higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

FINANCIAL MANAGEMENT
NQF LEVEL 4

(3011014)

21 November 2022 (X-paper)
09:00–12:00

Calculators may be used.

This question paper consists of 13 pages.

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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. Start each section on a new page.
5. Use only a blue or black pen.
6. Write neatly and legibly.

QUESTION NUMBER	MARKS	RECOMMENDED TIME GUIDE
SECTION A		
1	40	36 Minutes
SECTION B		
2	45	40 Minutes
3	35	32 Minutes
4	40	36 Minutes
5	40	36 Minutes
TOTAL	200	180 Minutes

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SECTION A

QUESTION 1

1.1 Choose an option from COLUMN B that matches a description in COLUMN A. Write only the letter (A–J) next to the question number (1.1.1–1.1.7) in the ANSWER BOOK.

COLUMN A		COLUMN B	
1.1.1	The budgeting process that a business uses to decide on the purchase of non-current assets	A	Master budget
		B	Cash flow statement
1.1.2	White bread	C	Zero-rated item
1.1.3	A fund used for training and development of employees	D	Travel costs for business purposes
1.1.4	An example of a business tax deductible expense	E	Skills development fund
1.1.5	A ratio that indicates a business' ability to pay interest on its outstanding debt	F	VAT101 form
		G	Exempt income
1.1.6	The main or overall budget that combines different budgets for various business units or areas	H	Interest coverage ratio
		I	Cost to income ratio
1.1.7	A financial report that shows the movement of cash in and out of a business over a specific period of time	J	Capital budgeting

(7 × 1) (7)

1.2 Various options are given as possible answers to the following questions. Choose the answer and write only the letter (A–D) next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

1.2.1 Which one of the following is a source of funding in a business?

A Venture capital.
B Outstanding creditors balances.
C Treasury stock.
D Cost of capital.

1.2.2 Which statement is NOT true regarded budgeting in a business?

A Planning for the future.
B Giving direction to the business.
C Setting standards to compare business performance.
D Encouraging the manager's personal achievements.

1.2.3 The terms of a loan repayment amount is usually determined by …

A the finance manager in the business.
B borrower.
C lender.
D the loan balance.

1.2.4 … are possessions of a business that will be converted into cash within one year.

A Current assets
B Current liabilities
C Non-current assets
D Non-current liabilities

1.2.5 A business may choose to register voluntarily for VAT if the value of its taxable supplies has exceeded … in the past 12 months.

A R50 000
B R300 000
C R1 000 000
D R150 000

1.2.6 The purpose of the … statement is to show all income and expenditure that results in the profit or loss for a business for a specific period.

A income and expenditure
B cash flow
C balance sheet
D cash budget

1.2.7 The … report shows all the earning of employees and is submitted twice a year to SARS.

A EMP201
B EMP501
C EMP301
D EMP401

(7 × 1) (7)

1.3 1.3.1 Describe the term *business plan.* (3)

1.3.2 Name THREE assets that could be offered as security against funding. (3)

1.3.3 Name TWO examples of expenditure that can be found in the statement of income and expenditure. (2)

1.4 Study the following transactions that appeared in the books of Maseng Cleaners and answer the questions that follow. All the amounts are VAT inclusive. Round off your answers to two decimals:

1.4.1 (a) Bought stationery for R400 from PCA Stationers.

Calculate VAT amount and indicate whether it is input VAT, output VAT, or there is no VAT on the transaction. (3)

(b) Paid staff wages of R1 500 for the week.

Indicate whether the transaction has input VAT, output VAT, or there is no VAT on the transaction. (1)

(c) Bought cleaning material from Sparkle Products, R750.

Calculate VAT amount and indicate whether it is input VAT, output VAT or there is no VAT on the transaction. (3)

1.4.2 Name THREE source documents that Maseng Cleaners have to store in their business regarding transactions with its customers. (3)

1.5 Budgeting is one of the success factors for a business. Describe FOUR factors to be considered when analysing past budgets to make forecasts for future budget needs. (4 × 2) (8)

[40]

TOTAL SECTION A: 40

SECTION B

QUESTION 2

Read the scenario below and answer the questions.

Mangaliso Miyeni is a young artisan and entrepreneur from Tembisa. He is a former student of Ekurhuleni West TVET College, Tembisa Campus. While he was studying at the college, he continued fixing electrical appliances for residents in and around the Tembisa area. People would also call him to install electricity in their newly built back rooms for rentals, and to fix loose connections in their houses.

After completing his Level 4, he got a Dual System Pilot Project (DSPP) electrical apprenticeship opportunity at the College. The apprenticeship programme ran for 3 years before he could be tested at a Trade Test Centre.

After qualifying as an electrical artisan, he got a job at a German company, where he worked for 4 months. He resigned so that he could focus his energy on building and growing his business. He established Miyeni Electrical and Supplies (Pty) Ltd in 2016, but his business started trading in 2020, after he was certified as a qualified artisan.

Since the company started to operate fully, it is growing from strength to strength. The company has secured contracts to install electricity and solar systems in houses, schools and businesses, as well as doing electricity maintenance. His business is not only limited to electrical services, but he also does plumbing and ceiling installations. He has employed 12 people who are working for him on a full-time basis.

2.1 Miyeni Electrical and Supplies (Pty) Ltd grants some of its customers credit. Customers have to pay after 30 days.

Briefly discuss THREE ways in which the business can manage their customers. (3 × 2) (6)

2.2 State TWO ways in which Miyeni Electrical and Supplies (Pty) Ltd can maintain a positive cash flow. (4)

2.3 Mangaliso has to make statutory payments regarding his 12 employees.

Name any TWO of these payments and give ONE reason for each payment. (2 × 2) (4)

2.4 Mangaliso needs R75 000 to buy equipment for his expanding business. He has the following two options to raise the money:

(a) Fund National Bank is offering to lend him the amount at an interest rate of 15% per month payable on the outstanding amount. The loan is payable in six equal monthly instalments.

(b) Mangaliso's uncle is offering to lend him the amount at an interest rate of 20% per annum on the total amount, payable over TWO years.

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2.4.1 What type of finance is Fund National Bank offering to Mangaliso? Give ONE reason for your answer. (3)

2.4.2 Calculate the total interest payable after SIX months on the loan from Fund National Bank.

HINT: Show the calculations for interest for each of the six months and then the total interest. (7)

2.4.3 What type of finance is Mangaliso's uncle offering to Mangaliso? Give ONE reason for your answer. (3)

2.4.4 Calculate the total interest payable on the loan from Mangaliso's uncle. (3)

2.4.5 State whether the following statement is 'True' or 'False', and give a reason for your answer.

Miyeni Electrical and Supplies (Pty) Ltd is a legal person. (2)

2.5 The following information is provided by Naidoo Traders:

Selling price per unit:	R60
Variable costs per unit:	R20
Total fixed costs:	R110 000

Use the above information to calculate the following. Show all formulae.

2.5.1 Contribution per unit

2.5.2 Breakeven quantity/units

2.5.3 Breakeven value

(3 × 3) (9)

2.6 Give TWO suggestions on how Miyeni Electrical and Supplies (Pty) Ltd can present a business plan which will be accepted by a financial institution.

(2 × 2) (4)

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QUESTION 3

3.1 Study the following extract from the records of Miyeni Electrical and Supplies (Pty) Ltd and answer the questions that follow:

MIYENI ELECTRICAL AND SUPPLIES (PTY) LTD
INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2021

	BUDGETED	ACTUAL
Turnover	362 500	387 500
Less: Cost of sales	(97 500)	(155 000)
GROSS PROFIT	265 000	232 500
Plus: Other income	**32 750**	**33 250**
Rent income	32 750	33 250
GROSS INCOME	**297 750**	**265 750**
Less: Operating expenses	**(79 615)**	**(85 398)**
Telephone	5 700	6 600
Advertising	3 900	3 900
Electricity	13 450	14 273
Refreshments	2 875	2 375
Salaries	47 500	52 500
Stationery	1 345	1 100
Sundry expenses	1 845	1 650
Repairs	3 000	3 000
Net profit before interest and tax	**218 135**	**180 352**
Interest income	24 750	26 000
Interest paid	(12 000)	(12 000)
Net profit before tax	**230 885**	**194 352**
Tax	(64 647,80)	(54 418,56)
NET PROFIT FOR THE YEAR	**166 237,20**	**139 933,44**

3.1.1 Calculate the variance for rent income. State whether the variance is 'Favourable' or 'Unfavourable'. (3)

3.1.2 Give ONE possible reason for the variance in QUESTION 3.1.1.

NOTE: It is NOT an acceptable reason to state that the actual amount is more than the budgeted amount. (2)

3.1.3 The actual amount for salaries is more than the budgeted amount. Calculate the variance and state whether it is 'Favourable' or 'Unfavourable'. (3)

3.1.4 Give ONE possible recommendation to address the variance in QUESTION 3.1.3. (2)

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3.1.5 List TWO expenses with no variances. (2)

3.1.6 Calculate the actual sales for April 2022 based on an 11% increase in the actual sales for April 2021. (3)

3.1.7 Which budgeting technique was used in QUESTION 3.1.6? (1)

3.2 Describe TWO benefits of regular financial reporting. (2 × 2) (4)

3.3 Miyeni Electrical and Supplies (Pty) Ltd wants to purchase a transformer for the business. It has the following two options and the costs and cash flows to be generated by the transformers are as follows:

	TRANSFORMER AA	**TRANSFORMER CC**
	Cost	***Cost***
	R180 000	R180 000
Year	***Cash flow***	***Cash flow***
1	R60 000	R50 000
2	R60 000	R60 000
3	R40 000	R40 000
4	R40 000	R40 000
5	R20 000	R20 000

3.3.1 Determine the payback period for Transformer AA. (5)

3.3.2 Determine the payback period for Transformer CC. (5)

3.3.3 Which transformer should Miyeni Electrical and Supplies buy based on the calculations above? (2)

3.4 Identify the report from each of the descriptions below. Write only the name of report next to the question number (3.4.1–3.4.3) in the ANSWER BOOK. Do not copy the Table in your ANSWERBOOK.

NO	**DESCRIPTION OF THE REPORT**	**NAME OF THE REPORT**
3.4.1	Ages unpaid invoices from suppliers	
3.4.2	Shows the financial position of the business	
3.4.3	Ages outstanding customer balances	

(3)
[35]

QUESTION 4

4.1 Explain the term *budget*. (3)

4.2 State THREE ways in which a business can justify budgeted amounts for proposed activities. (3)

4.3 State THREE challenges that would occur if budget items were not accurately recorded. (3 × 2) (6)

4.4 The following information was taken from the records of Miyeni Electrical and Supplies (Pty) Ltd for the year ended 30 April 2021:

MIYENI ELECTRICAL AND SUPPLIES (PTY) LTD
INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2021

Turnover	387 500
Less: Cost of sales	(155 000)
GROSS PROFIT	232 500
Plus: Other income	**33 250**
Rent income	33 250
GROSS INCOME	**265 750**
Less: Operating expenses	**(85 398)**
Telephone	6 600
Advertising	3 900
Electricity	14 273
Refreshments	2 375
Salaries	52 500
Stationery	1 100
Sundry expenses	1 650
Repairs	3 000
Net profit before interest and tax	**180 352**
Interest income	26 000
Interest paid	(12 000)
Net profit before tax	**194 352**
Income tax	(54 418,56)
NET PROFIT FOR THE YEAR	**139 933,44**

4.4.1 Calculate the gross profit percentage for 2021. Show all formulae and calculations. Round off the answer to TWO decimals. (3)

4.4.2 Based on the ratio calculated in QUESTION 4.4.1 the owner has realised that the actual gross profit ratio is less than what it had budgeted.

Give ONE possible reason for the actual gross profit ratio being less than the budgeted. (2)

4.4.3 Calculate the net profit percentage before tax for 2021. Show all formulae and calculations. Round off the answer to TWO decimals. (3)

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4.5 The following information was extracted from the records of Miyeni Electrical and Supplies (Pty) Ltd for the year ended 30 April 2021:

	R
Non–current liabilities	120 000
Non–current assets	600 000
Current liabilities	90 000
Current assets	108 000

Additional Information:

	R
Stock	14 000
Debtors (2020: R19 500)	26 000
Credit sales	125 000
Bank	68 000

Show all formulae and calculations. Round off the answers to TWO decimals, unless stated otherwise.

4.5.1 Calculate the current ratio for 2021. (3)

4.5.2 Comment on the ratio calculated in QUESTION 4.5.1 based on the acceptable current ratio. (2)

4.5.3 Calculate the acid test ratio for 2021. (3)

4.5.4 Determine the net worth of Miyeni Electrical Supplies. (5)

4.5.5 Calculate the debtor's collection period in months for 2021. Round off the answer to a WHOLE NUMBER. (5)

4.5.6 Comment on what the ratio calculated in QUESTION 4.5.5 means to the business. (2)
[40]

QUESTION 5

5.1 Answer the following questions regarding limited liability:

5.1.1 You bought shares in Bunny's TVs (Pty) Ltd for R20 000. The business owes the creditors R300 000.

State the amount that you will lose if the business goes bankrupt. Give a reason for your answer. (3)

5.1.2 State whether each of the following is 'True' or 'False' with regard to tax implications of a limited company:

a) The registered business does not receive tax rebates.
b) A limited company is taxed at 18%.
c) Shareholders are responsible for paying tax on the profit of the business. (3)

5.2 State FOUR pieces of personal information required to complete the tax return of an individual. (4)

5.3 Briefly describe TWO implications of non-compliance with the provisions of the Income Tax Act. (4)

5.4 Nevhembe has to decide on the cost benefit of the following TWO projects:

- Project AA has committed expenses of R30 000, other related costs of R60 000 and financial benefit to the business of R100 000.
- Project DD has committed expenses of R34 000, other related costs of R62 000 and financial benefit to the business of R106 000.

5.4.1 Calculate the cost benefit ratio for project AA.

5.4.2 Calculate the cost benefit ratio for project DD.

5.4.3 Based on the answers to QUESTIONS 5.4.1 and 5.4.2, state which project would yield the best results in cost benefit ratio and explain the answer.

(3 × 3) (9)

5.5 Study the tax tables below and answer the questions:

TAX RATES FOR INDIVIDUALS FOR 2021	
TAXABLE INCOME	**RATES OF TAX**
1 – 205 900	18% of taxable income
205 901 – 321 600	37 062 + 26% of taxable income above 205 900
321 601 – 445 100	67 144 + 31% of taxable income above 321 600
445 101 – 584 200	105 429 + 36% of taxable income above 445 100
584 201 – 744 800	155 505 + 39% of taxable income above 584 200
744 801 – 1 577 300	218 139 + 41% of taxable income above 744 800
1 577 301 and above	559 464 + 39% of taxable income above 1 577 300

TAX REBATES 2021	
Primary	R14 958
Secondary (65 and older)	R8 199
Tertiary (75 and older)	R2 736
TAX THRESHOLD 2021	
Under 65	R83 100
65 and older	R128 650
75 and older	R143 850

5.5.1 Arno Goldfinger is a sole trader of Arno Goldfinger's Traders. He made a net profit of R450 000 for the 2021 year.

Calculate the taxation payable by the 77-year-old Arno for the year 2021. (8)

5.5.2 Kgosimore Lentswe is an administrator at Arno Goldfinger's Traders. Kgosimore earns a taxable income of R32 000 per month, receives a bonus of 40% of his annual salary (excluded on taxable income) and is 42 years old.

Calculate Kgosimore's taxation payable for the 2021 year. (9)
[40]

TOTAL SECTION B: 160
GRAND TOTAL: 200

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