higher education & training

Department:
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REPUBLIC OF SOUTH AFRICA

NATIONAL CERTIFICATE (VOCATIONAL)

FINANCIAL MANAGEMENT
NQF LEVEL 4

(3011014)

4 December 2020 (X-paper)
09:00–12:00

This question paper consists of 14 pages.

299Q1N2004

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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 black or blue pen.
6. Show all your calculations.
7. Write neatly and legibly.

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SECTION A

QUESTION 1

1.1 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 (1.1.1–1.1.10) in the ANSWER BOOK.

1.1.1 A … is an example of a source of finance to start a business.

A tax revenue
B credit rater
C bank loan
D borrower

1.1.2 … is an example of a variable cost.

A Rent
B An advertisement
C Interest on a loan
D Salaries

1.1.3 The owner of a sole trader is taxed in his/her …

A personal capacity.
B turnover.
C investments.
D expenses.

1.1.4 … is tax paid by employees based on their remuneration.

A PAYE
B UIF
C Provisional tax
D OID

1.1.5 Unemployment insurance fund (UIF) is calculated at a rate of … for employees.

A 2%
B 1%
C 1,5%
D 3%

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1.1.6 … refers to what a borrower pledges to a financier as security for a loan.

A Capital expenditure
B Cash in the bank
C Creditors
D Collateral

1.1.7 The new VAT rate in South Africa is ... .

A 12%
B 14%
C 15%
D 10%

1.1.8 The … is one of the documents required by a lender when funding is required.

A business registration certificate
B personal loan
C bank balance
D debtors list

1.1.9 A bank … is granted by a bank to allow a business to overcome a temporary cash flow problem.

A overdraft
B charge
C investment
D debit order

1.1.10 When a business registers with the South African Revenue Services (SARS) to become a VAT vendor, it completes the … form.

A VAT 201
B VAT 202
C VAT 101
D VAT 102

(10 × 1) (10)

1.2 Choose an item from the following list that matches each of the descriptions below. Write only the item next to the question number (1.2.1–1.2.10) in the ANSWER BOOK.

marginal income; sales budget; skills development; capital allowance; cabbage; private company; interest coverage ratio; stock turnover rate; internal rate of return; R300 000; gross income; beef; master budget; R1 000 000

1.2.1 The minimum amount of turnover required for a business to register with SARS as a VAT vendor

1.2.2 This ratio indicates the number of times that the business sells its stock during the year

1.2.3 The shareholders in this business have limited liability towards the debts/obligations of the business

1.2.4 The remaining income after the variable costs have been deducted from sales

1.2.5 This ratio measures a business' ability to pay its interest expense on its outstanding debt

1.2.6 This budget shows the expected sales in units and Rand value for a period

1.2.7 The tax deduction relating to a business' assets

1.2.8 An investment appraisal technique

1.2.9 A fund that can be accessed for employees training programmes

1.2.10 An example of a zero-rated item

(10 × 1) (10)

1.3 Study the following cash budgets of Gadifele Traders for 2018 and 2019 and answer the questions.

DETAILS	2018 (R)	2019 (R)
Opening bank balance	2 300	**1.3.2**
Receipts		
~Cash sales and receipts from debtors	170 000	**1.3.3**
Total receipts	170 000	204 000
Payments		
~Water and electricity	19 000	19 570
~Direct material	55 000	**1.3.4**
~Rent	10 000	11 200
~Salaries	23 000	**1.3.5**
Total payments	**1.3.1**	113 360
Closing bank balance	65 300	**1.3.6**

ADDITIONAL INFORMATION:

- Cash sales and receipts from debtors increased by 20% in 2019.
- The employees of Gadifele Traders received a salary increase of 8% in 2019.
- The costs of direct materials increased by 5% in 2019.

Calculate the missing values in the table. Write your answers next to the question numbers (1.3.1–1.3.6) in the ANSWER BOOK. Show all calculations. (13)

1.4 Constraints to business performance can be divided into three categories, namely:

- Resources
- Marketplace
- Unpredictable events

Below is a list of constraints. Indicate which category each constraint falls into. Write only the category, 'Resources' or 'Marketplace' or 'Unpredictable events' next to the question number (1.4.1–1.4.7) in the ANSWER BOOK.

1.4.1 Increase in the rent of premises for the business.

1.4.2 The loan application to buy new equipment was not successful.

1.4.3 The current machinery and equipment are not sufficient to increase the business' production volume.

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1.4.4 The retrenchment of mine workers led to a decrease in the demand for available products in the area.

1.4.5 A tsunami hit the east coast of the country, where the business is situated.

1.4.6 The COVID-19 pandemic caused the business to close for three months during the national lockdown.

1.4.7 Increase in the prices charged by suppliers.

(7 × 1) (7)
[40]

TOTAL SECTION A: 40

SECTION B

QUESTION 2

Read the scenario and answer the questions.

Azwindini and Rofhiwa live in the Thate village in the Limpopo Province. Due to the high levels of unemployment in the village, they came up with the idea of planting and selling fruit and vegetables to the local community as well as in surrounding towns and cities. They named their business Azwifhiwa Fruit and Veggies.

Azwindini and Rofhiwa required tractors, fruit and vegetable seeds, fertilisers to start their business. The municipality assisted by selling them a piece of unused land in the village, at a reasonable price. They also approached local businesses to contribute funds or equipment to their business, as they planned to create employment for the villagers. They also bought some of the equipment, products and resources with cash they saved in investment accounts.

According to the agreement they had with the municipality and local businessmen, in return for their contributions, Azwifhiwa Fruit and Veggies would, once a week, provide the hospital and clinic of the village with vegatables and fruit for meals for the patients. The local businessmen could also buy fruit and vegetables from them at discounted prices.

2.1 State THREE components that Azwifhiwa Fruit and Veggies need to include when they draft a business plan. (3)

2.2 Azwifhiwa Fruit and Veggies wants to buy a piece of land 10 kilometres outside the village, where they intend to grow more fruit and vegetables. They need to a loan of R200 000 to buy the land and all the necessary equipment to start operations on the land.

They have offer from the following two lenders:

- Mashoni Loaners at 11% interest p.a. on the **total** amount. The loan is payable over 5 years, in equal monthly instalments.
- Africa Bank at 12% interest p.a. on the annual **outstanding** amount. The loan is payable over 5 years, in equal monthly instalments.

2.2.1 Calculate the equal monthly amount payable, including interest, on the loan from Mashoni Loaners. (4)

2.2.2 Calculate the equal monthly amount payable, including interest, on the loan from Africa Bank. (8)

2.2.3 Which offer should Azwifhiwa Fruit and Veggies accept (Mashoni Loaners or Africa Bank)? Give ONE reason for the answer. (2)

2.3 The table below indicates Azwifhiwa Fruit and Veggies direct costs and indirect costs.

Indicate if costs are direct or indirect by only writing the word 'Direct' or 'Indirect' next to the question number (2.3.1–2.3.4) in the ANSWER BOOK.

COSTS	DIRECT/INDIRECT
Tractor petrol	2.3.1
Vegetable seeds	2.3.2
Wages for workers planting the fruit and vegetables	2.3.3
Interest on the loan taken out to buy the land used to plant the fruit and vegetables	2.3.4

(4)

2.4 Name and describe TWO qualities of a good filing system. (4)

2.5 The following information was supplied to you by Fezivax Manufacturers:

Fixed cost: R6 000
Variable cost: R25 per unit
Selling price: R50 per unit

2.5.1 Calculate the variable cost of manufacturing 100 units. (2)

2.5.2 Calculate the selling price of 100 units. (2)

2.5.3 Calculate the fixed cost of manufacturing 200 units. Give a reason for your answer. (2)

2.5.4 Calculate the total cost of manufacturing 200 units. (3)

2.5.5 Calculate the profit or loss of manufacturing 200 units. Clearly indicate if the answer is a profit or a loss. (4)

[38]

QUESTION 3

The following information was extracted from the records of Biyola Traders for the year ended 30 June 2019:

	BUDGETED (R)	ACTUAL (R)
TURNOVER	363 000	388 000
Less: Cost of sales	134 500	155 000
GROSS PROFIT	228 500	233 000
Plus: Other income	**16 375**	**16 625**
Rental income	4 000	3 625
Income from interest	12 375	13 000
Less: Other expenses	**45 811**	**48 700**
Telephone	2 850	3 300
Advertising	1 950	1 950
Electricity	6 725	7 137
Refreshments	1 438	1 188
Salaries	23 750	26 250
Stationery and printing	673	550
General expenses	925	825
Interest on loan	6 000	6 000
Repairs	1 500	1 500
NET PROFIT FOR THE YEAR	199 064	200 925

3.1 3.1.1 Calculate the variance for turnover and state whether it is favourable or unfavourable. (3)

3.1.2 Give ONE possible reason for the variance you calculated in QUESTION 3.1.1. (2)

3.1.3 Calculate the variance for telephone. State whether it is favourable or unfavourable. (3)

3.1.4 Give ONE recommendation that can be implemented by the business to address the variance for telephone. (2)

3.1.5 Explain ONE possible reason why there are no variances for each of the following expenses:

- interest on the loan
- advertising. (2 × 2) (4)

3.1.6 Calculate the budgeted salaries for 2020 based on a 7% increase in the actual figure of 2019. (3)

3.1.7 Calculate the gross profit percentage for the year based on the actual figures. Show the formula and round off the answer to TWO decimals. (3)

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3.1.8 Calculate the net profit percentage for the year based on the budgeted figures. Show the formula and round off the answer to TWO decimal places. (3)

3.2 State THREE points to follow when constructing a business plan in a form that would be acceptable to a financial institution. (3)

3.3 Briefly explain the purpose of the income statement. (1 × 2) (2)

3.4 State TWO measures which a business may use to manage its debtors. (2)

3.5 Name FOUR types of financial reports that are useful for a business and indicate the main user of each report. Copy and complete the following table in the ANSWER BOOK.

TYPE OF FINANCIAL REPORT	MAIN USER
Example: Income statement	*CEO/Senior manager*

(4 × 2) (8)

3.6 Give ONE example of each of the following:

3.6.1 Income

3.6.2 Expenditure (2 × 1) (2)

[40]

QUESTION 4

4.1 Briefly define the term *budget*. (2)

4.2 Briefly describe THREE ways in which a businessman determines the budgeted amounts in the budgets of his business. (3 × 1) (3)

4.3 The following is an extract of Mathapelo's personal assets and liabilities:

	R
Furniture and appliances	R55 000
Car loan	R285 000
Cash	R3 500
Car (BMW 3-series): Book value	R385 000
Fixed-deposit account	R12 000
Short-term loan	R3 500
Clothing account	R700
Loan from Keabetswe	R88 000

4.3.1 Name TWO of Mathapelo's non-current assets. (2)

4.3.2 Name TWO of Mathapelo's current liabilities. (2)

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4.3.3 Calculate Mathapelo's net worth. Show ALL the calculations. (9)

4.4 The following is an extract from the records of Voortrekker Traders:

	2018	2019
	R	R
Non-current assets	301 250	302 500
Current assets	30 100	30 803
Non-current liabilities	30 000	28 750
Current liabilities	28 803	28 479
ADDITIONAL INFORMATION:		
Stock	7 563	7 075
Debtors	6 375	8 125
Bank	16 063	15 603
Credit sales	96 000	100 750

Calculate the following ratios. Show ALL the formulae and calculations. Round off the answers to TWO decimal places unless indicated otherwise:

4.4.1 Acid-test ratio for 2018. (3)

4.4.2 Current ratio for 2019. (3)

4.4.3 Debtors' collection period for 2019. Round off your answer to a whole number. **Comment** on this ratio. Use the following formula:

$$\frac{\text{Average debtors}}{\text{Credit sales}} \times 365$$

(5)

4.5 Calculate the payback period of the following new machine:

Cost of machine	R24 000
Expected cash flow:	
~Year 1	R 8 000
~Year 2	R10 000
~Year 3	R12 000

(6)

4.6 Tinyiko Bakery sells sandwiches to the local TVET College students for R25 each. The variable cost for a sandwich, including the bread, butter and filling is R19. The business sells a total of 60 sandwiches in one trading day.

4.6.1 Calculate the *contribution margin or marginal income (in Rands)* for one trading day. (3)

4.6.2 Calculate the *contribution margin ratio (%)* for one trading day. (4)

[42]

QUESTION 5

5.1 Name FIVE documents and information required by a person when completing a tax return form. (5)

5.2 Indicate if the following expenses are tax-deductible or not tax-deductible. Give a reason for each answer.

5.2.1 R4 000 was paid to a plumber for fixing the roof of the business building.

5.2.2 The private vehicle of the owner had to be taken for repairs and the cost of the repairs was R2 500.

5.2.3 The legal fees paid to the attorney to sue the plumber who did not fix the leaking roof, but instead created a bigger leak which affected other rooms of the business building.

(3 × 2) (6)

5.3 Sonke Traders bought a photocopy machine for R250 000 for business use. According to SARS 25% can be written off each year on this machine, over 4 years.

Calculate the capital allowance that the business can claim for each of the four-years using the diminishing-balance method. Also show the **total** capital allowance that will be claimed over the 4 years. (5)

5.4 Study the tables below and answer the questions.

2018 tax year (1 March 2017–28 February 2018)

TAXABLE INCOME (R)	RATES OF TAX
0 – 189 880	18% of taxable income
189 881 – 296 540	R34 178 + 26% of taxable income above R189 880
296 541 – 410 460	R61 910 + 31% of taxable income above R296 540
410 461 – 555 600	R97 225 + 36% of taxable income above R410 460
555 601 – 708 310	R149 475 + 39% of taxable income above R555 600
708 311 – 1 500 000	R209 032 + 41% of taxable income above R708 310
1 500 001 and above	R533 625 + 45% of taxable income above R1 500 000

TAX THRESHOLDS		TAX REBATES	
AGE	**2018**	**REBATES**	**2018**
	R		R
Under 65	75 750	Primary	13 635
65 and older	117 300	Secondary (65 and older)	7 749
75 and older	131 150	Tertiary (75 and older)	2 493

5.4.1 Andiswa Furnishers is a sole trader, with a net profit of R225 000 for the year. Calculate the tax liability for the 2018 year for the owner, Andiswa, who is 76 years old. (8)

5.4.2 Calculate the tax liability for the 2018 year for the 58-year-old bookkeeper at Andiswa Furnishers, Xolile Sibiya. Her taxable income is R18 500 per month. (6)

5.4.3 Calculate the tax liability for the 2018 year for Vathiswa, an administrator, who is 55 years old. Vathiswa has a taxable income of R12 000 per month. (4)

5.5 State TWO implications of compliance and TWO implications of non-compliance with tax regulations for a small business. Copy and complete the following table in the ANSWER BOOK:

IMPLICATIONS OF COMPLIANCE	IMPLICATIONS OF NON-COMPLIANCE

(Any 2 × 2) (4)

5.6 Briefly describe the legal status of a private limited company. (2)
[40]

TOTAL SECTION B: 160
GRAND TOTAL: 200

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