Tutorial Letter 101/3/2020

Principles of strategy, risk and financial management techniques

MAC2602

Semesters 1 and 2

Department of Management Accounting

IMPORTANT INFORMATION

Please register on myUnisa, activate your myLife e-mail address and make sure that you have regular access to the myUnisa module website, MAC2602-2020-S1/S2, as well as your group website.

Note: This is a blended module and therefore it is available on myUnisa. However, in order to support you in your learning process, you will also receive some study material in printed format.

BARCODE

CONTENTS

Page

1 INTRODUCTION 3
1.1 Getting started 3
2 OVERVIEW OF MAC2602 3
2.1 Purpose 3
2.2 Outcomes 4
3 LECTURERS AND CONTACT DETAILS 4
3.1 Lecturers 4
3.2 Department 4
3.3 University 5
4 RESOURCES 5
4.1 Joining myUnisa 5
4.2 Other resources – printed support material 6
4.3 Prescribed books 6
4.4 Recommended books 6
4.5 Electronic reserves (e-reserves) 6
4.6 Library services and resources 6
5 STUDENT SUPPORT SERVICES 6
6 HOW TO STUDY ONLINE 7
6.1 What does it mean to study a blended module? 7
6.2 myUnisa tools 8
7 ASSESSMENT 8
7.1 Assessment criteria 8
7.2 Assignments 8
7.3 Assessment plan 9
7.4 Unique assignment numbers and due dates 10
7.5 Submission of assignments 10
7.6 Year mark and final mark 14
8 EXAMINATION 14
8.1 Examination period 15
8.2 Examination papers 15
8.3 The importance of a positive study method 15
8.4 Tutorial letter with information on the examination 16
9 FREQUENTLY ASKED QUESTIONS 16
10 ASSIGNMENTS FOR 2020 17
11 CONCLUSION 17

1 INTRODUCTION

Dear Student

Welcome to MAC2602.

We are pleased to welcome you to this module and hope that you will find it both interesting and rewarding. We shall do our best to make your study of this module fulfilling and successful. You will be well on your way to success if you start studying early during the semester and resolve to do the assignments in an accountable manner.

Because this is a blended module, you will need to use myUnisa to study and complete the learning activities for this module. Visit the website for MAC2602 on myUnisa frequently. The website for your module is MAC2602-20-S1/ S2.

1.1 Getting started

Owing to the nature of this module, you can read about the module and find your study material online. Go to the website at https://my.unisa.ac.za and log in using your student number and password. You will see MAC2602-20-S1/S2 in the row of modules displayed in the orange blocks at the top of the webpage. Select the **More** tab if you cannot find the module you require in the blocks displayed. Then click on the module you want to open.

You will receive this tutorial letter and a printed copy of the online study material for your module. While the printed material may appear different from the online study material, it is the same.

Right from the start we would like to point out that **you should read all the communications** you receive during the semester **immediately and carefully**, as they always contain important and, sometimes, urgent information.

We wish you much success in your studies!

2 OVERVIEW OF MAC2602

2.1 Purpose

This module serves as an introduction to strategy, financial management, financing, managing and investing of funds and risk management.

This module is primarily intended for people who are interested in qualifying as registered chartered accountants (SAICA) or management accountants (CIMA). This module will enable students to develop the necessary competencies prescribed by these professional bodies.

Pre-requisite: FAC1502 & Co-requisite: (either BNU1501 or QMI1500 or DSC1630)

The purpose of this module is to equip students with knowledge and understanding regarding management accounting principles. Theories, methods, techniques and skills relevant to financial management are introduced and applied in topics such as:

- Enterprise strategy and strategic financial management – creating an understanding of the role of strategic management and factors influencing such strategy.
- Risk management – define and explain risk, risk frameworks, approaches and identification, risk assessment and reporting.

- Managing and investing of funds – analysis of financial information, analysing and managing working capital, capital investments and capital budgeting techniques.
- Financial management, financing and the cost of capital – time value of money concepts and solving time value of money problems, sources and forms of finance, theory of capital structure and the calculation of the cost of capital.

2.2 Outcomes

For this module, you will have to master several outcomes:

- knowledge and comprehension of the concepts relating to strategy, the stakeholders and factors influencing such a strategy and how the organisation's strategy is developed and the ability to apply this knowledge in basic scenarios;
- knowledge and comprehension of the role of the financial manager, the impact of the time value of money, various sources of financing, the capital structure and be able to calculate the weighted average cost of capital;
- an ability to analyse financial information in order to assist in the management of the long and short term funds of an organisation and to apply selected capital budgeting techniques to elementary investment decisions;
- an awareness of frameworks, procedures, processes and reporting mechanisms that are part of the organisation's effective risk management plan. Students must be able to identify different categories and types of risks from an analysis of basic scenarios and suggest elementary risk responses.

3 LECTURERS AND CONTACT DETAILS

3.1 Lecturers

The lecturers responsible for this module are as follows:

Lecturer: M Lötter (Mrs)
Building and office number: Simon Radipere Building 1 - 20
Telephone number: 012 429 4321

Lecturer: N Smit (Miss)
Building and office number: Simon Radipere Building 1 - 24
Telephone number: 012 429 4179

E-mail: 1st Semester: MAC2602-20-S1@unisa.ac.za
2nd Semester: MAC2602-20-S2@unisa.ac.za

3.2 Department

The Department of Management Accounting is situated in Pretoria at the main campus on the first floor of the AJH vd Walt building.

Enquiries that are not of an administrative nature **but** are **about the content of this module** should be directed to the lecturers. Please have your study material available when you contact your lecturers.

3.3 University

To contact the University, follow the instructions in the brochure ***Study @ Unisa***. Remember to have your student number available whenever you contact the University.

Whenever you write to a lecturer, please include your student number to enable the lecturer to help you more effectively.

How to contact the College of Accounting Studies (CAS) Student Information Hub:

Tel no: 012 429 4211 *Or* E-mail addresses: CASenquiries-Undergraduate@unisa.ac.za

4 RESOURCES

PLEASE NOTE: Your lecturers cannot help you with missing study material. Please contact despatch@unisa.ac.za.

4.1 Joining myUnisa

If you have access to the internet, you can quickly access resources and information at the University. The myUnisa learning management system is the University's online campus which will help you to communicate with your lecturers, with other students and with the administrative departments at Unisa.

You can start at the main Unisa website at http://www.unisa.ac.za and then click on the myUnisa orange block. This will take you to the myUnisa website. To go to the myUnisa website directly, go to https://my.unisa.ac.za. Click on the **Claim UNISA Login** on the top of the screen on the myUnisa website. You will then be prompted to give your student number in order to claim your initial myUnisa details, as well as your myLife email login details.

How to forward you Unisa myLife account to another email account:

1. Login to Unisa myLife account
2. At the right corner click on the settings icon
3. Click on “mail” under settings menu
4. Then on the left hand side of screen select “accounts”
5. Then select “forwarding”
6. In the middle of the screen, you can then enter the new email address you want to forward the mail onto.

ALTERNATIVELY:

1. Login to Unisa myLife account
2. At the right corner click on the settings icon
3. In the search box you then enter “forwarding” and press enter
4. In the middle of the screen, you can then enter the new email address you want to forward the mail onto.

For more information on myUnisa, consult the brochure ***Study @ Unisa***, which you received with your study material.

4.2 Other resources – printed support material

Because we want you to be successful in this blended module, we also provide you with some of the study material in printed format. This will allow you to read the study material even if you are not online.

The printed study material will be sent to you at the beginning of the semester, but you do not have to wait for it before you start studying – you can go online as soon as you have registered and find all your study material there. The material we will send you is an **offline** copy of the formal content for the online part of the module.

4.3 Prescribed books

There are no prescribed books for this module.

4.4 Recommended books

There are no recommended books for this module.

4.5 Electronic reserves (e-reserves)

There are no electronic reserves for this module..

4.6 Library services and resources

The Unisa Library offers a range of information services and resources:

- for more detailed Library information go to http://www.unisa.ac.za/sites/corporate/default/Library
- for research support and services (e.g. personal librarians and literature search services) go to http://www.unisa.ac.za/sites/corporate/default/Library/Library-services/Research-support

The Library has created numerous Library guides: http://libguides.unisa.ac.za

Recommended guides:

- request and download recommended material: http://libguides.unisa.ac.za/request/request
- postgraduate information services: http://libguides.unisa.ac.za/request/postgrad
- finding and using library resources and tools: http://libguides.unisa.ac.za/Research_skills
- Frequently asked questions about the Library: http://libguides.unisa.ac.za/ask
- Services to students living with disabilities: http://libguides.unisa.ac.za/disability

5 STUDENT SUPPORT SERVICES

The *Study @ Unisa* brochure is available on myUnisa: www.unisa.ac.za/brochures/studies.

This brochure has all the tips and information you need to succeed at distance learning and, specifically, at Unisa.

Free computer and internet access

Unisa has entered into partnerships with establishments (referred to as Telecentres) in various locations across South Africa to enable you (as a Unisa student) free access to computers and the Internet. This access enables you to conduct the following academic related activities: registration; online submission of assignments; engaging in e-tutoring activities and signature courses; etc. Please note that any other activities outside of these are for your own cost e.g. printing, photocopying, etc. For more information on the Telecentre nearest to you, please visit www.unisa.ac.za/telecentres.

E- Tutors

Unisa offers online tutorials (e-tutoring) to students registered for the module MAC2602.
Once you have been registered for the module, you will be allocated to a group of students with whom you will be interacting during the tuition period as well as an e-tutor who will be your tutorial facilitator. You will receive a sms informing you about your group, the name of your e-tutor and instructions on how to log onto MyUnisa in order to receive further information on the e-tutoring process.

Online tutorials are conducted by qualified e-tutors who are appointed by Unisa and are offered free of charge. All you need to be able to participate in e-tutoring is a computer with internet connection. If you live close to an Unisa regional centre or a Telecentre contracted with Unisa, please feel free to visit any of these to access the internet. It is the role of the e-tutor to guide you through your study material during this interaction process. For you to get the most out of online tutoring, you need to participate in the online discussions that the e-tutor will be facilitating.

6 HOW TO STUDY ONLINE

Read the information on general time management and planning skills contained in the ***Study @ Unisa*** brochure.

Plan your studies properly so as to achieve specific study goals at predetermined dates. This avoids a haphazard approach to your studies and the use of ineffective study techniques.

6.1 What does it mean to study a blended module?

Studying a blended module may differ completely from studying some of your other modules at Unisa.

- ***All your study material and learning activities for blended and fully online modules are designed to be delivered online on myUnisa.*** Although blended modules include printed material, the module is designed to be delivered online.
- ***All communication between you and the University happens online.*** Lecturers will communicate to you by e-mail and sms, as well as using the **Announcements** tools. You can also use all of these ways to ask questions and contact your lecturers.

6.2 myUnisa tools

It is very important that you log in to myUnisa regularly. We recommend that you log in at least once a week to c**heck for new announcements.** You can also set your myLife e-mail account so that you receive the announcement e-mails on your cell phone.

We hope that by giving you extra ways to study the material and practise all of the activities, you will succeed in the blended module. To get the most out of the blended module you **MUST** go online regularly.

6.3 Study plan

Refer to paragraph 7.3 for a detailed study plan as well assignment due dates.

7 ASSESSMENT

7.1 Assessment criteria

Formative assessment:

Assignments are seen as part of the learning material for this module. Before you complete an assignment, work through the relevant topics in your study material. Pay specific attention to the learning outcomes provided at the start of each topic and make sure that you are able to complete the activities and self-assessment questions provided in each topic before attempting the assignment. Discuss the work with fellow students or tutors. You are then actively engaged in learning. Assignments and tutorial letters form an integral part of your tutorial matter and must be studied for examination purposes.

Please note: Although students may work together when preparing assignments, each student should write and submit his or her own individual assignment. In other words, you should submit your own ideas in your own words. It is unacceptable for students to submit identical assignments on the basis that they worked together. That is copying (a form of plagiarism) and none of these assignments will be marked. Furthermore, you may be penalised or subjected to disciplinary proceedings by the University.

Plagiarism: Plagiarism is the act of taking words, ideas and thoughts of others and passing them off as your own. It is a form of theft which involves a number of dishonest academic activities.

The Disciplinary Code for Students is given to all students at registration. Students are advised to study the Code.

7.2 Assignments

Assignments for 2020 are available on the myUnisa module site.

You will receive the correct answers automatically for multiple-choice questions. However, solutions to compulsory assignments will be uploaded on myUnisa and will be available to all students registered for this module.

As soon as you have received the solutions, please check your answers. The assignments and the solutions to these assignments constitute an important part of your learning and should help you to be better prepared for the next assignment and the examination.

Please note: Enquiries about assignments (e.g. whether or not the University has received your assignment or the date on which an assignment was returned to you) must be addressed via e-mail (assign@unisa.ac.za). Contact details are available on the official Unisa website under "contact us".
To go to the myUnisa website, start at the main Unisa website, http://www.unisa.ac.za, and then click on the 'login to myUnisa' link under the myUnisa heading on the screen. This should take you to the myUnisa website. You can also go there directly by typing in https://my.unisa.ac.za.

Assignments for MAC2602 are available on the myUnisa module site.

7.3 Assessment plan

Suggested study programme: Semester 1

Date	Topics from the study material	Assignment due date
02/01/2020 to 16/03/2020	Topic 1 – Development of the organisation's strategy Topic 2 – Introduction to financial management Topic 3 – Time value of money Topic 4 – Sources and forms of finance Topic 5 – Capital structure and the cost of capital Topic 6 – Analysis of financial information Topic 7 – Analysing and managing working capital	Assignment 1 **17/03/2020**
17/03/2020 to 13/04/2020	Topic 8 – Capital investments and capital budgeting techniques Topic 9 – Risk theory and approaches to risk management Topic 10 – Risk identification and documentation Topic 11 – Risk assessment, the management of risk and risk reporting	Assignment 2 **14/04/2020**

Suggested study programme: Semester 2

Date	Topics from the study material	Assignment due date
08/07/2020 to 24/08/2020	Topic 1 – Development of the organisation's strategy Topic 2 – Introduction to financial management Topic 3 – Time value of money Topic 4 – Sources and forms of finance Topic 5 – Capital structure and the cost of capital Topic 6 – Analysis of financial information Topic 7 – Analysing and managing working capital	Assignment 1 **25/08/2020**
26/08/2020 to 14/09/2020	Topic 8 – Capital investments and capital budgeting techniques Topic 9 – Risk theory and approaches to risk management Topic 10 – Risk identification and documentation Topic 11 – Risk assessment, the management of risk and risk reporting	Assignment 2 **15/09/2020**

Assignment 01 (This is a MCQ assignment)

Contributes 25% towards your year mark (The year mark comprises 20% of your final mark).

Please refer to the ***Study @ Unisa*** brochure on how to use and complete a mark-reading sheet. This assignment will not be marked if it is not completed on a mark reading sheet.

Assignment 02 (This is a written assignment)

Contributes 75% towards your year mark (The year mark comprises 20% of your final mark).

Assignment 02 for both semesters is a written assignment (details on how to complete and submit a written assignment is under point 7.5 of this tutorial letter).

Please note that it is the policy of this department not to mark the whole assignment. Depending on the length and difficulty of the assignment, ONLY ONE OR TWO QUESTIONS OR PARTS OF QUESTIONS MAY BE MARKED.

Learning only the solutions to the assignments off by heart is not enough to help pass the exam. You also need to focus on the self-assessments provided in the study material.

7.4 Unique assignment numbers and due dates

Assignments are numbered consecutively per module, starting from 01.

Your answers in respect of the assignments should be addressed to Unisa (not to the lecturer concerned) and should reach the University not later than the dates specified below. (Refer to the study programme in par. 6).

All assignments have their **own unique assignment number**.

Please indicate the provided unique number on your mark reading sheet. Failure to do so will result in no admission to the exam.

Assignment number	Due date – **First** Semester	Due date – **Second** Semester
01 *(Compulsory for admission to the examination and part of year mark)*	17/03/2020	25/08/2020
02 *(Contributes to your year mark*)	14/04/2020	15/09/2020

7.5 Submission of assignments

Students may submit written assignments and assignments completed on mark-reading sheets **either** by post **or** Mobile MCQ submission **or** electronically via myUnisa. Assignments may **not** be submitted by fax or e-mail.

Note that it will be wise to submit assignments electronically via *my*Unisa a day or two before the due date as the system is often overloaded on the due date. If the system gives an error message, please wait a while and try again until your assignment is accepted.

For detailed information on assignments, please refer to the *myStudies@Unisa* brochure.

To submit an assignment via *my*Unisa:

- Go to *my*Unisa.
- Log in with your student number and password.
- Select the module.
- Click on assignments in the menu on the left-hand side of the screen.
- Click on the assignment number you wish to submit.
- Follow the instructions

GUIDELINES ON HOW TO COMPLETE AND SUBMIT WRITTEN ASSIGNMENTS ONLINE BY MEANS OF MYUNISA

The **only acceptable file format for written assignments is PDF** (various PDF writers)

All written assignment MUST be uploaded in **PDF** format. Any other format is not compatible with the onscreen marking tool and therefore it is VERY IMPORTANT that you upload your assignment only in PDF.

DO NOT upload any written assignments in Microsoft Word, Microsoft Excel, Microsoft OneNote or any other possible format available.

DO NOT upload pages as photo images.

DO NOT upload assignments as read only or password protected pdf documents. The onscreen marking tool will not be able to open these assignments for marking purposes and you will receive 0% for the assignment.

(i) Assignments completed **manually**:

Scan the assignment and save it on your computer as a pdf document before it can be uploaded.

- Scan the documents as ONE single document and not all the pages individually.
- **DO NOT** scan the assignment upside down. Open the scanned document on your computer and make sure it is not upside down.

Once you have scanned it in and saved it on your computer as a pdf document you will be able to upload it on myUnisa.

(ii) Assignments completed **in Excel**:

- Make sure that you convert the file to a pdf format first and save it on your computer as a pdf document.
- Once you have converted it CHECK that the questions follow in a logical pattern and that your answers were not cut off in the middle of a sentence or calculation. This will happen if your excel calculations did not fit onto one page. **DO NOT** upload any assignments where a part of the question follows at the end of the pdf document. Therefore, please make sure that all the pages are converted and that the last page do not only have part of a sentence or calculation on it.

- Ensure that you formulas are typed out and that you did not use the formula bar to type in the formula because then only the answer is displayed in the cell without the formula and the substitution of the figures used in the calculation. Marks are awarded for formulas and the substitution of the correct figures into the formulas, not only for final answers. If your answer is correct but it is not supported by a detailed formula and substitution of the correct figures into the formula, you will not receive all the marks for that question.
- If your computer software cannot convert the assignment to a pdf document you will need to print the "excel" assignment and scan it in. Then follow the procedures under "Assignments completed manually".

(iii) Assignments completed **in Word**:

- Make sure that you convert the file to a pdf format first and save the pdf file on your computer as a pdf document.

- If your computer software cannot convert the assignment to a pdf document you will need to print the "word" assignment and scan it in. Then follow the procedures under "Assignments completed manually".

IN ORDER TO SUBMIT WRITTEN ASSIGNMENTS ONLINE, YOU MUST:

- **Create** a separate subdirectory for MAC2602, Assignment 02 on your computer where you can save all your assignment files for MAC2602.
- **Submit** this **one single PDF file** on myUnisa (*See instructions below).

DO NOT upload or submit any assignment other than the correct pdf assignment for the correct module.

DO NOT submit the individual assignment pages on myUnisa. myUnisa will only accept the first page uploaded and you will not be able to submit all the other pages of your assignment. You may only upload a **single PDF file** on myUnisa.

*** HOW TO SUBMIT ASSIGNMENT 02 (WRITTEN ASSIGNMENTS) VIA MYUNISA:**

- Go to www.unisa.ac.za
- Go to myUnisa
- Enter your student number and password
- Select your module from the orange strip - **MAC2602**
- Click on "Assignments"
- Find the MAC2602 course code in the Course column
- Find the corresponding number of the assignment, i.e. 2 in the Ass.No. column
- Click on the Submit link in the Action column next to the assignment number
- Click on the Browse button next to File Name
- In the Choose File dialog box, select the file you want to upload e.g. MAC2602 Assignment 2.pdf, and then click OK
- Select the correct file format from the File Format drop-down list (pdf)

- Click on the Continue button.
- Verify that you are uploading the **correct** file to MAC2602. If the wrong details, e.g. file name, appear on the screen, click Back to restart the file upload process.
- Click on the Continue button to submit your assignment file. If you do not click Continue, no submission action will take place. Large files will take longer to upload than small files. Please be patient after you have clicked Continue.
- **The assignment submission report is your proof that your assignment was submitted. You must print this page for your record purposes.**
- Click on the Return to Assignment List button to go back to the Assignment overview screen.

DO NOT wait till the due date if you want to submit your assignment online via myUnisa. The web server may experience high traffic volumes and it may result in late submission of your assignment.
Please DO NOT click the 'RESUBMIT' button unless you want to submit the assignment again from the beginning! When you click that button it immediately cancels your previous submission.

YOU SHOULD ALWAYS TAKE COGNISANCE OF THE FOLLOWING GENERAL ADVICE*:*

- Keep an electronic backup of your assignment that you have submitted, as well as the original assignment if you have done it manually.
- Keep your online submission receipt number or a print screen of your submission receipt as proof of online submission. If you did not receive confirmation that your assignment was submitted successfully then your assignment wasn't submitted. Please submit your assignment again until you receive confirmation that your assignment was submitted successfully.
- **DO NOT** resubmit your assignment online on myUnisa. Make sure that you uploaded the CORRECT assignment on the CORRECT module BEFORE you click the submit button the first time. (This is similar to dropping a package in the post box – what is done is done.) Do not call or e-mail the lecturers with requests to resubmit your assignment.
- **DO NOT** wait until the last day to submit your assignments online on myUnisa. The servers can't handle the volume of students and big files being uploaded at once and then you may perhaps not be able to upload your assignment before the deadline.

DO NOT email or fax your assignment **to your lecturers or the Assignment Section** at Unisa. If you have submitted your assignment electronically (through myUnisa) AND manually (either via post or the drop box at Unisa) you will create problems with your assignments as the system might cancel all your assignments and none of that specific assignment will be marked. You will receive 0% as the system might pick up that you have not submitted the assignment. **Only use one method** to hand in your assignment. Preferably online in myUnisa.

Receipt of assignments after the due date disrupts the marking programme and the uncontrolled submission of assignments furthermore creates administrative problems. You are requested to carefully note the under mentioned requirements and suggestions and to adhere strictly to them:

1.	**NO EXTENSION OF TIME WILL BE GIVEN FOR THE SUBMISSION OF ANY OF THESE ASSIGNMENTS, AS SOLUTIONS WILL BE FORWARDED AUTOMATICALLY TO ALL STUDENTS SHORTLY AFTER THE DUE DATES.**
2.	**NO CORRESPONDENCE OR TELEPHONE CONVERSATION WILL BE CONDUCTED REGARDING THE LATE SUBMISSION OF ASSIGNMENTS.**
3.	**ASSIGNMENTS RECEIVED AFTER THE DUE DATE WILL NOT BE MARKED.**

7.6 Year mark and final mark

The **mark obtained** for compulsory assignment 01 count 5% and the **mark obtained** for assignment 02 counts 15%, giving a year mark out of 20% towards the final mark.

Students require a combined final mark of 50% to pass a module. This final mark is calculated as follows: **5%** for assignment 01 and **15%** for assignment 02 + **80% x mark obtained in the examination.**

A sub minimum of 40% in the examination is required before the year mark will be taken into account towards your final mark.

Your year mark will be taken into account as follows:

- mark (%) for compulsory assignment 01: 25% of year mark (5% of final mark)
- mark (%) for compulsory assignment 02: 75% of year mark (15% of final mark)

The year mark will contribute 20% towards your **final mark**.
The mark you obtain in the examination will count 80% and your year mark will count 20%.

Practical explanation for calculating your FINAL mark:

- For assignment 1 you received 60%
- For assignment 2 you received 65%
- For the exam you received 48%

Your final mark will be 51%

Calculated as follow:

- Assignment 1 60% x 25% (weight) = 15,00%
- Assignment 2 65% x 75% (weight) = 48,75%
  Total 63,75%

- **Year mark** 63,75% x 20% = **12,75%**
- **Exam mark** 48% x 80% = **38,40%**
- **Final mark = 12,75%** (year mark) **+ 38,4%** (exam mark) **= 51%**

8 EXAMINATION

To be admitted to the MAC2602 exam you need to submit the compulsory assignment 1.

8.1 Examination period

This module is offered in a semester period of more or less fifteen weeks. This means that if you are registered for the first semester, you will write the examination in May/June 2020 and the supplementary examination will be written in October/November 2020. If you are registered for the second semester you will write the examination in October/November 2020 and the supplementary examination will be written in May/June 2021.

During the semester of the module, the Examination Section will provide you with information regarding the examination in general, examination venues, examination dates and examination times.

Date: May/June (First semester) and October/November (Second semester)
Duration: Two hours per module
Marks: 100
Covers the whole syllabus (Topics 1 to 11)
Could be assessed using multiple-choice questions and/or written questions.

Calculator policy:

Candidates may only use silent, electronic, battery driven pocket calculators subject to the following conditions:

- Calculators must be cordless and may not have print-out facilities or alpha keys
- Any financial calculator will be allowed
- The calculator function on mobile telephones or any electronic device (i.e. laptops and/or any Smartphone) may not be used
- Candidates may not share a calculator with another candidate in the examination room.

8.2 Examination papers

Previous examination papers are available to students on myUnisa. However, **NO** solutions/memorandums to previous examination papers will be made available to students.

8.3 The importance of a positive study method

Examination statistics have proved that those learners who prepare their work thoroughly and who complete all the assignments have a better chance of obtaining a pass in the examination than those learners who are content with doing no more than the minimum work.

Only after you have acquired the necessary knowledge should you read through the assignment for the first time, work out the solutions under examination conditions and submit your answers to us so that they will reach the University on or before the due date of the assignment (not after the due date).

The assignment should in effect constitute your first revision of the work which you have studied. In other words, the assignment should not serve as a checklist of the work to be studied for the completion of the assignment, but should, when the assignment is attempted, serve as a test of the knowledge you have acquired by studying the work.

When you receive the solutions and compare the suggested solutions with your own, you are provided with an opportunity of revising the work for a second time. If you persevere with such a

rigid program of study you will reap the benefit of sustained practice in answering questions and will undoubtedly enjoy success in the examination.

8.4 Tutorial letter with information on the examination

To help you in your preparation for the examination, you will receive a tutorial letter that will explain the format of the examination paper.

9 FREQUENTLY ASKED QUESTIONS

Please refer to the *myStudies@Unisa* brochure as it contains an A-Z guide of the most relevant study information.

FAQ for MAC2602

What calculator can I use in the exam?

You may use any financial calculator, as long as it is a non-programmable calculator. Remember that your answer using a calculator may differ from manual calculations. This is due to rounding. In the study material we refer to the Sharp EL-738 and the HP10bII financial calculators. If you use another make or model, you should study the manual thereof for instructions. We cannot give instructions for all the different makes and models of financial calculators. (Also see the calculator policy as stated under Examination above).

Do I have to know all the formulae in the study material or will they be given in the exam paper?

No they are not given in the exam paper, you will have to know them.

Are the factor tables A to D provided in the exams?

Yes they are at the back of your exam paper.

What is important to study for the exam, are there sections that I can leave out?

No, all sections are examinable. Our exam covers the whole syllabus, therefore it is not advisable to leave out any sections of the study material.

What tips can you give me for the exam?

We as lecturers are not allowed to give exam tips to students. It is unethical and not fair to other students that have not spoken to us.

I have not received my study material yet?

You need to call the Despatch department, on +27 12 429 4950 or send a sms to 43579 or send an e-mail to **despatch@unisa.ac.za**. You can also find your study material in electronic format on *my*Unisa.

I've found a mistake in the study material?
Although we have put in our best effort to have our study material free of errors we will gladly correct any that might have slipped through. Please contact us so that we can amend it.

What is expected from me in the answering of questions that require define, describe, examine etc.?

Please refer back to the “Introduction and overview” section at the beginning of SG 1. Examples of some of the action words that you will come across in the examination and/or in assignments together with their meanings are explained there.

10 ASSIGNMENTS FOR 2020

Assignments for 2020 are available on the MAC2602 myUnisa module site.

ADDENDUM A: COMPULSORY ASSIGNMENT 01/2020 FOR THE FIRST SEMESTER

ADDENDUM B: COMPULSORY ASSIGNMENT 02/2020 FOR THE FIRST SEMESTER

ADDENDUM C: COMPULSORY ASSIGNMENT 01/2020 FOR THE SECOND SEMESTER

ADDENDUM D: COMPULSORY ASSIGNMENT 02/2020 FOR THE SECOND SEMESTER

11 CONCLUSION

Do not hesitate to contact us by email if you are experiencing problems with the content of this tutorial letter or with any academic aspect of the module.
We wish you a fascinating and satisfying journey through the learning material and trust that you will complete the module successfully.

Enjoy the journey!

MAC2602 lecturers

DEPARTMENT OF MANAGEMENT ACCOUNTING

COMPULSORY ASSIGNMENT 01/2020 FOR THE FIRST SEMESTER

DUE DATE: 17 MARCH 2020

Before attempting this assignment, you should be fully conversant with the contents of topics 1, 2 and 3.

The assignment contains 20 multiple-choice questions which have to be answered on an assignment **mark-reading sheet OR via *my*Unisa**.

Submission of this assignment is important to gain admission to the examination. Marks awarded for this assignment contributes 25% towards your year mark which comprises 20% of your final mark.

MAC2602 - Unique number – 887797

Complete your assignment online. Make sure that you answer all the questions before you submit your assignment.

How to use and complete an assignment mark-reading sheet (hard copy):

1. All the information on a mark-reading sheet must be filled in with a HB pencil.
2. Do not use a pen to fill in the mark-reading sheet.
3. Do not attach a barcode label to the mark-reading sheet.
4. Use only the orange mark-reading sheet that you received with your study material.
5. For more details regarding the completion of the mark-reading sheet, we refer you to the brochure *Studies @ Unisa*.

PLAGIARISM DECLARATION:

By submitting **MAC2602** assignment number **1**, I declare that:

- I have read the Unisa Students' Disciplinary Code;
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism;
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used;
- I have not allowed any other student to copy my work;
- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved.

Please note: You do not have to submit the declaration. By submitting any assignment for **MAC2602**, you automatically declare that you adhere to all the above with regard to the specific assignment.

COMPULSORY ASSIGNMENT 01/2020 FOR THE FIRST SEMESTER

THIS ASSIGNMENT MUST BE COMPLETED EITHER THROUGH MYUNISA OR ON A MARK-READING SHEET

MULTIPLE-CHOICE QUESTIONS (40 marks) Unique number – 887797

Set your calculator on four decimal places for this assignment.

1. Which of the following statements are characteristics of strategic objectives?

   (a) It has no time frame in which the target is to be achieved.
   (b) It inspires changes in the organisation.
   (c) It is a precise formulation of the goals to be achieved.
   (d) It contains a target to be achieved.

   1) Statements (a) and (c)
   2) Statements (a) and (d)
   3) Statements (b) and (d)
   4) Statements (c) and (d) (2)

2. A mining company is doing research on the possibility of making its production methods more capital intensive, that will lead to increased production and therefore higher output, resulting in increased profits. This will however lead to the retrenchment of a large number of employees. Which of the following stakeholder groups will be most negatively affected if this plan is implemented?

   1) Employees
   2) Shareholders
   3) Local authorities
   4) Suppliers (2)

3. The inclusion of one or more goals within another goal/(s), is called...?

   1) Goal congruency
   2) Goal planning
   3) Goal sequencing
   4) Goal hierarchy (2)

4. Which of the following statements do **not** form part of Porter's five forces that shape industry competition?

   a) Bargaining power of buyers
   b) Bargaining powers of shareholders
   c) Threat of new entrants
   d) Rivalry among new competitors
   e) Threat of substitute products or services

1) Statements (a) and (c)
2) Statements (a) and (d)
3) Statements (b) and (d)
4) Statements (b), (c) and (d) (2)

5. One of the of factors in the internal environment of the organisation entails employee's shared beliefs, symbols and values. Which of the following factors does this represent?

1) Human resource policies
2) Corporate culture
3) Organisation leadership
4) Industrial relations (2)

6. The approach whereby an organisation aligns the control of the business with the interest of the owners/investors, while also taking care of the effect on other stakeholders is known as _____?

1) Balanced scorecard
2) Agency theory
3) Value-based management (VBM)
4) Life cycle stages of an organisation (2)

7. Management has taken actions and made decisions to achieve the overall objective of the organisation and thereby maximising the value of owner's investments in the organisation over a period of more than 12 months.
   This is an example of _____?

1) Long-term owner value maximisation
2) Profitability
3) Short-term owner profit maximisation
4) Short-term returns (2)

8. The following statements are provided.

   a) Strategic objectives that recognise the importance of maximising long-term value are set.
   b) Appropriate means of measuring capital returns to determine the value that has been created for the owners/investors are established.
   c) The business is managed in such a way to maximise long-term value.
   d) Returns over a period of time are measured to establish whether the overall objectives of long-term value maximisation are achieved.

   The above statements describe the process of _____?

   1) Profit maximisation
   2) Long-term wealth creation
   3) Creating long-term owner/investor value
   4) Corporate governance (2)

9. When an owner of a business dies, the legal form will cease to exist. This is a disadvantage of which legal form/(s)?

   1) Partnership and close corporation
   2) Sole proprietorship and partnership
   3) Close corporation and company
   4) Company and sole proprietorship (2)

10. Profit companies are companies that are incorporated for the purpose of financial gain for its shareholders. Which one of the following companies is probably **not** a profit company?

    1) Khula Development Group
    2) Maree Inc.
    3) Seleme and Sons (Pty) Ltd.
    4) Pinto International (2)

11. Which of the following statements regarding the effective interest rate are TRUE?

    a) It refers to the annual rate, which derives the same result as the compound interest rate, at a given periodic rate, for a given number of compounding periods per year.
    b) Is charged by the lender or paid by the borrower each period.
    c) It will give the same result as the interest per period compounded a number of times per year if it is compounded once a year.
    d) It is useful when comparing investment alternatives with different compounding periods.

1) Statements (a) and (c)
2) Statements (a), (b) and (d)
3) Statements (a), (c) and (d)
4) Statements (b) and (d) (2)

12. Which type of interest rate is normally charged by banks, brokers and other financial institutions?

1) Market rate
2) Periodic rate
3) Effective annual interest rate
4) Nominal rate (2)

13. Which ONE of the alternatives is represented by the following formula?

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

1) Present value of R1 per period where the investment is made at the end of the year.
2) Present value of R1 per period where the investment is made at the beginning of the year.
3) Future value of R1 per period where the investment is made at the end of the year.
4) Future value of R1 per period where the investment is made at the beginning of the year. (2)

14. What interest rate factor should you use to calculate the future value of an annuity received at the end of each period for 6 years at an interest rate of 6%?

1) Table B – 4,917
2) Table A – 0,705
3) Table C – 1,4185
4) Table D – 6,9753 (2)

15. Precious, who is in your study group, wants to know which interest rate factor she should use to calculate the value of an investment of R25 000 invested today at 8% at the end of three years time.

1) Table D – 3,2464
2) Table C – 1,2597
3) Table A – 0,794
4) Table B – 2,577 (2)

16. You have calculated the present value of a future amount at a discount rate of 6% to be R208,55. The present value of the same amount at a discount rate of 7% was R185,25. What will the discount rate be to achieve a present value of R166,33. [Round your calculations to four decimal places and your final answer to two decimal places.]

1) 7,45%
2) 7,81%
3) 8,23%
4) 8,81% (2)

17. Which ONE of the following formulas is used to calculate the periodic rate?

1) $\frac{I}{i}$

2) $\left[1+\frac{i}{n}\right]^{n} - 1$

3) $\frac{iNom}{n}$

4) $n[(1 + i)^{1/n} - 1]$ (2)

18. R23 000 is invested for a period of five years at 2% interest calculated bi-annually. What is the total interest for the period if simple interest is added?

1) R2 300
2) R4 600
3) R1 150
4) R9 200 (2)

19. An annuity pays R15 000 per year at the end of every year for 15 years. Interest is compounded at 8% per annum. What is the present value of the annuity?

1) R123 664
2) R128 392
3) R225 000
4) R243 000 (2)

20. Tebogo invested an amount of R3 000 today in a money market account that bears interest at 5,5% compound interest per annum. What will the amount of his investment be after 5 years?
[Make use of the mathematical formula to calculate your answer. Round your calculations to four decimal places and your final answer to the nearest rand.]

1) R9 321
2) R74 519
3) R37 815
4) R3 921 (2)

TOTAL [40]

ADDENDUM B: COMPULSORY WRITTEN ASSIGNMENT 02/2020 FOR THE FIRST SEMESTER

DUE DATE: 14 APRIL 2020 (No extension of time will be given for submission of this assignment)

Before attempting this assignment, you should be fully conversant with the all the contents of MAC2602.

Marks awarded for this assignment contributes 75% towards your year mark of 20% and 15% towards your final mark.

This assignment contains longer type questions.

Please remember to indicate the unique number on your assignment cover.

MAC2602 - Unique number – 820930

Important: See guidelines on how to submit written assignments electronically via myUnisa under 7.5 of this Tutorial letter.

PLAGIARISM DECLARATION:

By submitting **MAC2602** assignment number **2**, I declare that:

- I have read the Unisa Students' Disciplinary Code;
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism;
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used;
- I have not allowed any other student to copy my work;
- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved.

Please note: You do not have to submit the declaration. By submitting any assignment for **MAC2602**, you automatically declare that you adhere to all the above with regard to the specific assignment.

COMPULSORY ASSIGNMENT 02/2020 FOR THE FIRST SEMESTER

THIS ASSIGNMENT MUST BE COMPLETED IN FULL AND SUBMITTED TO REACH THE UNIVERSITY BEFORE OR ON THE DUE DATE OF 14 APRIL 2020.

LONGER TYPE QUESTIONS (120 marks) Unique number – 820930

Set your calculator on four decimal places for this assignment.

QUESTION 1 (20 marks)

a) You want to save money to pay for your planned overseas trip next year. The following two options are available:
   i) A fixed deposit account with a quoted nominal interest rate of 4% per annum, compounded bi-annually;
   ii) A special savings account that pays 0,5% interest, compounded monthly.

   Which option will you choose? Show detailed workings.
   [Use four decimal places for your calculations and round your final answer to two decimal places.] (5)

b) Your father has invested an amount of money at an annual compound interest rate of 7,5%. He will receive R6 000 annually indefinitely.
   Calculate the present value (PV) of the amount invested by using the mathematical formula. Show the mathematical formula and detailed workings.
   [Use four decimal places for your calculations and round your final answer to the nearest rand.] (2)

c) An annuity of R75 000 is invested at the end of every year for 6 successive years at 8% per annum, compounded annually.
   Calculate the value of the annuity at the end of six years by using the factor tables and showing detailed workings.
   [Use four decimal places for your calculations and round your final answer to the nearest rand.] (3)

d) Kari wants to invest an amount of R750 per year at the end of each year for four years at an annual compound interest rate of 5,5%.
   Calculate the present value of Kari's annuity at the beginning of the first year by using the mathematical formula. Show the mathematical formula and detailed workings.
   [Use four decimal places for your calculations and round your final answer to the nearest rand.] (4)

e) Terrance placed a sum of money in the bank and left it there for 7 years at 6% per annum. The sum of money is now worth R15 975,00.
   What was the original amount invested? Make use of the factor tables method to calculate your answer and show detailed workings.
   [Use four decimal places for your calculations and round your final answer to the nearest rand.] (3)

QUESTION 1 (continued)

f) Simon invested R3 500 today at an annual compound interest rate of 11%.
What will the value of his investment be at the end of 5 years? Make use of the mathematical formula to calculate your answer. Show the mathematical formula and detailed workings.
[Use four decimal places for your calculations and round your final answer to the nearest rand.] (3)

[20]

QUESTION 2 (22 marks)

The following information relates to Mziti Limited:

1. The current market price per share on 1 June 2018 is R13,84. The company has 10 000 issued shares.
2. A dividend of R2,40 has been declared and paid during the previous financial year, ending 31 May 2018.
3. It is expected that dividends will grow at a constant rate of 5% per year for the foreseeable future.
4. The market rate of return is 16%, the risk-free rate is 7% and the beta is 1,8.
5. The company holds R2 000 (face value) debentures which are redeemable after six years at face value.
6. The annual interest payment on the debentures (coupon rate) is 12%.
7. The current market return for similar debentures with a life of six years is 11%.
8. Assume the current company tax rate is 28%

REQUIRED:

[Set your calculator on four decimal places for the calculations of this question. Show the formulas used and detailed calculations.]

a) Calculate the current cost of equity for Mziti Limited by using the capital asset pricing model (CAPM). (4)

b) Calculate the current cost of equity for Mziti Limited by using the dividend growth model. (4)

c) Calculate the current market value of the debentures. You may use either the mathematical formula or the financial calculator. Show the formula used (mathematical formula) as well as detailed calculations or all the financial calculator inputs.)
(Round your final answer to the nearest rand.) (6)

d) Calculate the weighted average cost of capital of Super Explore Ltd based on market values at the end of the financial period.
You can use either the mathematical formula or the table format. Show your detailed calculations and round your final answer to two (2) decimal places. (8)

[22]

QUESTION 3 (on next page)

QUESTION 3 (33 marks)

The following two financial statements of BigBoots (Pty) Ltd are presented to you:

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	2019 R'000	2018 R'000
ASSETS		
Non-current assets	**3 840**	**1 900**
Property, plant and equipment	3 200	1 420
Other investments	640	480
Current assets	**3 180**	**2 440**
Inventories	2 600	1 580
Trade and other receivables	580	560
Cash and cash equivalents	-	300
TOTAL ASSETS	**7 020**	**4 340**
EQUITY AND LIABILITIES		
Capital and reserves	**3 880**	**3 120**
Share capital	2 000	2 000
Revaluation reserve	246	246
Retained earnings	1 634	874
Non-current liabilities	**340**	**260**
Interest-bearing borrowings	300	200
Deferred tax	40	60
Current liabilities	**2 800**	**960**
Trade and other payables	1 800	420
Current tax payable	400	360
Bank overdraft	400	-
Current provisions	200	180
TOTAL EQUITY AND LIABILITIES	**7 020**	**4 340**

QUESTION 3 (continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

	2019 R'000	2018 R'000
Revenue	7 200	3 000
Cost of sales	(4 800)	(1 500)
Gross profit	2 400	1 500
Operating costs	(228)	(223)
Distribution costs	(213)	(186)
Administrative expenses	(325)	(287)
Other expenses	(82)	(60)
Net operating profit /(loss)	1 552	744
Interest and other income	8	6
Earnings before interest and tax (EBIT)	1 560	750
Interest expense	(40)	(30)
Profit before tax	1 520	720
Income tax expense	(760)	(360)
Net profit	760	360

Additional information:

1. BigBoots (Pty) Ltd has 4 million authorised shares. They have issued 2 million shares.
2. No fixed assets were sold or traded in during the year.
3. Credit sales were 95% of revenue for both years.
4. The dividend per share is 8 cents (2018: 5 cents).
5. Assume a 360-day year (30 days per month).
6. The rate of value added tax is 15%.

REQUIRED:

Calculate the following ratios (a-e) for BigBoots (Pty) Ltd only for the year 2019.

(i) Show the formula and detailed calculations.
(ii) Briefly explain what the ratio means/indicates and
(iii) Compare it to the 2018 ratios provided in brackets below and comment thereon

[Use four decimal places for your calculations and round your final answer to two decimal places.]

a) Return on assets (ROA) (based on carrying/book values) (2018: 17,28%) (6)
b) Receivable days (2018: 71 days) (6)
c) Gross profit margin (2018: 50%) (6)
d) Debt to equity ratio (Leverage ratio) (2018: 0,06:1) (6)
e) Dividend pay-out ratio (2018: 27,78%) (6)
f) List the three techniques used in the analysis of financial information. (3)

[33]

QUESTION 4 (25 marks)

Asclam Limited uses a certain machine, Coti, in a manufacturing process. The management of Asclam is considering replacing the Coti with a new improved machine, Dumdi, which has a higher production capacity. Management consequently approached the management accountant for an opinion in this regard.

The following information is available:

	Machine	
	Coti	**Dumdi**
	R	**R**
Cost	800 000	1 000 000
Realisable value - end of useful life	160 000	200 000
- current	350 000	-
Annual net **cash** inflow before taxation	290 000	-
Annual **net operating income** before taxation	-	400 000
Useful life - total	6 years	4 years
- remaining	4 years	-

Additional information:

1. Management requires a 16% after-tax return on all capital investments.
2. Taxation:
   - Wear and tear allowances are allowed by SARS on the straight-line method at 25% per annum, on the cost of the asset.
   - The normal income tax rate for companies is 28%.
3. Assume that all cash flows occur at the end of each year, except the initial capital outlays, which occur at the beginning of year 1.
4. The accounting policy of the company is to provide for depreciation over the useful life of the asset after taking the realisable value into account.

REQUIRED:

Apply the net present value (NPV) method to do the necessary calculations and advise management whether machine Coti should be replaced by machine Dumdi. Use the factor tables where applicable. Show detailed calculations of all your workings, including taxation, scrapping allowances and wear and tear recouped where applicable.

[Execute your calculations to the nearest rand and round all your factors to three decimal places.] [25]

QUESTION 5 (20 marks)

This question consists of ten multiple-choice questions. Each question must be considered independently, except where specific reference is made to information in another question. Each question has only one correct answer, and the marks per question (5.1 – 5.10) are indicated in brackets after each question.

QUESTION 5 (continued)

Please answer the ten questions by listing the question numbers below one another, from 5.1 – 5.10, with your corresponding answer next to it, for example:
5.1 (a)
5.2 (b)

The questions are as follows:

5.1 Which ONE of the following statements presents a definition of strategy?

a) It defines where the organisation wants to go in future and presents a clear view of the future's opportunities and challenges.
b) It is the principles that guide an organisation by describing how every employee is expected to behave.
c) It clearly formulates measures of progress and targets to be achieved in a specific time frame.
d) It is about choosing long-term activities to achieve the purpose set out in the mission statement and ultimately moving towards realising the vision. (2)

5.2 Which ONE of the following list of stakeholders is not considered to be a primary stakeholder?

a) Managers
b) Government
c) Employees and shareholders
d) Suppliers (2)

5.3 Which of the following statements relate mostly to SWOT analysis? Select all that apply.

(1) The forces in the competitive environment determine the profitability of the industry because they influence the prices that can be charged and the cost that can be endured and affects the size of the investment that is required to compete in the industry.
(2) It identifies core competencies of the organisation and builds on those strengths.
(3) It identifies and analyse internal and external factors that are of strategic importance and classify them in opportunities, threats, strengths and weaknesses.
(4) The key purpose is to create an organisation-specific business model that has identified the strategies that will synchronise the capacity and means of the organisation with the competitive environment in which the organisation operates.

a) Statements (1), (2) and (3)
b) Statements (2), (3) and (4)
c) All of the above statements
d) Statements (1), (3) and (4) (2)

QUESTION 5 (continued)

5.4 Which of the following are reasons why profit maximisation should not be the primary objective of organisations?

(1) Profit measures based only on accounting and financial indicators are annual measures, measured over a short period of time.
(2) Short-term profit measures do not distinguish between profit earned and cash flows generated.
(3) Profit measures represented by accounting and financial indicators do not reflect the strategic behaviour employed to achieve it.
(4) Profit measures do not take a change in risk into account.

a) Statements (1), (2) and (3)
b) Statements (2), (3) and (4)
c) All of the above statements
d) Statements (1), (3) and (4) (2)

5.5 Which of the following statements regarding financial management are **TRUE**?

(1) Traditional financial management entails the identification of possible strategies capable of maximising an organisation's net present value, the allocation of scarce capital resources among the competing opportunities and the implementation and monitoring of the chosen strategies so as to achieve stated objectives.
(2) Strategic financial management is the management and control of money and money-related operations within the business including planning, organising and controlling the financial activities of the business and only focussing on financing and investment decisions.
(3) Organisational structure of a business is the organisational arrangements and systems for gathering together human, physical, financial and information resources at all levels of the system.
(4) Corporate governance is a set of processes, customs, policies, laws and institutions affecting the way that a business is managed, including the relationships among the many stakeholders involved and the goals of the business.

a) Statements (1), (2) and (3)
b) Statements (2), (3) and (4)
c) Statements (3) and (4)
d) Statements (1), (2), (3) and (4) (2)

5.6 Which of the following statements regarding sources of finance are **TRUE**?

(1) The main divisions of the capital market are the equity market and the bond market.
(2) The main functions of capital markets are trading in existing shares and raising capital.
(3) An initial public offering (IPO) takes place when a company applies to be listed for the first time.
(4) The capital market is a financial market used mainly for raising long-term finance.

a) Statements (1), (2) and (3)
b) Statements (2), (3) and (4)
c) Statements (2) and (4)
d) Statements (1), (2), (3) and (4) (2)

5.7 Which of the following statements regarding forms of finance are **FALSE**?

(1) In the case of liquidation, debt is repaid before equity.
(2) Equity tends to have a finite life while debt tends to be part of the organisation for life.
(3) Equity holders control the organisation while debt holders normally (except where debt covenants give bondholders control) do not have control over the organisation.
(4) Equity financing is relatively less expensive than debt financing due to the lower risk and because dividends are not deductible for tax purposes.

a) Statements (1), (2) and (3)
b) Statements (2), (3) and (4)
c) Statements (2) and (4)
d) Statements (1) and (3) (2)

5.8 Which of the following are types of short-term debt instruments that can be obtained on the money market?

(1) Bank overdrafts
(2) Finance secured by the debtor's book
(3) Creditors (suppliers)
(4) Corporate bonds and debentures

a) (1), (2) and (3)
b) (2), (3) and (4)
c) (1), (3) and (4)
d) (1) and (3) (2)

QUESTION 5 (continued)

5.9 The method whereby management identifies the best risk management practices in their industry or in another industry where similar processes exist, and compare the results and processes of those studied to the organisation's own results and processes is known as .....?

a) Brainstorming
b) Benchmarking
c) Diagnostics
d) Fish bone (cause and effect) (2)

5.10 Which of the following methods can be used by the risk management team or the risk management department to monitor the effectiveness of the risk management process?

(1) Assessment of residual risk
(2) Periodic reports to the stakeholders
(3) Loss management
(4) Scenario management

a) (1), (2) and (3)
b) (2), (3) and (4)
c) (1) and (2)
d) (3) and (4) (2)
[20]

TOTAL [120]

ADDENDUM C: COMPULSORY ASSIGNMENT 01/2020 FOR THE SECOND SEMESTER

DUE DATE: 25 AUGUST 2020

Before attempting this assignment, you should be fully conversant with the contents of topics 1 to 7.

The assignment contains 20 multiple choice questions which have to be answered on an assignment **mark-reading sheet OR via *my*Unisa**.

Submission of this assignment is important to gain admission to the examination. Marks awarded for this assignment contributes 25% towards your year mark which comprises 20% towards your final mark.

MAC2602 - Unique number – 682271

Complete your assignment online. Make sure that you answer all the question before you submit your assignment.

How to use and complete an assignment mark-reading sheet:

1. All the information on a mark-reading sheet must be filled in with a HB pencil.

2. Do not use a pen to fill in the mark-reading sheet.

3. Do not attach a barcode label to the mark-reading sheet.

4. Use only the orange mark-reading sheet that you received with your study material.

5. For more details regarding the completion of the mark-reading sheet, we refer you to the brochure *Studies @ Unisa*.

PLAGIARISM DECLARATION:

By submitting **MAC2602** assignment number **1**, I declare that:

- I have read the Unisa Students' Disciplinary Code;
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism;
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used;
- I have not allowed any other student to copy my work;
- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved.

Please note: You do not have to submit the declaration. By submitting any assignment for **MAC2602**, you automatically declare that you adhere to all the above with regard to the specific assignment.

COMPULSORY ASSIGNMENT 01/2020 FOR THE SECOND SEMESTER

THIS ASSIGNMENT MUST BE COMPLETED EITHER THROUGH MYUNISA OR ON A MARK-READING SHEET [DUE DATE 25 AUGUST 2020]

MULTIPLE CHOICE QUESTIONS (40 marks) Unique number – 682271

Set your calculator on four decimal places for this assignment.

1. Which ONE of the following statements represents a benefit of a mission statement?

    1) It reveals the area in which the organisation is operating.
    2) It provides a specific time frame.
    3) It is measurable, relevant, specific and attainable.
    4) It contains a measure for progress. (2)

2. Which of the following list of stakeholders are **not** considered to be a connected stakeholder?

    1) Suppliers
    2) Lenders
    3) Pressure groups
    4) Customers (2)

3. Which of the following will be seen as strengths according to the SWOT analysis?

    (a) Process capabilities
    (b) Complex decision-making process
    (c) Huge financial resources
    (d) Committed employees
    (e) Increase in demand for telecommunication

    1) Statements (a), (b) and (c)
    2) Statements (a), (c) and (d)
    3) Statements (b), (d) and (e)
    4) Statements (b), (c) and (e) (2)

4. Which of the following is part of the external factors in the SWOT analysis?

(a) Depreciating machinery
(b) Increasing competition
(c) Strikes by workers
(d) Price wars among competitors
(e) Deregulation

1) Statements (a), (b), (c), (d) and (e)
2) Statements (a), (b), (d) and (e)
3) Statements (b), (c) and (e)
4) Statements (b), (c), (d) and (e) (2)

5. Factors that influence the development of an organisation's strategy are grouped according to external factors over which the organisation has no control and internal factors over which the organisation have some control.
Which of the following are regarded as internal factors in the internal environment?

(a) Social environment
(b) Competitive environment
(c) HR policies
(d) Industrial relations
(e) Corporate culture

1) Statements (a), (b) and (c)
2) Statements (b), (c) and (d)
3) Statements (c), (d) and (e)
4) Statements (a), (c), (d) and (e) (2)

6. External factors such as interest rates, inflation, tax laws and tax rates as well as unemployment have an influence on the development of an organisation's strategy. These are examples of the _____ environment?

1) Economic environment
2) Political environment
3) Technological environment
4) Social environment (2)

7. "The identification of possible strategies capable of maximising an organisation's net present value, the allocation of scarce capital resources among the competing opportunities and the implementation and monitoring of the chosen strategy so as to achieve stated objectives", is an example of ____?

1) Traditional financial management
2) Corporate governance
3) Memorandum of incorporation (MOI)
4) Strategic financial management (2)

8. The following are statements regarding the measurement of annual profitability of an organisation based only on accounting and financial indicators that have certain drawbacks.

(a) Creative accounting is used to manipulate the annual profitability.
(b) It does not distinguish between cash flows generated and profit earned.
(c) Short term returns are encouraged at the expense of business development in the long term.
(d) It only gives a financial summary of the effects of the economic activity of the past financial year. The strategic behavior employed to achieve this is not reflected.
(e) It only measures one year where investors are interested in the profits over a number of years.

Which of these statements are **TRUE**?

1) Statements (a), (c) and (e)
2) Statements (b), (c) and (d)
3) Statements (b), (c), (d), and (e)
4) Statements (a), (b), (c), (d) and (e) (2)

9. What is described by the following definition?
"A set of processes, laws, customs, policies and institutions affecting the way a business is managed, including the relationship among many other stakeholders involved and the goals of the business"

1) Sustainability
2) Profitability
3) Corporate governance
4) Globalisation (2)

10. Which of the following examples are **not** examples of sustainability for businesses?

(a) Recycling and eliminating waste.
(b) Saving costs by cutting spending on safety equipment.
(c) Remanufacture/convert harmful gases into clean energy.
(d) Approving salary increases for management and not for other employees.
(e) Pump untreated toxic gases into the air.

1) Statements (a), (b) and (c)
2) Statements (a), (c) and (d)
3) Statements (b), (c) and (e)
4) Statements (b), (d) and (e) (2)

11. Private and public companies are two types of profit making companies. Which ONE of the following statements is a characteristic of a PUBLIC company?

    1) It must have at least three directors.
    2) Fewer disclosure and transparency requirements.
    3) Transferability of its shares is restricted.
    4) May have more than fifty shareholders. (3)

12. An annuity due is where the payments _____?

    1) continue forever.
    2) fall due at the beginning of each payment interval.
    3) are due sometime in future.
    4) take place at the end of each period. (2)

13. The rate charged by a lender or paid by a borrower each period is called the _____?

    1) Nominal rate
    2) Effective annual interest rate
    3) Compounded interest
    4) Periodic interest rate (2)

14. What does the following formula represents?

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

    1) Present value of R1 per period where the investment is made at the end of the year.
    2) Future value of R1 per period where the investment is made at the beginning of the year.
    3) Present value of R1 per period where the investment is made at the beginning of the year.
    4) Future value of R1 per period where the investment is made at the end of the year. (2)

15. The company you are working for will invest R500 000 at the end of each of the following two years. The investment will earn interest of 12% per annum. What interest factor will you use to calculate the value of the investment after the two years?

    1) Table C – 1,2544
    2) Table D – 2,1200
    3) Table B – 1,690
    4) Table A – 0,792 (2)

16. You have calculated the present value of a future amount at a discount rate of 9% to be R215,80. The present value of the same amount at a discount rate of 11% was R196,40. What will the discount rate be to achieve a present value of R200,50.

[Round your calculations to four decimal places and your final answer to two decimal places.]

1) 11,54%
2) 8,46%
3) 9,42%
4) 10,58% (2)

17. Which ONE of the following formulas is used to calculate the nominal rate?

1) $n[(1 + i)^{1/n} - 1]$
2) $\left[1+\frac{i}{n}\right]^{n} - 1$
3) $\frac{i_{Nom}}{n}$
4) $a + \left[\frac{(x-y)}{(x-z)} \times (b-a)\right]$ (2)

18. You need an amount of R11 970 in 2 years time in order to pay cash for a big screen television. What amount will you need to invest today if the investment earns 7% simple interest per annum? [Round your answer to the nearest rand.]

1) R5 594
2) R10 342
3) R10 000
4) R10 500 (2)

19. Patricia will need an amount of R60 500 in three years time to be able to put down a sufficient deposit for a property she wants to buy. What is the present value of this amount if she invest it at a compound interest rate of 7,5%?
[Make use of the mathematical formula to calculate your answer. Round your calculations to four decimal places and your final answer to the nearest rand.]

1) R48 700
2) R157 332
3) R56 279
4) R46 888 (2)

20. Rashid wants to go on a ski holiday at a resort in Switzerland in 18 months time. He needs R30 000 for this planned holiday. He needs your assistance to help him calculate how much he will need to save every month for the next 18 months at a rate of 6% per annum to have the R30 000 available.
[Make use of the mathematical formula to calculate your answer. Round your calculations to four decimal places and your final answer to the nearest rand.]

1) R1 401
2) R19 707
3) R971
4) R1 778 (2)

TOTAL [40]

ADDENDUM D: COMPULSORY WRITTEN ASSIGNMENT 02/2020 FOR THE SECOND SEMESTER

DUE DATE: 15 SEPTEMBER 2020 (No extension of time will be given for submission of this assignment)

Before attempting this assignment, you should be fully conversant with the all the contents of MAC2602.

Marks awarded for this assignment contributes 75% towards your year mark and 15% towards your final mark.

This assignment contains longer type questions.

Please remember to indicate the unique number on your assignment cover.

MAC2602 - Unique number – 806722

Important: See guidelines on how to submit written assignments electronically via myUnisa under 7.5 of this Tutorial letter.

PLAGIARISM DECLARATION:

By submitting **MAC2602** assignment number **2**, I declare that:

- I have read the Unisa Students' Disciplinary Code;
- I know what plagiarism is, that plagiarism is wrong and that disciplinary steps can be taken against me if I am found guilty of plagiarism;
- This assignment, submitted by myself, is my own work and that I have referenced all the sources that I have used;
- I have not allowed any other student to copy my work;
- I know that if I am found to be in violation of this declaration I will receive 0% for the assignment involved.

Please note: You do not have to submit the declaration. By submitting any assignment for **MAC2602**, you automatically declare that you adhere to all the above with regard to the specific assignment.

COMPULSORY ASSIGNMENT 02/2020 FOR THE SECOND SEMESTER

THIS ASSIGNMENT MUST BE COMPLETED IN FULL AND SUBMITTED TO REACH THE UNIVERSITY BEFORE OR ON THE DUE DATE OF 15 SEPTEMBER 2020.

LONGER TYPE QUESTIONS (126 marks) Unique number – 806722

Set your calculator on four decimal places for this assignment except where specifically indicated otherwise.

QUESTION 1 (15 marks)

a) The company you are working for pays a thirteenth cheque to all employees in the month of their birthday. Your birthday is in December and you want to invest your thirteenth cheque of R13 000 at the beginning of January each year for the following four years. The special savings account in which you will invest the R13 000 at the beginning of each of the next four years earns 7% compound interest per annum. Calculate the value of your investment at the end of the four years.

Make use of the mathematical formula to calculate your answer.
[Show the mathematical formula and detailed workings. Round your calculations to four decimal places and your final answer to the nearest rand.] (6)

b) Setsane will invest an amount of R7 000 at the end of each year for the next six years in a money market account that earns 6% compound interest per annum. Determine the current value of her intended investment?

Make use of the factor table method to calculate your answer and show detailed workings.
[Show the equation you used as well as your workings. Round your workings to four decimal places and your final answer to the nearest rand.] (2)

c) Tony has an investment which earns effective interest of 11% per annum. Interest is compounded quarterly. What is the nominal rate of his investment?
[Show the formula you used to determine the nominal rate as well as your workings. Use four decimal places for your calculations and round your final percentage to two decimal places.] (3)

d) Your bank is giving a fixed term deposit option that calculates interest at the end of each month at an annual compound interest rate of 9%. What is the periodic rate of this fixed term deposit option?
[Round your workings to four decimal places and your final answer to the nearest rand.] (2)

e) Leilha would like to pay a deposit of R50 000 on a house in four years time. How much will she need to invest today at a rate of 6% compound interest per annum in order to have the R50 000 as deposit after four years?

Make use of the factor table method to calculate your answer.
[Show the equation you used as well as the detailed workings. Use four decimal places and round your final answer to the nearest rand.] (2)
[15]

QUESTION 2 (30 marks)

This question consists of two (2) parts – Part A and Part B.

PART A (9 marks)

REQUIRED:

a) Define and explain the theory of capital structure. (3)

b) List two reasons why debt financing is attractive for the owners of an organisation. (2)

c) Table 1 below presents the current situation of Duplo Limited and Table 2 the situation when an additional capital asset to the value of R200 million is acquired by using equity funding.

(Assume that the additional asset will generate the same operating returns (EBIT) as the current asset in Table 1).
Give a short explanation why the return on equity (ROE) in Table 2 stays the same as in Table 1. (4)

TABLE 1

Current financial leverage situation	
Total assets R200million : Equity R200 million	
Earnings before interest (EBIT)	40,0m
	0,0
Interest (no debt)	
Profit before tax	40,0m
Income tax expense	(11,2m)
Net profit	28,8m
Return on assets (ROA)	$= \frac{40}{200} \times \frac{100}{1}$ = 20%
Return on equity (ROE)	$= \frac{28,8}{200} \times \frac{100}{1}$ = 14,4%

TABLE 2

Acquire an additional asset of R200 million, funded by equity only	
Total assets R400million : Equity R400million	
Earnings before interest (EBIT)	80,0
	0,0
Interest (no debt)	
Profit before tax	80,0
Income tax expense	(22.4)
Net profit	57,6
Return on assets (ROA)	$= \frac{80}{400} \times \frac{100}{1}$ = 20%
Return on equity (ROE)	$= \frac{57,6}{400} \times \frac{100}{1}$ = 14,4%

TOTAL QUESTION 2 PART A [9]

PART B (21 marks)

Everest Limited has R200 000 par value debentures. The annual interest payment is 8% and the debentures are redeemable after four years at face value. The current market return for similar debentures with a life of four years is 10%. Assume a company tax rate of 28%.

QUESTION 2 (continued)

The current market price of Everest Limited's shares is R20,57 and the last dividend was R2 per share.

The company has 10 000 issued shares. It is anticipated that the earnings and dividends of the company will show a constant growth of 14% per annum in the future. The beta for Everest Limited is 1,23 and the risk free rate is 13%. The market rate of return is 22,8%.

Everest Limited also has a long-term loan to the value of R175 000 as per the financial statements. The contract agreement of this loan stipulates that interest is payable annually at a nominal rate of 8%. The current after-tax market rate for similar loans is 10%.

a) Calculate the current cost of equity for Everest Limited by using the dividend growth model. (3)
b) Calculate the current cost of equity for Everest Limited by using the capital asset pricing model (CAPM). (3)
c) Calculate the current market value of the debentures by using the mathematical formula. (5)
   [Set your calculator to four decimal places for the calculations of this question and round your
   final answers to two decimal places. Show the formulas used and detailed calculations.]
d) Calculate the after-tax cost of the debentures for Everest Limited. (1)
e) Calculate the total market value of equity of Everest Limited. (1)
f) Calculate the weighted average cost of capital (WACC) of Everest Limited based on market values at the end of the financial period.
   You can use either the mathematical formula or the table format. Show your detailed calculations and round your final answer to two (2) decimal places. (8)

TOTAL QUESTION 2 PART A [21]
TOTAL QUESTION 2 [30]

QUESTION 3 (39 marks)

PART A (24 marks)

The directors of Super-Lawn Ltd are concerned about their latest financial results and have asked you to analyse some of their financial information.

You are given the following extract of the line items from the comparative statement of profit or loss and other comprehensive income of Super-Lawn Ltd for five years:

	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Revenue	8 560	11 596	7 750	2 554	3 621
Operating costs	(1 536)	(2 320)	(998)	(890)	(905)
Net profit/(loss)	435	1 389	1 490	(236)	314

QUESTION 3 (continued)

Additional information:

1. Super-Lawn Ltd is an expert in landscaping. They offer a professional garden design service and have a large customer base.
2. In 2016, a new competitor, Green Gardens, entered the market and offered special prices to customers. However, in the following years the old customers returned to Super-Lawn due to their excellent services.
3. Super-Lawn Ltd expanded their marketing campaigns in 2018.
4. In 2019 government increased the minimum wages and Super-Lawn Ltd had to retrench a large number of employees, hence also losing some customers. Employee costs are included in the operating costs.
5. The amount of credit sales is 50% of the relevant year's revenue (for 2019 and 2018).
6. The balance of the trade and other debtors at the end of 2019 was R1 013 000 (2018: R985 000).
7. Value added tax rate is 15%.

REQUIRED:

a) Redraft the extract of the line items from the comparative statement of profit or loss and other comprehensive income of Super-Lawn Ltd for five years by using the following techniques: (Clearly indicate in the heading of each case the technique that was used)

   (i) Indexed statements [Round your answer to **no** decimal place]
   (ii) Common size statements [Round your answer to **one** decimal place] (15)

b) Provide context to (comment and interpret) the financial analysis done in (a) above with reference to the additional information supplied to you. (3)

c) Calculate the following ratios only for 2019 and 2018 by using the ratio analysis technique: (Clearly indicate the specific ratio calculated in each case.)

   (i) Net profit margin (2)
   (ii) Receivable days (debtors' collection period) (4)

TOTAL QUESTION 3 PART A [24]

PART B (15 marks)

The following extracts from the financial statements of Fitzi Ltd and Bitzi Ltd, that are both companies engaged in similar business, are given to you below.

QUESTION 3 (continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

	Fitzi Ltd R'000	Bitzi Ltd R'000
Sales	150	150
Cost of sales	(100)	(114)
Other expenses	80	90
Depreciation	15	18
Profit before interest and tax	5	6
Interest	**50**	**36**
Profit before taxation	(2)	(6)
Taxation	48	30
Net profit	(16)	(10)
Dividend	32	20
Retained profit	(12)	(18)
	20	**2**

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Fitzi Ltd R'000	Bitzi Ltd R'000
Cash and cash equivalents	6	1
Trade and other receivables	15	12
Inventory	30	24
Net fixed assets	90	100
TOTAL ASSETS	**141**	**137**
Share capital	60	60
Retained income	50	5
Trade and other payables	9	10
Bank overdraft	6	25
Loans	16	37
TOTAL EQUITY AND LIABILITIES	**141**	**137**

REQUIRED:

Calculate the following ratios (a-c) for Fitzi Ltd for the 2019 financial year.

(i) Show the formula and detailed calculations.

(ii) Briefly explain what the ratio means/indicates and

(iii) Compare it to the 2019 ratios provided for Bitzi Ltd that is given in brackets below and comment thereon.

[Use four decimal places for your calculations and round your final answer to two decimal places.]

QUESTION 3 (continued)

a) Current ratio (1,06:1) (5)
b) Interest cover ratio (6 times) (5)
c) Operating profit margin (24%) (5)

TOTAL QUESTION 3 PART A [15]
TOTAL QUESTION 3 [39]

QUESTION 4 (22 marks)

Excavation Limited is considering the purchase of an additional bulldozer with an extra crusher attached. This bulldozer will enable them to demolish flat materials like concrete, as well as to gather and lift loose materials. These functions of the new bulldozer will enhance their earthmoving works.

The following information regarding the new bulldozer is available:

Cost price	R2 810 000
Realisable value end of useful life	R500 000
Estimated useful life	3 years

Additional information:

1. The estimated net income (including depreciation) before tax, from the additional bulldozer will be R154 133 in year 1, R241 397 in year 2 and R335 642 in year 3.
2. The accounting policy of the company is to provide for depreciation over the useful life of the asset on the cost price of the asset.
3. The current tax rate is 28% and it is expected to remain unchanged during the period of the bulldozer's useful life.
4. The tax authority is prepared to grant an annual wear and tear allowance of R562 000, on the bulldozer, for tax purposes.
5. Management requires a 12% per annum after tax return on capital projects of this nature.
6. All the cash flows, except the initial capital outlays which occur at the beginning of the year, occur at the end of the financial year concerned.

REQUIRED:

a) Use the net present value method to determine whether the additional bulldozer should be acquired by the company. Use the factor tables where applicable. Show detailed calculations of all your workings, including taxation, scrapping allowances and wear and tear recouped where applicable. [Work to three decimal places and round off all other calculations to the nearest rand]. (16)

b) Calculate the bulldozer's payback period (4)

c) Define the accounting rate of return (2)
[22]

QUESTION 5 (20 marks)

This question consists of ten (10) multiple-choice questions. Each question must be considered independently, except where specific reference is made to information in another question.

QUESTION 5 (continued)

Each question has only **one** correct answer, and the marks per question (5.1 – 5.10) are indicated in brackets after each question.

Please answer the ten questions by listing the question numbers below one another, from 5.1 – 5.10, with your corresponding answer next to it, for example:
5.1 (a)
5.2 (b)

The questions are as follows:

5.1 With regards to the core values of an organisation, which ONE of the following statements is **TRUE**?

a) It describes the purpose of the organisation and it broadly states the reason why the organisation exists.
b) It describes the principles that guide an organisation by describing how every employee should behave.
c) It describes where the organisation wants to go in future.
d) It describes the measures of progress and targets to be achieved by the organisation in a specific time frame. (2)

5.2 Which of the following statements describe corporate culture in the internal environment of an organisation?

(1) It entails the employee's values, symbols and shared beliefs.
(2) It presents a language for interpreting issues and events.
(3) It is the "glue" that holds everyone together.
(4) It is the workforce of an organisation.
(5) It entails the management of certain events such as workplace conflict.

a) Statements (1), (2) and (3)
b) Statements (1), (2) and (4)
c) Statements (2), (3) and (5)
d) Statements (3), (4) and (5) (2)

5.3 Which of the following list of stakeholders are **NOT** considered to be secondary stakeholders of Edcon Ltd?

a) CIMA
b) Government
c) Standard bank
d) The department of labour (2)

QUESTION 5 (continued)

5.4 The following statements are given to you:

(1) Manage the business in such a way as to maximise long-term value.
(2) Set strategic objectives that recognise the importance of maximising long-term value.
(3) Measure the return over a period of time to see whether the overall objectives of long-term value maximisation are being achieved.
(4) Establish appropriate means of measuring capital return to determine the value that has been created for owners/investors.

The above statements all relates to _____?

a) Capital growth
b) Corporate governance
c) Sustainability
d) Profitability (2)

5.5 Which of the four stages of the growth in the structure of an organisation correlates with the stage in the life cycle of the organisation that is described in the following extract?

"An owner starts up and manages a small business. The owner makes all the decisions and there is not much delegation of authority. The tasks are performed by the individuals according to their abilities and needs. A formal structure is not yet established and rules and guidelines are not fully in place."

a) Entrepreneurial structure
b) Functional structure
c) Holding organisation structure
d) Divisionalised structure (2)

5.6 Which of the following statements describe characteristics of ordinary preference shares?

(1) When the share price increases the shareholders will benefit. Their wealth will increase with both the dividend and capital growth of the share.
(2) It bears less risk to the investor. In case of liquidation preference shareholders are paid from remaining funds before ordinary shareholders.
(3) The dividend is expressed as a fixed percentage of the capital amount.
(4) Voting rights are attached to each class.
(5) It is a hybrid form of finance.

a) Statements (1), (2), (4) and (5)
b) Statements (2), (3) and (5)
c) Statements (2), (4) and (5)
d) Statements (1), (3), (4) and (5) (2)

5.7 Which ONE of the following list is **NOT** an example of a long-term loan?

a) Instalment sale agreement
b) Bank loan
c) Bank overdraft
d) Sale and leaseback (2)

5.8 Which of the following statements regarding forms of finance are **FALSE**?

(1) Revolving credit is a form of debtors financing which results in improving the debtor's collection period.
(2) A bank overdraft is the facility that allows an organisation to use more money than is available in its bank account.
(3) A bond/debenture is a long-term contract between the organisation that issues the bond/debenture and the buyer thereof.
(4) An instalment sale agreement is a long-term loan raised against the value of fixed property. It is normally secured over the value of the property offered as security.

a) Statements (1), (3) and (4)
b) Statements (1) and (4)
c) Statements (2) and (4)
d) Statements (2), (3) and (4) (2)

5.9 Which ONE of the following risks will result in huge penalties and fines or the suspension of operating licenses for an organisation if not adhering to legislation or regulations?

a) Reporting risk
b) Strategic risk
c) Compliance risk
d) Operational risk (2)

QUESTION 5 (continued)

5.10 The following statements relates to the methods to identify risk.

(1) Stakeholder consultation is a technique used involving data collection. It could include a survey of stakeholders by interview or questionnaires.
(2) The process to break down a business process into its different component parts to be able to examine all the risk processes is called fish bone.
(3) Swot analysis is the analysis of all technological, political, ecological, legal, economic and social factors that could affect an organisation.
(4) Benchmarking is the process that could be applied by management by identifying the best risk management practices in the industry, or in another industry where similar processes exist and comparing the results thereof to the organisation's own results and processes.
(5) Diagnostics is the process used where a group tries to find a solution for a specific problem by gathering random ideas contributed by the group.

Which of the above statements are **FALSE**?

a) Statements (1), (2) and (3)
b) Statements (2) and (3)
c) Statements (2), (4) and (5)
d) Statements (3) and (5) (2)

[20]

TOTAL [126]

©

Unisa 2020