higher education & training

Department:
Higher Education and Training
REPUBLIC OF SOUTH AFRICA

MARKING GUIDELINE

NATIONAL CERTIFICATE (VOCATIONAL)

FINANCIAL MANAGEMENT
NQF LEVEL 4

23 NOVEMBER 2018

This marking guideline consists of 10 pages.

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SECTION A

QUESTION 1

1.1

1.1.1	E
1.1.2	I
1.1.3	A
1.1.4	G
1.1.5	L
1.1.6	K
1.1.7	D
1.1.8	F
1.1.9	B
1.1.10	C

(10 × 1) (10)

1.2

1.2.1	B
1.2.2	B
1.2.3	A
1.2.4	C
1.2.5	A

(5 × 1) (5)

1.3

1.3.1 20 000✓ × 2✓ = R40 000 ✓

1.3.2 Fixed cost + variable cost
15 000✓ + 40 000✓ = R55 000✓

1.3.3 Selling price - variable cost per unit
R5✓ – R2✓ = R3✓

1.3.4 FC/MI
15 000✓/3☑ = 5 000 units✓

1.3.5 BEU × SP per unit
5 000✓ × R5✓ = R15 000✓

(5 × 3) (15)

1.4

1.4.1 3 100 × 20% = R620✓ OR 3100 × 120% = R3 720
620 + 3 100 = R3 720 ✓ (2)

1.4.2 3 400 – 3 900 ✓ = (R500)✓ OR -R500 OR R500 Unfavourable (2)

1.4.3 295 – 210 = R85✓ favourable✓ (2)

1.4.4 R590 × 15% = R88,50✓ OR R590 x 85% = R501,50
R590 – 88,50 = R501,50✓ (2)

1.4.5 Unfavourable (1)

1.4.6 Insurance (1)
[40]

TOTAL SECTION A: 40

SECTION B

QUESTION 2

2.1
- They may lend the money without collateral.
- They may not ask for interest on the loan.
- If they request interest on the loan, it may be a lower interest rate.
- They could be lenient with regard to repayment of the loan.

(Any 2 or relevant answer) (2 × 2) (4)

2.2
- She would lose all her savings if the business fails.
- She would lose the interest she could have gained if she had invested her savings.

(Any 1 or relevant answer) (1 × 2) (2)

2.3
- She can obtain up-to-date information from the internet/media.
- She can attend meetings of business groups to gain information.

(Any 1 or relevant answer) (1 × 2) (2)

2.4
- They can share the responsibilities of business management
- Morne Carels is also a photographer and therefore understands her business and the products/services she provides. He will therefore provide value to her business
- He can bring extra capital into the business as a partner.

(Any 2 or relevant advantages) (2 × 2) (4)

2.5
- Vehicle
- Savings
- Digital camera and other equipment

(Any 2 × 1) (2)

2.6 2.6.1 R50 000
2.6.2 R1 000 000

(2 × 1) (2)

2.7
- It must be lockable.
- It must be secure.
- It should be free from damp and insects.
- It should be large enough to find files easily.

(Any 3 or relevant answers) (3 × 1) (3)

2.8 R50 000,00 × 4 years✓ x 9%✓ = R18 000,00 interest
R50 000,00 + R18 000☑ = R68 000,00
R68 000☑/48 months✓ = R1 416,67 per month✓ (6)

2.9 2.9.1 Direct
2.9.2 Direct
2.9.3 Direct
2.9.4 Indirect
(4 × 1) (4)

2.10 2.10.1 R14 400 + R7 200✓ = R21 600✓ (2)
2.10.2 200 × R120✓ = R24 000✓ (2)
2.10.3 R36 000 – R21 600✓ = R14 400✓ (2)
2.10.4 160 × R300✓ = R48 000✓ (2)
2.10.5 40 boxes✓ (1)

2.11
- Her business will gain a bad reputation.
- She will lose discounts.
- The supplier/creditor can charge her interest.
- The supplier/creditor will not do business with her again.

(Any 2 or relevant × 1) (2)
[40]

QUESTION 3

3.1 A budget is a record of projected/future/estimated✓ income and expenses over a period of time.✓ (OR similar definition) (2)

3.2
- Lack of finance - She can obtain a loan.
- Camera/printing equipment failure - Maintain the equipment regularly.
- Premises could become too small if production increases - rent may increase.
- Limited storage space - Purchase additional cabinets.
- Need employees to assist – Hire and train employees as required.

(Any 2 relevant internal constraints (1 mark each) and the management thereof (1 mark each) (4)

3.3 A flexible budget is a budget that adjusts or flexes for changes✓ in the volume of activity✓. (OR similar answer) (2)

3.4 3.4.1
- R32 050 – R36 020✓ = (R3 970)✓

OR -R3 970 OR R3 970 negative (2)

3.4.2 R130 850 – R59 500 ✓ = R71 350✓ (2)

3.4.3 Positive✓ (1)

3.4.4 A good marketing or advertising strategy, sales increased.✓✓
(OR any relevant answer) (2)

3.4.5
- Produce cash flow statements regularly to determine the cash flow position
- Paying creditors accounts on time.
- Collect debtors accounts as quickly as possible.
- Commit to move into a positive cash flow situation as quickly as possible. (Any 2 or relevant answers) (2 × 2) (4)

3.5

Year	Cashflow	Discounted factor	Present value		
1	20000	0.909	R	18,180	✓
2	22000	0.826	R	18,172	✓
3	15000	0.751	R	11,265	✓
4	12000	0.683	R	8,196	✓
		Total	R	55,813	✓
		Less: investment in the camera	R	-48,000	✓
		NPV	R	7,813	✓ (7)

3.6
- Yes✓
- The NPV is positive which means that it would be profitable for the business to buy this camera. ✓ (OR similar) (2)

3.7
- Payback method
- Internal rate of return (IRR) (2)

3.8
- Send out statements on time
- Charge interest on overdue accounts
- Offer early payment discounts
- Call the debtors whose accounts are outstanding and determine the problem (Any 2 or relevant answers) (2 × 1) (2)

3.9
- Current liability – a business pays these off in a short term within 1 year✓ e.g. creditors/bank overdraft✓
- Noncurrent liability – a business commits to pay these off in a long term, over more than 1 or more years✓ e.g. mortgage/long-term bank loan✓
(OR similar answers with a relevant example each) (2 × 2) (4)

3.10
- Do regular comparison of actual and budgeted incomes and expenses and take corrective action where necessary
- Keep control of electricity, water and telephone usage, as these are generally the overheads that are abused
- Purchase efficient equipment for the business.
- Carefully check deliveries from suppliers.
- Conduct regular checks for mismanagement of funds.
- Buy material in bulk from suppliers, where possible, as this is cheaper.
- Service equipment regularly which saves on more expensive repairs later.
(OR any other relevant answers) (2 × 1) (2)

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3.11
- Better promotions by competitors
- Changes in government regulations
- Customers seeking different products
- Exchange rate fluctuations affecting materials purchased overseas
- High interest rates will affect customer sales orders
- Inflation will affect purchasing power of customers
- Business might get a bad reputation

(Any 2 or any relevant external constraints) (2 × 1) (2)
[40]

QUESTION 4

4.1
- It can encourage a successful and profitable business.
- She will be up to date in all areas of her business.
- She will be able to take action where necessary.
- She can monitor the performance of her business.
- Factors can be identified that require attention.

(Any 2 or any relevant answers) (2 × 2) (4)

4.2
- In the zero-budgeting method each expense item on the budget is assumed to be zero✓.
  If an expense is to be included in the budget for the next period, then it needs to be motivated for✓. (2)

  It is unlike a flexible budget where the expenses are flexed according to the changes in volume to determine the budgeted expenses for the next period. (OR similar answers)

4.3
- Provides short-term payments to pregnant workers unable to work
- Provides short-term payments to retrenched workers unable to work
- Provides short-term payment to ill workers unable to work

(Any 1 × 2) (OR similar answers) (2)

4.4 4.4.1 Profit before tax/Turnover × 100

$= \frac{112\ 350\ ✓}{195\ 000✓} \times 100 = 57{,}62\%✓$ (3)

4.4.2
- The ratio increased which means that:
  - The net profit has increased in 2015
  - The operating costs have also decreased
  - The business is improving in its operations

(Any 1 × 2) (OR similar answers) (2)

NB: DO NOT ACCEPT: THE RATIO HAS INCRESASED. Students need to explain what this increase means.

4.4.3 $\frac{\text{Turnover for year - turnover for previous year}}{\text{Turnover for previous year}}$ × 100✓ (formula)

$= \frac{195\,000✓ - 180\,900✓}{180\,900✓} \times 100$

= 7,79%✓ (5)

4.4.4 139 300✓ × 12%✓ = R16 716 OR 139 300 x 112%
R16 716 + R139 300 = R156 016✓ = R156 016 (3)

4.5
- Only revise budgets when unexpected changes occur.
- Monitor the budget on a regular basis.
- Investigate variances quickly.
- Be committed to control the budget. (Any 2 × 1) (OR relevant answers) (2)

4.8 4.8.1 Current Assets/Current Liabilities ✓

$= \frac{35\,300✓}{8\,500✓} = 4,15 : 1✓$ (4)

4.8.2
- For every R1 of current liabilities that the business has, it as R4.15 worth of current assets
- The business is liquid and can meet its debts.
- Current liabilities are adequately covered by the current assets.
- It is above the benchmark or norm of 1:1.

(Any 1 or relevant × 2) (2)

4.8.3 $\frac{\text{Profit before tax}}{} \times 100$ ✓

$= \frac{112\,350✓}{166\,800✓} \times 100$

= 67,36%✓ (4)

4.8.4
- The owner is not withdrawing profits but reinvesting/retaining it in the business
- Profits increased (Any 1 or relevant × 2) (2)

4.9
- Evading tax by submitting a false return
- Failing to reveal your income and information correctly in a tax return
- Nondisclosure of relevant information in a tax return

(Any 2 × 1) (OR relevant answers) (2)

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4.10
- She will not know if her business is making a profit or a loss (financial results)
- She will not know the financial position of the business
- Her business can lose profits because she does not her financial results or position and how to improve it
- She could lose control over her costs
- She will not know the net worth of the business
- She will not know if she has gone over/under her budgeted figures
- Variances can't be tracked and action taken

(Any 2 × 1) (OR relevant answers) (Use discretion) (2)

4.11 Loan to purchase printing equipment (1)

[40]

QUESTION 5

5.1 Tax rebate is a reduction✓ on the tax payable✓ that individuals receive.
(OR similar answer) (2)

5.2 R12 500 × 1% = R125✓ employee
R12 500 × 1% = R125✓ employer
R250✓ (3)

5.3
- These receipts are a proof of purchase
- They can be used as evidence of recordings in their books.
- Can be used as proof of the cost of the high-value items for insurance purposes (Any 1 × 1 or similar) (1)

5.4
- Business/owner profile
- Product/s and services
- Marketplace
- Sales strategy
- Break-even analysis (reflecting fixed and variable costs)
- Financial projections (Any 3 × 1 or similar) (3)

5.5 Year 1 – 7 999 × 25%✓ = R1 999,75
Year 2 – = R1 999,75 ✓
Total after 2 years = R3 999,50 ✓ (3)

5.6
5.6.1 Tax-deductible✓as depreciation is a business expense✓
5.6.2 Tax-deductible ✓ as it is a business expense✓
5.6.3 Not tax-deductible ✓ it is an avoidable act (happened due to negligence) ✓ or Prohibited in terms of S23(d) or must be an inevitable concomitant of trade
(3 × 2) (6)

5.7 R21 250 – 7 150✓= 14 100✓ (2)

5.8 A sole trader is personally responsible for the payment of tax on profits✓as the profit is included in his/her personal tax return.✓ (OR similar answer) (2)

5.9 5.9.1

Taxable income:	29 000 × 12 = R348 000✓
Tax according to tax tables:	55 957✓
+ 30%✓ x (348 000 – 272 700) ✓	22 590
Total tax payable according to tax table	78 547
Less: primary rebate	(12 726) ✓
Tax payable	R 65 821✓

(6)

5.9.2	Tax according to tax tables:	31 419.00✓	
	+ 25%✓ x (180 000 – 174 550) ✓	1 362.50	
	Total tax payable according to tax table	32 781.50	
	Less:		
	☞Primary rebate	(12 726.00) ✓	
	☞Secondary rebate	(7 110.00) ✓	
	Tax payable	R12 945.50✓	(6)

5.10 Government uses taxes for the betterment of the country by spending on:
- Health
- Welfare
- Education
- Infrastructure

(1 × 2) (OR similar answers) (2)

5.11 5.11.1 R5 000✓✓ (Rent is a fixed cost)

5.11.2 R5 500✓✓ (R5 000 + 10%)

(2 × 2) (4)
[40]

TOTAL SECTION B: 160
GRAND TOTAL: 200

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