Requirements for this paper:			
Multi choice cards:		Non-programmable calculator:	X
Graphic paper:	X	Laptop:	

Open book examination	X

EXAMINATION:	**28 June 2019**	**QUALIFICATION:**	**MBA**
MODULE CODE:	**MBAC 813**	**DURATION:**	**4 HOURS**
DESCRIPTION:	**Financial Management**	**MAX:**	**100**
EXAMINER:	**Prof I Nel**	**DATE:**	**28/06/2019**
	Prof W Musvoto		
MODERATOR:	**Prof GJ de Klerk**	**TIME:**	**14:00-18:00**

LET WEL/PLEASE NOTE: THIS IS AN OPEN BOOK EXAMINATION/HIERDIE IS 'N OOPBOEK EKSAMEN.

Instructions/Instruksies

- Beantwoord alle vrae / *Answer all the questions*
- Toon alle berekenings / *all calculations must be clearly indicated*
- Geen opstelle – skryf feitelik en gestruktureerd / *No essays – write factual and structured*
- Bronverwysings van navorsing (anders as die voorgeskrewe bron) / *List all the sources other than the prescribed textbooks which you have consulted*

Afrikaans follow the English section

Use the attached financial information to answer the following

Question 1 **(40)**

Knowing that the risk-return relationship is an important factor to consider from an investment and management of the company / share price point of view based on the historic financial information for the company under consideration 1) how well in your opinion does the share price reflect the underlying value in the organisation and 2) what would your advice be regarding the management of the share price over the next year?

Question 2 **(40)**

Based on the financial information provided and working from the perspective of sustainable growth consider 1) a scenario where a 30% probability exists that sales will be 30% less than the sales for the past year and 2) a scenario where a 40% probability exists that sales will be 20% more than sales for the past year. In your opinion what strategic financial management action needs to be taken to manage the share price into equilibrium for the given scenario? NB work on the assumption that assets are currently fully utilised.

Question 3 **(20)**

From your point of view will it make sense to invest in portfolio that comprises of 30% investment in the company as per the financial data provided and 70% in a market portfolio? <u>Motivate your answer.</u>

Afrikaanse gedeelte

Vraag 1 **(40)**

Wetende dat die risiko-opbrengskoers verhouding ʼn belangrike faktor is om te oorweeg vanuit ʼn investering en bestuur van ʼn onderneming / aandeel prys oogpunt en met in ag neming van die historiese finansiële inligting van die onderneming onder oorweging 1) na u mening hoe goed reflekteer die aandeel prys die onderliggende waarde in die onderneming en 2) wat sal u advies wees ten opsigte van die bestuur van die aandeel prys oor die vogende jaar?

Vraag 2 **(40)**

Gebaseer op die historiese finansiële situasie en vanuit die perspektief van volhoubare groei oorweeg 1) ʻn scenario waar daar ʻn 30% waarskynlikheid bestaan dat verkope 30% minder as verkope vir die afgelope jaar sal wees en 2) ʻn scenario waar daar ʻn 40% waarskynlikheid bestaan dat verkope 20% meer as verkope vir die afgelope jaar sal wees. Na u mening wat kan bestuur doen om die aandeel prys onder gemelde situasie tot ekwilibrium te bestuur? NB: Werk op die aanname dat alle bates tans ten volle benut word.

Vraag 3 **(20)**

Vanuit u oogpunt sal dit sin maak om in ‘n portefeulje wat bestaan uit 30% in die maatskappy waarvan die finansiële inligting verskaf word en 70% in ‘n mark portefeulje te belê? Motiveer u antwoord.

Financial Information / Finansiële Inligting

Statement of financial position (Balance Sheet) of Class Case						
September	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
	Sept	**Sept**	**Sept**	**Sept**	**Sept**	**Sept**
Equity & Liabilities (R000)	**R**	**R**	**R**	**R**	**R**	**R**
Equity						
Ordinary Shareholders Interest	1,893,759	1,659,768	1,443,477	1,342,326	1,223,723	1,102,976
Ordinary Share Capital	227	227	227	227	229	232
Share premium	(274,414)	(275,419)	(275,384)	(126,559)	(19,871)	35,712
Distributable reserves	62,575	48,988	63,630	40,802	29,732	11,551
Non-Distributable reserves	2,105,371	1,885,972	1,655,004	1,427,856	1,213,633	1,055,481
Outside Shareholders Interest	27,725	23,208	21,948	20,419	15,395	13,460
Preference Share Capital	-	-	-	-	-	-
Total Equity	1,921,484	1,682,976	1,465,425	1,362,745	1,239,118	1,116,436

Liabilities						
Deferred Tax	42,180	37,480	30,706	-	-	-
Long Term Interest Bearing	115	1,052	2,243	-	-	2,488
Other Non-current liabilities	162,930	159,937	151,483	105,979	100,217	93,611
Non-Current Liabilities	205,225	198,469	184,432	105,979	100,217	96,099

Assets / Utilisation of funds						
Non-Current Assets						
Intangible Assets	433,467	397,015	399,689	39,048	42,019	50,333
Investment at market Value	-	-	-	-	-	-
Long Term Loans	-	-	-	-	-	-
Fixed Assets	1,100,132	978,615	931,063	836,252	794,174	618,597
Other Non-Current Assets	129,797	105,492	100,127	75,595	36,951	23,795
Total Non-Current Assets	1,663,396	1,481,122	1,430,879	950,895	873,144	692,725
Current Liabilities						
Trade Payables	2,070,688	1,768,942	1,789,406	1,556,317	1,248,007	856,465
Dividends Payable	-	-	-	-	-	-
Tax Payable	74,174	61,664	71,858	43,387	28,813	-
Short-Term Interest Bearing	936	1,191	27,825	-	-	-
Bank overdraft	-	-	-	-	-	-
Total Current Liabilities	2,145,798	1,831,797	1,889,089	1,599,704	1,276,820	856,465
Current Assets						
Inventory	1,512,823	1,289,491	1,225,580	1,073,129	933,035	986,709
Trade Receivables	143,359	141,209	106,533	105,487	105,654	256,469
Cash & Near Cash	952,929	801,420	775,954	938,917	704,322	123,818

Dividends Receivable	-	-	-	-	-	-
Tax Receivable	-	-	-	-	-	9,279
Total Current Assets	2,609,111	2,232,120	2,108,067	2,117,533	1,743,011	1,376,275

Total Assets (Including intangibles)	3,839,040	3,316,227	3,139,257	3,029,380	2,574,136	2,018,667
Total Assets (Including intangibles)	4,272,507	3,713,242	3,538,946	3,068,428	2,616,155	2,069,000
Total Liabilities	2,351,023	2,030,266	2,073,521	1,705,683	1,377,037	952,564
Total Equity plus Liabilities	4,272,507	3,713,242	3,538,946	3,068,428	2,616,155	2,069,000

		-	-	-	-	-

Net Current Assets	463,313	400,323	218,978	517,829	466,191	519,810
Statement of Comprehensive Income (Income Statement) Class Case (R000)						
September	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
	R	**R**	**R**	**R**	**R**	**R**
Turnover	10,207,603	9,729,640	8,669,643	7,692,646	6,781,274	6,376,945
Cost Of Sales	7,639,019	7,248,711	6,404,966	5,844,200	5,175,906	4,921,664
Other cost	1,534,872	1,427,524	1,261,187	979,088	951,145	878,337
Gross profit	1,033,712	1,053,405	1,003,490	869,358	654,223	576,944

Operating / Fixed cost	360,030	310,184	337,784	299,034	209,306	179,396
Depreciation	130,356	123,224	117,182	105,821	87,351	75,008
Operating Profit (EBIT)	543,326	619,997	548,524	464,503	357,566	322,540
Investment income	50,985	37,029	70,163	37,924	22,923	29,493
Interest received	54,128	40,814	71,084	39,676	23,927	30,718
Interest & Finance Charges	3,143	3,785	921	1,752	1,004	1,225
Profit before taxation	594,311	657,026	618,687	502,427	380,489	352,033
Taxes paid	169,063	187,540	176,685	139,048	111,036	103,482
Profit after taxation / Net income	425,248	469,486	442,002	363,379	269,453	248,551
Price / Share (C)	33,826.00	34,893.00	34,969.00	29,166.00	13,278.00	12,262.00
Dividend / Share (c)	673.60	771.00	850.85	605.20	448.80	413.95
Preference dividends paid	0	0	0	0	0	0
N A V / Share (C)	8,453.52	7,404.21	6,310.23	5,939.70	5,434.97	4,908.92
Book Val / Share (c)	8,331.54	7,302.10	6,215.72	5,850.70	5,367.44	4,849.74
Retention Rate %	52.16	49.67	55.99	59.69	59.47	46.56
Operating Profit Margin %	5.32	6.37	6.33	6.04	5.27	5.06
Net Profit Margin %	4.12	4.78	5.05	4.67	3.92	3.85
Price / Earnings	18.12	17.06	18.49	19.09	11.6	11.93
Share issued at year end	22730	22730	23223	22943	22799	22743

Limited market data

PRICE DATA REPORT FTSE/JSE All Share (J203)

Date	CRI	TRI				CRI	TRI
	Ave Close	Ave close	EY	P/E	DY	Close	Close
28-Sep-18	56709.50	8243.85	5.35	18.69	3.22	55708.47	8125.87
29-Sep-17	55828.58	7874.43	5.18	19.31	2.92	55579.92	7864.89
30-Sep-16	52380.45	7173.02	4.28	23.39	2.86	51949.83	7135.68
30-Sep-15	49839.64	6644.23	5.46	18.33	3.22	50088.85	6694.61
30-Sep-14	50973.86	6586.78	5.91	16.93	2.94	49336.3	6388.59
30-Sep-13	43560.22	5464.39	5.51	18.17	2.78	44031.83	5534.00
28-Sep-12	35838.04	4362.86	7.30	13.70	3.04	35757.98	4358.65
30-Sep-11	30430.19	3585.43	8.25	12.12	2.98	29674.20	3502.83

TOTAL/TOTAAL: 100