higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

FINANCIAL MANAGEMENT
NQF LEVEL 4

(3011014)

26 November 2024 (X-paper)
09:00–12:00

Non-programmable calculators may be used.

This question paper consists of 11 pages.

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DEPARTMENT OF HIGHER EDUCATION AND TRAINING
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)
FINANCIAL MANAGEMENT
NQF LEVEL 4
TIME: 3 HOURS
MARKS: 200

INSTRUCTIONS AND INFORMATION

1. Answer all the questions.
2. Read all the questions carefully.
3. Number the answers according to the numbering system used in this question paper.
4. Use the table below as a guide to answering the questions.
5. Use only a black or blue pen.
6. Write neatly and legibly.

QUESTION	TOPIC(S)	MARKS	RECOMMENDED TIME
SECTION A			
1	All	40	40 minutes
SECTION B			
2	Topics 1 and 2	40	40 minutes
3	Topics 2, 3 and 4	35	35 minutes
4	Topics 3 and 4	45	45 minutes
5	Topics 4 and 5	40	40 minutes
	GRAND TOTAL:	**200**	**180 minutes**

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SECTION A

QUESTION 1

1.1 Choose a term from COLUMN B that matches a description in COLUMN A. Write only the letter (A–N) next to the question number (1.1.1–1.1.10) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	Business registered under the VAT Act	A	business plan
1.1.2	Point when all income = all costs	B	variable costs
1.1.3	The *Executive Summary* makes up part of this document	C	vendor
		D	tax evasion
1.1.4	Sales less variable costs	E	cost to income
1.1.5	Costs that change in direct proportion to the number of units produced	F	capital budget
1.1.6	Budget that is prepared to assist management in deciding whether to purchase fixed assets	G	SMART
		H	contingency allowance
1.1.7	Term used when a business fails to reveal information honestly on a tax return	I	company
		J	overdraft
1.1.8	Amount granted by a bank that allows a business to use money in excess of its bank balance	K	budget diary
		L	break-even
1.1.9	A form of business ownership which does not qualify for personal tax rebates	M	contribution
		N	tax avoidance
1.1.10	Criteria used to set up objectives in a business plan		

(10 × 1) (10)

1.2 Complete the following sentences by choosing the correct word/s within brackets. Write only word/s next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 (Zero-based/Incremental) budgeting is a technique that involves taking the costs of the previous accounting period and adding a percentage to it to obtain the budgeted costs for the following period.

1.2.2 Costs that remain constant irrespective of the number of goods produced is called (fixed/breakeven) costs.

1.2.3 (Fixed/Current) assets are the short-term possessions of a business.

1.2.4 The (Skills development/Unemployment Insurance) fund is used to train and develop workers in the workforce.

1.2.5 Brown bread is subject to (exempt/zero-rated) VAT.

1.2.6 The (payback period/net present value) method of investment appraisal calculates the discounted cashflows of an investment.

1.2.7 The (EMP 501/EMP 201) reconciliation report reflects the earnings of all employees and is submitted to SARS by the employer.

1.2.8 A 66 year old individual is entitled to (only primary/both primary and secondary) tax rebates.

1.2.9 When a business's expenses are more than its income, the business has made a (profit/loss).

1.2.10 The difference between the budgeted and actual sales of a business is called the (variance/variable cost).

(10 × 1) (10)

1.3 The following information was extracted from the records of Nikay Manufacturers for the year ending 28 February 2022:

Estimated sales for the year:	40 000 units at R11,00
Variable cost:	R2,20
Fixed cost for the year:	R30 000

1.3.1 Calculate the following, showing all your workings:

(a) Contribution (or marginal income) per unit (3)

(b) Total variable cost (3)

(c) Total cost if 50 000 units are produced (5)

(d) Break-even units or quantity (show the formula) (4)

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1.3.2 Bongi is an employee of Mphake Logistics. She earns a gross salary of R14 000 per month. Bongi also contributes 7% of her gross salary to a pension fund and 1% of her gross salary to UIF monthly. The taxation payable on her salary is 18%.

Calculate Bongi's monthly deduction of the following. Round off your answers to TWO decimals:

(a) Pension-fund (2)

(b) PAYE (3)

[40]

TOTAL SECTION A: 40

SECTION B

QUESTION 2

Skhumbuzo Khumalo was an NCV student at the South West Gauteng College, Molapo Campus in Soweto. He completed a Management L4 qualification in 2020 with seven distinctions. He developed an interest in photography while he was a student and started taking his classmates' pictures with his phone. He also took pictures of other students on the campus and printed the pictures at a fee.

Skhumbuzo's business started growing as he also took pictures of neighbours, churchgoers and the community at large. At the beginning of 2021, he bought a bigger camera with the funds he got from selling pictures. He also collaborated with his friend, Msizi Shabangu, who assisted him to take pictures. They started a business called Sizaskhumba Photographers.

To increase expand their business, they started to take pictures of people who visited Mandela's home in Vilakazi Street. They offered the downloading of the pictures to clients' phones. They are currently using the outside room of Skhumbuzo's parents' home to store their equipment and records.

2.1 Name and explain TWO methods/systems that Sizaskhumba Photographers can use to store their records. (2 × 2) (4)

2.2 Sizaskhumba Photographers are considering getting funding for their business to expand.

List FOUR sources of funding they can use. (4)

2.3 Sizaskhumba Photographers realised that providers of funding require business plans.

Name FIVE components of a business plan. (5)

2.4 Sizaskhumba Photographers needs additional capital of R75 000. Perm Bank has offered a loan of R75 000 repayable in equal instalments over three years at 14,75% interest per year on the outstanding balance.

2.4.1 Determine the principal amount of the loan payable every year. (2)

2.4.2 Is the loan from Perm Bank a medium-term loan or a long-term loan? Give a reason for your answer. (3)

2.4.3 Calculate the total interest payable on the loan for the three years. Round off your answer to TWO decimals. (4)

2.4.4 Calculate the total amount payable over 3 years. Round off your answer to TWO decimals. (2)

2.5 Sizaskhumba Photographers must draft various financial reports for different users.

Tabulate THREE types of reports and give the purpose of each report.

TYPE OF FINANCIAL REPORT	PURPOSE

(3 × 2) (6)

2.6 Give ONE consequence of not preparing regular financial reports in a business. (2)

2.7 Indicate whether the following expenses are FIXED or VARIABLE by writing only the word 'Fixed' or 'Variable' next to the question number (2.7.1–2.7.2) in the ANSWER BOOK.

2.7.1 Couriering pictures to customers.

2.7.2 Renting the outside room.

(2 × 1) (2)

2.8 Sizaskhumba Photographers purchased printing sheets and ink cartridges to use in their business. The price of the goods was R37 500 (VAT exclusive). Sizaskhumba Photographers sold these goods to customers for R69 000 (VAT inclusive).

2.8.1 How much VAT did Sizaskhumba Photographers pay on the goods? (2)

2.8.2 Is the VAT in QUESTION 2.8.1 input VAT or output VAT? (1)

2.8.3 How much VAT will Sizaskhumba Photographers charge its customers? (2)

2.8.4 Is the VAT in QUESTION 2.8.3 input VAT or output VAT? (1)

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QUESTION 3

3.1 Study the information below that was extracted from the records of Sizaskhumba Photographers and answer the questions that follow:

ITEM	NOVEMBER 2022 BUDGETED (R)	NOVEMBER 2022 ACTUAL (R)
Income from photographs	24 000	26 000
Costs on income	10 000	9 500
Gross income	14 000	16 500
Less operating expenses	3 450	3 850
Water and electricity	400	450
Rental	1 200	1 200
Consumables	650	700
Cellphone and internet	1 200	1 500
Net profit for the year	10 550	12 650

3.1.1 Calculate the variance on Income from photographs. State whether the variance is favourable or unfavourable. (3)

3.1.2 Give ONE reason for the variance referred to in QUESTION 3.1.1. (2)

3.1.3 Name an expense with no variance. (1)

3.1.4 Calculate the variance for water and electricity. State whether the variance is favourable or unfavourable. (3)

3.1.5 Name ONE control measure that Sizaskhumba Photographers can take to ensure that the water and electricity expense is within budget. (2)

3.1.6 Calculate the budgeted amount for December 2022 for Consumables if Sizaskhumba Photographers plans on adding 12% to November's actual figure for Consumables. (3)

3.2 Sizaskhumba Photographers wants to purchase another camera for the business. They can choose between the two cameras below:

	Cannone	Pixal
Cost	(R9 000)	(R9 000)
Year 1 cashflows	R4 000	R3 800
Year 2 cashflows	R3 600	R3 400
Year 3 cashflows	R3 000	R3 400
Year 4 cashflows	R2 600	R2 400

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3.2.1 Calculate the payback period (in years and months) for each of the cameras:

(a) Cannone

(b) Pixal

(2 × 6) (12)

3.2.2 Based on the calculations in QUESTION 3.2.1, which camera should Sizaskhumba Photographers purchase? Give a reason for the answer. (3)

3.2.3 Explain ONE shortcoming of the internal rate of return as an investment appraisal technique. (2)

3.3 Explain TWO ways in which Sizaskhumba Photographers can reduce supply costs in order to improve profits. (2 × 2) (4)

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QUESTION 4

4.1 Sizaskhumba Photographers wants to budget their income for the first quarter of the year 2023. The business operates seven days a week. On Saturdays and Sundays they purely focus on Vilakazi Street and events.

The following information relates to first quarter of 2023:

Month	Number of days in the month	Number of public holidays	Number of weeks and weekends
January	31	0	4
February	28	0	4
March	31	1	4

The business makes the following income:

- R1 200 per day from Monday to Friday
- R800 per day on weekends and
- R1 200 for events that occur twice a month.

The business is closed on public holidays.

Calculate the total income earned:

4.1.1 From Mondays to Fridays for the quarter. (6)

4.1.2 On weekends for the quarter. (2)

4.1.3 From events for the quarter. (2)

4.2 The following information was extracted from the records of Sizaskhumba Photographers:

	DECEMBER 2021	DECEMBER 2022
	R	R
Sales	90 450	97 500
Costs of sales	26 250	27 850
Gross profit	64 200	69 650
Add: Other income	875	950
Less operating expenses	14 575	13 225
Net income before interest	50 500	57 375
Interest paid	1 250	1 200

Calculate the following ratios by providing all formulae and rounding off all answers to TWO decimal places. Show all your workings.

4.2.1 Calculate the turnover performance ratio for the year 2022. (4)

4.2.2 Calculate the gross profit percentage on sales for 2022. (3)

4.2.3 The gross profit percentage for 2021 was 70.98%.

Compare the ratio for both years by considering your answer calculated in QUESTION 4.2.2. Provide ONE comment after your comparison. (3)

4.2.4 Calculate the cost-to-income ratio for the year 2021. (3)

4.3 Study the Balance Sheet below and answer the questions that follow:

BALANCE SHEET OF SIZASKHUMBA PHOTOGRAPHERS FOR THE YEARS ENDED 31 DECEMBER		
	2021	2022
Non-current assets	125 000	140 000
Current assets	24 375	20 150
TOTAL ASSETS	**149 375**	**160 150**
Owners' Equity	91 550	89 305
Non-current liabilities	50 000	60 000
Current liabilities (Creditors)	7 825	10 845
TOTAL EQUITY & LIABILITIES	**149 375**	**160 150**

Calculate the following ratios by providing all formulae and rounding off all answers to TWO decimal places:

4.3.1 Solvency ratio for the years 2021 and 2022. (5)

4.3.2 Current ratio for the years 2021 and 2022. (5)

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4.4 4.4.1 Give TWO internal budget constraints. (2 × 2) (4)

4.4.2 Give TWO external budget constraints. (2 × 2) (4)

4.5 Explain TWO factors to consider when analysing past budgets in order to draw up a future budget. (2 × 2) (4)

[45]

QUESTION 5

5.1 Name any THREE documents that an individual needs in order to complete a tax return. (3 × 2) (6)

5.2 Explain TWO consequences of submitting a tax return late or not submitting a tax return at all. (2 × 2) (4)

5.3 Indicate whether the following can be deducted as capital allowance. Give a reason for each answer:

5.3.1 The delivery van that Makhadzi uses for her business was broken. Makhadzi had to pay the mechanic R6 500 to fix the gearbox so that she can use the van again.

5.3.2 Verusha scrapped her business fax machine because she does not use it anymore.

5.3.3 Aphiwe has bought the machine in his tailoring business when he started the business ten years ago. The machine is fully depreciated.

5.3.4 Boitumelo bought a new building for his business.

(4 × 2) (8)

5.4 Give TWO reasons why it is important for citizens who earn an income to pay tax. (2)

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5.5 Use the tax tables below to answer the questions that follow:

TAX RATES FOR INDIVIDUALS FOR 2023	
TAXABLE INCOME (R)	**RATES OF TAX**
1 – 226 000	18% of taxable income
226 001 – 353 100	40 680 + 26% of taxable income above 226 000
353 101 – 488 700	73 726 + 31% of taxable income above 353 100
488 701 – 641 400	115 762 + 36% of taxable income above 488 700
641 401 – 817 600	170 734 + 39% of taxable income above 641 400
817 601 – 1 731 600	239 452 + 41% of taxable income above 817 600
1 731 601 and above	614 192 + 45% of taxable income above 1 731 600
TAX REBATES 2023	
Primary	R17 235
Secondary (65 and older)	R9 444
Tertiary (75 and older)	R3 145
TAX THRESHOLDS 2023	
Under 65	R91 250
65 up to 74	R141 250
75 and older	R157 900

5.5.1 Nthoto Mokoena, who is 38 years old, earns an income of R18 000 per month which excludes a once-off bonus of R36 000. She has no allowable deductions. Calculate her tax payable for the 2023 year of assessment. (8)

5.5.2 Gloria Singh is a 52 year old sole trader. She had a taxable profit of R182 000 per annum for the year 2023. Calculate her tax payable for the 2023 year of assessment. (2)

5.6 M Projects (Pty) Ltd has identified the following two potential projects:

	Total expenses	Financial benefit to business
Project Solar A	180 000	300 000
Project Solar B	222 000	318 000

5.6.1 Determine the cost-benefit ratio for each project. Show the formula and round off your answers to TWO decimals:

(a) Project Solar A

(b) Project Solar B (7)

5.6.2 Based on the answer to QUESTION 5.6.1, which project should the business invest in? Give ONE reason for the answer. (3)

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TOTAL SECTION B: 160
GRAND TOTAL: 200

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