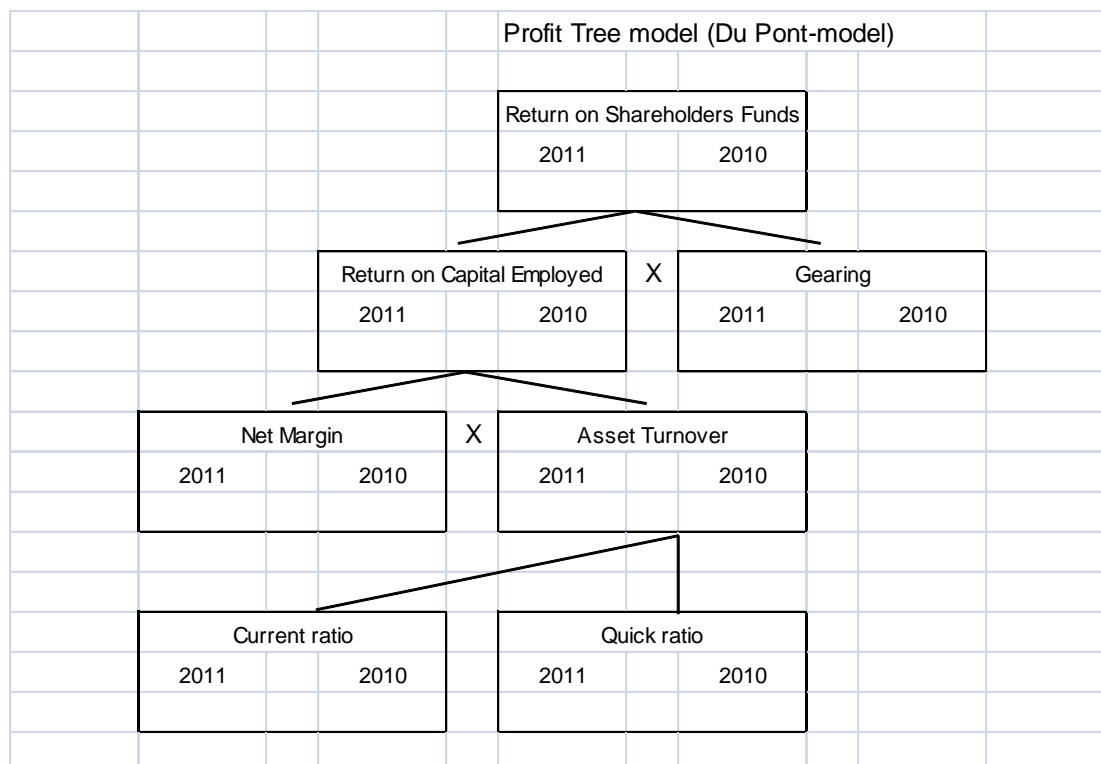
- a) Calculate the break-even in units for each enterprise. (8)
 b) Calculate the break-even in sales revenue for each enterprise. (2)

	BrickMan	BrickMachine	
Sales price per 1,000 bricks	R 785.00	R 785.00	
Fixed costs	R 28 000.00	R 185 000.00	
Variable cost:			
- Material per 1,000 bricks	R 485.00	R 485.00	
- Labour per 1,000 bricks	R 275.00	R 115.00	

QUESTION 6 [20]

You are required to study the attached financial statements (Annexure A) and then answer the following questions:

- a) Construct a profit tree as laid out below and indicated on the next page:
1. Quick ratio (2)
 2. Current ratio (2)
 3. Net profit margin before tax (2)
 4. Asset turnover (2)
 5. Return on capital employed (ROCE) (2)
 6. Gearing ratio (2)
 7. Return on shareholders' funds (ROSF) (2)
- Remember to calculate to 2 decimal points.**



- b) You have to comment on your findings. You must comment on the ***movement*** and direction in the ratios and ***interpret your findings***. (6)

QUESTION 7 [10]

If we want to forecast sales in a business, we need to identify the pattern of sales and consider a number of possible variations. Name these variations and give a short description of each.

(Annexure A)**Balance sheet as at 31 March 2011**

	2011	2010	2009
	Rm	Rm	Rm
ASSETS			
Non-current assets	2 035	1 944	1 686
Property, plant and equipment	1 340	1 295	1 114
Intangible assets	580	537	517
Available-for-sale financial assets	20	19	1
Investment in associates	90	84	40
Deferred income tax assets	5	9	14
Current assets	3 895	3 243	4 071
Inventories	2 105	1 315	2 391
Trade and other receivables	1 468	1 365	1 521
Cash and cash equivalents	322	563	159
Total assets	5 930	5 187	5 757
EQUITY AND LIABILITIES			
Equity			
Capital and reserves attributable to the equity holders of the company	2 146	1 973	2 139
Stated capital	320	318	201
Treasury shares	-5	-8	-11
Other reserves	156	54	286
Retained earnings	1 675	1 609	1 663
Minority interest in equity	-2	-2	-2
Total equity	2 144	1 971	2 137
Liabilities			
Non-current liabilities	1 046	885	789
Deferred income tax liabilities	65	80	118
Provisions	1	1	1
Interest-bearing borrowings	980	804	670
Current liabilities	2 740	2 331	2 831
Trade and other payables	2 470	2 166	2 370
Current portion of interest-bearing borrowings	120	108	68
Current income tax liabilities	5	2	20
Bank overdrafts	145	55	373
Total liabilities	3 786	3 216	3 620
Total equity and liabilities	5 930	5 187	5 757

**Income statement for
the year ended 31 March 2011**

	2011 Rm	2010 Rm	2009 Rm
Continuing operations			
Revenue	9 560	8 827	11 111
Cost of sales	-7 980	-7 438	-9 045
Gross profit	1 580	1 389	2 066
Other operating income	60	77	30
Administrative expenses	-535	-487	-546
Distribution expenses	-690	-674	-639
Operating expenses	-32	-26	-34
Operating profit	383	279	877
Finance expenses	-289	-217	-205
Finance income	42	44	41
Share of profits of associates	4	3	5
Profit before taxation	140	109	718
Income tax expense	-42	-51	-227
Profit for the year	98	58	491
Attributable to:			
Equity holders of the company	94	56	491
Minority interest	4	2	-
	98	58	491
Earnings per share from profit attributable to equity holders of the company during the year			
Basic earnings per share (cents)	204,0	122,0	1 107,4
Diluted earnings per share (cents)	203,1	121,7	1 062,2