higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE (VOCATIONAL)

FINANCIAL MANAGEMENT
NQF LEVEL 4

XX February 2020

This marking guideline consists of 8 pages.

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SECTION A

QUESTION 1

1.1	1.1.1	G	
	1.1.2	H	
	1.1.3	A	
	1.1.4	M	
	1.1.5	B	
	1.1.6	K	
	1.1.7	E	
	1.1.8	D	
	1.1.9	L	
	1.1.10	F	
			(10 × 1) (10)
1.2	1.2.1	B	
	1.2.2	C	
	1.2.3	C	
	1.2.4	D	
	1.2.5	D	
			(5 × 1) (5)
1.3	1.3.1	Travelling	
	1.3.2	profit	
	1.3.3	OID	
	1.3.4	IRP5	
	1.3.5	Quantity	
			(5 × 1) (5)

1.4 1.4.1 R57 280✓ – R50 720✓ = R6 560 payable✓ to SARS (3)

1.4.2 (a) R7 000✓ × 1%✓ = R70 per month (2)

(b) R7 000✓ × 2%✓ = R140 per month✓ (3)

1.4.3
- Investing in education and training of employees
- Developing workers' skills and using the workplace as an active learning space
- Improving the quality of life of workers and prospects of work
- Improving productivity in the workplace and competitiveness of employers
- Promoting self-employment
- Improving the delivery of social services
- Providing opportunities for new entrants to the labour market to gain experience (Any relevant 2 × 2) (4)

1.4.4

Rajesh	Yes✓
Sureya	No✓
Lerato	No✓

(3)

[35]

TOTAL SECTION A: 35

SECTION B

QUESTION 2

2.1
- Marketing plan
- Business mission
- Financial projections
- Business location
- Executive summary
- Recruitment plan
- Business objectives
- Business products (Any relevant 5 × 1) (5)

2.2
- Venture capitalists
- Relatives
- Government funding
- Financial service providers
- Family (Any relevant 2 × 2) (4)

2.3 Zero-based budgeting is a method of budgeting in which all expenses must be justified✓ for each new period.✓ The budgeting process always starts from zero✓ for every function within the business.

Or similar (3)

2.4
- It is good for a new business to use zero-based budgets because they do not have past financial statements✓ to work with yet.✓
- It is advantageous when the business changes with times✓ to take on new challenges or projects.✓
- It is also an incentive to improve on the performance of previous years✓ and profits.✓
- It helps with efficient allocation of resources✓ as it is based on needs and benefits.✓ (Any relevant 1) (1)

2.5
- Equipment like a computer
- Salon hairdryer
- Hairstyling tool set
- House
- Machinery
- Mortgage bond (Any relevant 2 × 2) (4)

2.6
- Purchase products in bulk as it is cheaper.
- Get quotations from various suppliers to compare prices.
- Purchase the most efficient equipment/products for the business.
- Always check deliveries for quantity and quality.
- Service equipment regularly to save on expensive repairs later.
- Look out for mismanagement of funds and resources. (Any relevant 2 × 2) (4)

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2.7 2.7.1 R90 000/3✓ = R30 000

Year 1: R90 000 – R30 000✓ = R60 000
Year 2: R60 000✓ – R30 000✓ = R30 000
Principal amount after 2 years = R30 000✓ (5)

2.7.2 Year 1: R90 000 × 12 % = R10 800✓
Year 2: R60 000 × 12 % = R7 200✓
Year 3: R30 000 × 12 % = R3 600✓
Total interest = R21 600✓ (4)

2.7.3 Long-term financing✓ because the loan will be repayable✓ over a period of more than a year.✓ *Or similar* (2)

2.8 2.8.1 R150✓ – R75✓= R75✓ (3)

2.8.2 25✓ × R75✓= R1 875 + R600✓
Total cost = R2 475 (3)

2.8.3 $\frac{\text{Fixed cost}}{\text{Contributions}}$ ✓

$= \frac{600}{75}$ ✓

= 8 boxes✓ (3)

2.8.4 15✓ × R75✓ = R1 125 (2)

2.8.5 45✓ × R150✓ = R6 750 (2)
[45]

QUESTION 3

3.1

FINANCIAL REPORT	TARGET AUDIENCE
• Balance sheet	• Investor/Owner
• Cash-flow statement	• Accountant/Senior manager
• Income statement	• Accountant/Senior manager
• Project statement	• Project/Senior manager
• Budgetary control	• Department/Senior manager

(Any relevant 3 + any relevant 3) (6)

3.2 3.2.1 R2 400✓ – R2 450✓ = R50 unfavourable✓ (3)

3.2.2 R78 000✓ – R79 600✓ (R19 600 + R2 400 + R2 600 + R46 000 + R9 000)
= (R1 600)✓ (3)

3.2.3 (1 600) ☑ + 54 000✓ = 52 400✓ (3)

3.2.4 R19 600✓ – R18 000✓ = R1 600
R1 600/18 000✓ × 100 = 9%✓ increase (4)

3.2.5 R163 000✓ – R162 150✓ = R850 favourable✓ (3)

3.2.6 R46 000 × 11%✓= R5 060 **OR** R46 000 × 89/100
= R46 000 – R5 060✓
= R40 940✓ (3)

3.3

Cost of vehicle	R180 000✓
Year 1	(R60 000)✓
	R120 000✓
Year 2	(R60 000)✓
	R60 000✓
Year 3	(R60 000)✓
	0

The payback period is three years.✓ (7)

3.4
- Research
- Rational projections
- Previous experience

(Any relevant 1 × 2) (2)

3.5
- To determining the financial position✓
- Usually prepared annually✓ (2)

3.6 **Source documents for income:**
- Cash-register roll
- Receipt
- Bank statement
- Duplicate credit invoice

Source documents for expenses:
- Cheque counterfoil
- Original credit invoice
- Petty-cash voucher
- Bank statement (Any 2 + any 2) (4)

[40]

QUESTION 4

4.1
- One is able to monitor the actual performance of the business against the set objectives and financial statements included in the business plan.
- Up to date financial records allows one to identify factors that are not happening in line with the original business plan.
- Up to date financial records highlight specific operational areas where one should take action to correct the progression of one's business.
- Up to date financial records ensure that one's business is successful and that it is profitable. (Any 2 x 2 relevant) (4)

4.2 4.2.1 Gross profit/Turnover × 100✓

38 050✓/54 100✓ × 100

= 70.33%✓ (4)

4.2.2 73 150✓/162 150✓ × 100

= 45.11%✓ (3)

4.2.3 Increase in the price of inventory (cost of sales)
Bought inventory from a new supplier and did not get discounts
(Any 1 x 2 relevant) (2)

4.2.4 $\frac{\text{Net profit}}{\text{Turnover}} \times 100$✓

2017:

$\frac{33\,500}{162\,150} \times 100$✓✓

$= 20{,}66\%$✓ (4)

4.2.5
- Review budgets on monthly basis
- Use budget diary to record unexpected events
- Adapt plans for achieving goals and objectives
- Ensure that all documents are dealt with quickly and accurate record is done
- Settle any queries immediately
- Demand a variance report at the end of each month.

(Any relevant 1 × 2) (2)

4.2.6 The business took out an additional loan in the new year.
(Any 1 x 1 relevant) (1)

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4.3

4.3.1 (1 487)

4.3.2 (7000)

4.3.3
- Reduced sales
- Less demand for the product

(Any 1 relevant x 1)

4.3.4 100 487

4.3.5 92 000

4.3.6 0

4.3.7 Fixed cost, therefore there it remains unchanged

4.3.8 (1 075)

4.3.9 Additional unauthorised phone calls

(Any 1 relevant x 1)

4.3.10 95 862

4.3.11 86 300 (11 x 1) (11)

4.4 4.4.1 $\frac{\text{Average debtors}}{\text{Credit sales}} \times 365$✓

(7 750✓ + 9 150✓)/2✓ x 365✓

(162 150✓ x 80%✓)

= 24 days✓ (8)

4.3.3
- The debtors' collection period is favourable/good/positive.
- The debtors of the business pay before the agreed upon period which in most cases is 30, 60 or 90 days. (Any relevant 1 × 1) (1)

[40]

QUESTION 5

5.1
- Tax refund if any will be paid.
- No penalty will be charged.
- No interest will be charged.
- No persons will be arrested. (Any 2 × 2) (4)

5.2

5.2.1 Tax deductible✓ as the fees are incurred for recovering a debt of the business and is in the normal course of business.✓

5.2.2 Non-tax deductible✓ as any insured losses are not tax deductible as the business will be compensated by the insurance company.✓

5.2.3 Tax deductible✓ as scientific research which is certified by the CSIR is tax deductible.✓

5.2.4 Tax deductible✓ as annuities are tax deductible.✓

5.2.5 Non-tax deductible✓ as the dinner was for the owner's private purpose and not for business purposes.✓

(5 × 2) (10)

5.3

5.3.1 150 000✓ × 20%✓ = 30 000

150 000
(60 000) ✓ ✓ 30 000 x 2 years
90 000✓ (5)

5.3.2 Total capital allowance = 150 000✓ × 20%✓ × 4✓ = R120 000✓ (4)

5.4

5.4.1 Taxable income = R31 000✓ – R4 000✓ – R6 000✓= R21 000 (3)

5.4.2 R13 000 × 12✓ = R156 000
R156 000✓ × 18%✓ = R28 080
R28 080✓ – (R12 726✓ + R7 110✓) = R8 244✓ (7)

5.4.3 R163 500 – R160 000 = R3 500

R3 500✓ × 25%✓ = R875
R28 800✓ + R875✓ = R29 675
R29 675✓ – R12 726✓ = R16 949✓ (7)

[40]

TOTAL SECTION B: 165
GRAND TOTAL: 200

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