higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE (VOCATIONAL)

FINANCIAL MANAGEMENT
NQF LEVEL 4

21 November 2022

This marking guideline consists of 10 pages.

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INSTRUCTIONS TO MARKERS

1. To get full marks all the calculations have to be shown.

2. Do not penalise the candidates if they do not show the rand or unit value unless indicated otherwise.

SECTION A

QUESTION 1

1.1	1.1.1	J	
	1.1.2	C	
	1.1.3	E	
	1.1.4	D	
	1.1.5	H	
	1.1.6	A	
	1.1.7	B	
		(7 × 1)	(7)

1.2	1.2.1	A	
	1.2.2	D	
	1.2.3	C	
	1.2.4	A	
	1.2.5	A	
	1.2.6	A	
	1.2.7	B	
		(7 × 1)	(7)

1.3 1.3.1

- A business plan is a written document
- in which a business opportunity or a business already under way
- is identified, described and analysed, examining its technical, economic and financial feasibility.

Or similar (3)

1.3.2

- Personal, business property or land
- Business assets
- Investments
- Life insurance policy
- Works of art, other items of value such as gold coins

(Any relevant 3 × 1) (3)

1.3.3
- Wages
- Water and electricity
- Interest paid
- Rent expenses

(Any 2 relevant × 1) (2)

1.4 1.4.1 (a) R400 × 15/115✓ = R52,17 VAT amount,✓ Input VAT✓ (3)

(b) No VAT (1)

(c) R750 × 15/115✓ = R97,83 VAT amount,✓ Input VAT✓ (3)

1.4.2
- Duplicate receipts
- Duplicate credit invoices
- Credit notes
- Bank statement (Any 3 × 1) (3)

1.5
- Trends✓ and changes✓ that have taken place in the business
- Actual performance✓ compared with expected performance✓
- The accuracy✓ of the previous✓ budgeting
- Discrepancies✓ and variances identified✓ in previous budget
- New statutory payments and increment on existing statutory payments
- Inflation and interest rates

(Any 4 relevant × 2) (8)

[40]

TOTAL SECTION A: 40

SECTION B

QUESTION 2

2.1
- Give discounts✓ to customers for early payment.✓
- Make sure that invoices✓ and statements✓ are sent to customers timeously.
- Charge interest✓on overdue accounts✓ of customers.
- Make the terms of credit clear to the customers.

(Any 3 relevant × 2) (6)

2.2
- Increasing the income of the business and maximising profits.
- Negotiate terms with suppliers that will ensure there is sufficient cash in the business.
- Implement systems that improve productivity of the business.
- Track expenses and be prepared to cut down expenses if necessary.

(Any 2 relevant × 2) (4)

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2.3
- Unemployment Insurance Fund✓ – to assist workers if they should become unemployed, sick or pregnant.✓
- Pay as you earn✓ – to deduct the amount of taxation payable and pay over to SARS.✓
- Occupational injuries and deceases fund – to assist workers with claims if they should become injured while on duty.

(Any 2 relevant × 2) (4)

2.4 2.4.1 Short-term finance/ External finance✓ (1)
Reason:
- It is meant to be payable✓ within a year.✓
- It is an external institution offering financing.

(Any 1 relevant × 2) (2)

2.4.2 Fund National Bank:
R75 000 ÷ 6 = R12 500
Month 1 – R75 000 × 15% = R11 250✓
Month 2 – (R75 000 – 12 500) = R62 500 × 15% = R9 375✓
Month 3 – (R62 500 – R12 500) = R50 000 × 15% = R7 500✓
Month 4 – (R50 000 – R12 500) = R37 500 × 15% = R5 625✓
Month 5 – (R37 500 – R12 500) = R25 000 × 15% = R3 750✓
Month 6 – (R25 000 – R12 500) = R12 500 × 15% = R1 875✓
Total interest = R39 375☑

NB: The entire line must be correct to award 1 mark. (7)

2.4.3 Medium-term finance/ External finance✓ (1)
Reason:
- It is meant to be payable within a period of more than a year,✓ and less than three years.✓
- It is an external person who is offering the financing. (2)

(Any 1 relevant × 2)

2.4.4 R75 000 × 20%✓ = R15 000✓ × 2✓ = R30 000 (3)

2.4.5 True✓
Miyeni Electrical and Supplies (Pty) Ltd is a separate legal person, distinct from its shareholders and directors✓.

Or similar (2)

2.5 2.5.1 Selling price per unit – Variable cost per unit✓
R60✓ – R20✓ = R40 (3)

2.5.2 <u>Total fixed costs</u>
Contribution per unit✓

<u>R110 000</u>✓
R40☑

= 2 750 units (3)

2.5.3 Breakeven units × Selling price per unit✓

2 750 ☑ × R60✓

= R165 000 (3)

2.6
- Prepare the business plan document correctly.
- Type the business plan document.
- Do research.
- Be realistic.
- Be prepared by having a thorough knowledge of the contents of the plan.

(Any 2 relevant × 2) (4)
[45]

QUESTION 3

3.1 3.1.1 R33 250✓ – R32 750✓ = R500, Favourable✓ (3)

3.1.2
- There could have been an increment on the rent amount.
- The tenant might have also paid the deposit.

(Any 1 relevant × 2) (2)

3.1.3 R52 500✓ – R47 500✓ = R5 000, Unfavourable✓ (3)

3.1.4
- The business should draft the budget taking into consideration any overtime✓ or bonuses that have to be paid to workers.✓
- When drafting the budget the business needs to consider any increments on the salaries of the worker.
- Consider idle hours and production downtime.

(Any 1 relevant × 2) (2)

3.1.5
- Advertising
- Repairs
- Interest paid (Any 2 × 1) (2)

3.1.6 R387 500 × 11%✓ = R42 625
R387 500✓ + R42 625✓ = R430 125
OR
R387 500 × 1,11 = R430 125 (3)

3.1.7 Incremental budgeting (1)

3.2
- Monitor the actual performance of your business against the objectives and financial statements included in your business plan.
- Identify factors that are not occurring in line with your original business plan.
- Highlight the specific operational areas where you should take action to correct the progression of your business.
- Ensure that your business is successful and profitable.

(Any 2 relevant × 2) (4)

3.3 3.3.1 Payback: Transformer AA

Cost of machine	R180 000
Year 1 Cash flow	✓(R60 000)
Balance	R120 000
Year 2 Cash flow	✓(60 000)
Balance	R60 000
Year 3 Cash flow	✓ (40 000)
Balance	R20 000

20 000
40 000 × 12✓ = 6 Months

Payback period = 3 years and 6 months or 3,5 years✓ (5)

3.3.2 Payback: Transformer CC

Cost of machine	R180 000
Year 1 Cash flow	✓(R50 000)
Balance	R130 000
Year 2 Cash flow	✓(60 000)
Balance	R70 000
Year 3 Cash flow	✓ (40 000)
Balance	R30 000

30 000
40 000 × 12✓ = 9 Months

Payback period = 3 years and 9 months or 3,75 years✓ (5)

3.3.3 Transformer AA✓ is the best option as the business will **recover** its investment in this transformer in a quicker time✓ (of 3,5 years) compared to transformer CC (3,75 years). (2)

3.4 3.4.1 Creditors age analysis
3.4.2 Balance sheet
3.4.3 Debtors age analysis

(3 × 1) (3)
[35]

QUESTION 4

4.1
- A budget is a financial plan✓ for a specific period,✓ to enhance the success of any financial undertaking.✓
- A budget is a plan on how to allocate financial resources to achieve the targets defined in the business plan.
- A budget is an estimation of future income and expenditure at a given period.

(Any 1 relevant × 3 or similar) (3)

4.2
- Research
- Rationalisation
- Using past events/experience

(Any 3 relevant × 1) (3)

4.3
- Financial resources✓ can be over- or underutilised.✓
- Incorrect selling price✓ can be calculated.✓
- Incorrect company tax can be calculated✓ which can result in penalties for underpayment.✓
- VAT payable to SARS can be calculated incorrectly.
- Historic data for future budgets will be incorrect, which can have a long-term negative effect on the business.

(Any 3 relevant × 2) (6)

4.4 4.4.1 $\frac{\text{Gross profit}}{\text{Turnover}} \times 100$✓

$\frac{\text{R232 500}}{\text{R387 500}}$✓ × 100 = 60,00% (3)

4.4.2
- The decrease in the selling price of goods,✓ without any decrease in the cost of goods sold.✓
- Increase in the cost of goods sold without any increase in the selling price.
- Unfavourable purchasing or markup policies.
- The gross profit margin that was set was not maintained by the business.
- The business did not stick to the sales prices that were set by the business.

(Any 1 relevant × 2) (2)

4.4.3 $\frac{\text{Net profit before tax}}{\text{Turnover}} \times 100$✓

$\frac{\text{R194 352}}{\text{R387 500}}$✓ × 100 = 50,16% (3)

4.5 4.5.1 Current assets✓
Current liabilities

R108 000✓
R90 000✓

= 1,2 times or 1,2:1 (3)

4.5.2
- The ratio calculated is not acceptable/is below the acceptable ratio of 2:1 and the business did not meet the target.
- The business might experience difficulty in paying its debts.

(Any 1 relevant × 2) (2)

4.5.3 Current assets – stock ✓
Current liabilities

R108 000 – R14 000 ✓
R90 000

= 1,04 times or 1,04:1✓ (3)

4.5.4 Total assets – Total liabilities✓

(R600 000✓ + R108 000✓) – (R120 000✓ + R90 000✓)

= R498 000,00 (5)

4.5.5 Average debtors
Credit sales × 12✓

(R19 500✓ + R26 000✓)/2✓
R125 000✓ × 12

= 2 Months (5)

4.5.6
- The business takes 2 months✓ to recover/collect the amount owed by customers✓.

(Any 1 relevant × 2 or similar) (2)
[40]

QUESTION 5

5.1 5.1.1 R20 000✓
Shareholders liability is limited✓ to the amount that they invest✓ in the business. (3)

5.1.2 A True
B False
C False (3)

5.2
- Postal address
- Residential address
- Identity number
- E-mail address
- Telephone number
- Cellphone number
- Marital status (Any 4 × 1) (4)

5.3

IMPLICATIONS OF NON-COMPLIANCE
Interest may be charged✓ on the account of a tax payer✓ by SARS as a result of non-compliance.
Penalties✓ of up to 200% may be imposed by SARS✓ on the tax liability of the tax payer.
A taxpayer who fails to comply with the tax regulations will be subjected to imprisonment/jail for a certain period determined by SARS.
A taxpayer who fails to comply with the tax regulations will be liable for additional tax payable on his/her account.

(Any 2 relevant × 2) (4)

5.4 5.4.1 Project AA: $\frac{\text{Financial benefit to business}}{\text{Total cost}}$

$$\frac{\text{R100 000}}{\text{R90 000}\checkmark\ (\text{R30 000} + \text{R60 000}\checkmark)} \checkmark = 1{,}11$$ (3)

5.4.2 Project DD: $\frac{\text{Financial benefit to business}}{\text{Total cost}}$

$$\frac{\text{R106 000}}{\text{R96 000}\checkmark\ (\text{R34 000} + \text{R62 000}\checkmark)} \checkmark = 1{,}10$$ (3)

5.4.3 Project AA✓ (1)
Explanation:
- A project which provides the higher financial benefit✓ in relation to cost is considered to yield the best results.✓
- The benefit of 1,11 is higher than the cost of the project, therefore project AA is a good investment.

(Any 1 × 2 or similar) (2)

5.5 5.5.1

Total income per annum (R450 000)	✓R450 000
Taxable income	= R450 000
Tax calculation	
Fixed amount	R105 429
Add: Tax 36% (R450 000 – R445 100✓)	✓R1 764
Total before rebates	☑R107 193
Less: Primary rebate	✓ (R14 958)
Less: Secondary rebate	✓ (R8 199)
Less: Tertiary rebate	✓ (R2 736)
Tax payable	✓R81 300

(8)

5.5.2

Total income per annum (R32 000✓ × 12✓)	R384 000
Add: Bonus fund (R384 000☑ x 40%✓)	R153 600
Taxable income	= R537 600
Tax calculation	
Fixed amount	R105 429
Add: Tax 36% (R537 600☑ – R445 100)	☑R33 300
Total before rebates	☑R138 729
Less: Primary rebate	✓ (R14 958)
Tax payable	✓R123 771

(9)
[40]

TOTAL SECTION B: 160
GRAND TOTAL: 200

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