MAC2602 Assignment 1- SEM 1 (2020)

Prepared and compiled by MR BLESSING K

Contact details: 074 252 3282 or blekufakwenyika@gmail.com

MAC2602

ASSIGNMENT 2

FIRST SEMESTER 2020

UNIQUE NUMBER 887797

DUE DATE 14 APRIL 2020

1. 4) Statements (c) and (d)

2. 1) Employees

3. 4) Goal hierarchy

4. 3) Statements (b) and (d)

5. 2) Corporate culture

6. 3) Value-based management (VBM)

7. 1) Long-term owner value maximisation

8. 3) Creating long-term owner/investor value

9. 2) Sole proprietorship and partnership

10. 1) Khula Development Group

11. 3) Statements (a), (c) and (d)

12. 4) Nominal rate

13. 1) Present value of R1 per period where the investment is made at the end of the year.

14. 4) Table D – 6,9753

MR. BLESSING K. 0742 523 282

15. 2) Table C – 1,2597

16. 2) 7,81%

This is extra-pollation

IRR = $b + \frac{(y-x)}{(x-y)} + (b-a)$ where a=6%, b=7%, $x = R208.55$ y=R185.29 , z=R166.33

$= 7\% + \frac{(185.29-166.33)}{(208.55-185.29)}(7\% - 6\%)$

$=7.81$

17. 3) n

18. 1) R2 300

Interest amount = 23 000 x$^{2}/_{100}$ x$^{6months}/_{12months}$ x (5yrs x 2 times per year) = R2 300

19. 2) R128 392

Press PMT=r1R15 000 ,N=15 , $^{1}/_{yr}$ =8 ,COMP PV = R128 392

Or

Use the mathematical formula as follows ;

PV of an ordinary annuity = PMT x $\frac{(1+I)^n-1}{i(1+I)^n}$ = R15 000 x $\frac{(1+0.08)^{15}-1}{0.08(1+0.08)^{15}}$ = R15 000 x8.559478
= R128 392

Or

Use Table B,*8% @15 years#8.599*= R15 000 x8.559= R128 392

20. 4) R3 921

FV=$(1+I)^n$ =R3 000 $(1+0.55)^5$=R3 921

MR. BLESSING K. 0742 523 282

MAC2602 ASS 2 SEM1- (2020)

MAC2602

Prepared and compiled by MR BLESSING K

Contact details: 074 252 3282 or blekufakwenyika@gmail.com

ASSIGNMENT 2

FIRST SEMESTER 2020

UNIQUE NUMBER 820930

DUE DATE 14 APRIL 2020

QUESTION 1

a)

(i) Effective interest rate = $[1+\left(\frac{i}{n}\right)]^{n}$-1

= $[1+\left(\frac{0.04}{2}\right)]^{2}$-1

=1.0404-1

= 0.0404 x 100%

= **4.04%**

(ii) Effective interest rate = $[1+\left(\frac{i}{n}\right)]^{n}$-1

= $[1+0.005]^{12}$-1

=1.0601677812-1

= 0.061677811 x 100%

= **6.17%**

Option (ii) will be chosen because it yields a higher Effective interest rate as compared to option (i).

MR. BLESSING K. 0742 523 282

b) Present value (PV) of a perpetuity = $\frac{I}{i}$ or $\frac{Annuity\ amount}{interest\ rate}$ = $\frac{R6\,000}{0.075}$ = **R80 000**

d) Calculation of Weighted Average Cost

Mziti Limited

Type of debt/equity	**Market Values R**	**Weight (1)**	**Cost of capital % (2)**	**Weighting Cost of capital (1) x (2)**
Equity	138 400 (1)	0.985158557	23.20	22.85567854%
Debt (Debentures)	2 085	0.014841442	7.92	0.117544221%
Total	**140 485**	**1**	-	**22.97%**

WACC = 22.97% as calculated above

Workings :

1) Market value of equity = Number of shares x current market price of each share

MR. BLESSING K. 0742 523 282

QUESTION 4

Calculations of Net Present Value of existing Machine Coti :

	Year 0	Year 1	Year 2	Year 3	Year 4
	R	R	R	R	

Cost price	-				
Opportunity cost	(350 000)				
Net incashflows before taxation		290 000	290 000	290 000	290 000
Realizable value					160 000
Taxation (W1)		(39 200)	(25 200)	(81 200)	(126 000)
Net cash flow from operations	**(350 000)**	**250 800**	**264 800**	**208 800**	**324 000**

CONTACT 074 252 3282 FOR MORE SOLUTIONS

MR. BLESSING K 0742 523 282