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

Open book examination	X

EXAMINATION: **10 June 2019** **QUALIFICATION:** **MBA**

MODULE CODE: **MBAC 813** **DURATION:** **4 HOURS**

DESCRIPTION: **FINANCIAL MANAGEMENT** **MAX:** **100**

EXAMINER: **PROF I Nel** **DATE:** **10/06/2019**

MODERATOR: **TIME:** **09:00-13:00**
PROF GJ de Klerk

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*

Use the attached financial information to answer the following questions:

NB Arguments must be supported by a sound numeric appraisal for each question.

Afrikaans to follow the English

Question 1 **(35)**

Give an indication of whether you think the share price of the company as on the last reporting date is in equilibrium. Expected return should be considered in the context of an expected future dividend and growth rate based on a retention growth rate assumption. Whatever your conclusion please motivate your answer.

Question 2 **(15)**

Assume that it is possible to grow sales for the next three years at the average growth in sales for the three years 2015 to 2018 as indicated in the financial data available plus an additional 5% and that the long-term growth rate is expected to equal large company growth of 8% after the third year. What do you estimate 1) the operating value of the company to be as well as 2) the share price based on intrinsic value at the end of the third year 3) if it is your intention to double the share price – under this scenario how much time do you estimate is needed to achieve this goal?

Question 3 **(20)**

Working from the perspective of sustainable growth, do you think it is possible for the company as per the financial data supplied (see the Addendum) to grow at the current sales growth rate plus an additional 8% (example: 5% current sales growth + 10% additional growth = 15%). What management action/s can be taken to make the determined growth rate possible or maintain it? Use an example to illustrate the impact of and motivate your answer.

Considering the sales growth for the 2017 - 2018 year do you think your assessment as above is achievable?

Question 4 **(30)**

From a historical perspective

Do an assessment and write a report on the operating profit and share price risk relationship when considered on a stand-alone basis. If a discrepancy or discrepancies exist/s what do you suggest management should do to improve the situation. If a discrepancy does not exists please motivate why you think this is the case.

Afrikaanse Gedeelte

Vraag 1 **(35)**

Gee 'n aanduiding van of u dink die aandeel prys van die onderneming soos op die laaste rapporterings datum in ekwilibrium is. Verwagte opbrengskoers moet in die konteks van 'n toekomstige dividend en retensie groeikoers verwagting aanname hanteer word. Wat ook al u gevolgtrekking motiveer asseblief u antwoord

Vraag 2 **(15)**

Neem aan dat dit moontlik is om verkope vir die volgende drie jaar teen die gemiddelde groeikoers in verkope vir die drie jaar 2015 tot 2018 soos uit die finansiële data beskikbaar afgelei kan word plus 'n addisionele 5% te laat groei en dat verwag word dat groei vir die onderneming na die derde jaar gelyk aan die 8% langtermyn verwagte groeikoers vir groot maatskappy sal wees. Wat skat u 1) sal die bedryfswaarde (operating value) van die onderneming wees en 2) wat behoort die aandeel prys soos gebaseer op die intrinsieke waarde aan die einde van die derde jaar te wees 3) indien dit u intensie is om die aandeelprys te verdubbel – gegewe hierdie scenario hoeveel tyd skat u sal nodig wees om die doel te bereik?

Vraag 3 **(20)**

Indien u werk vanaf die perspektief van volhoubare groei dink u dit is moontlik vir die onderneming waarvan die finansiële inligting verskaf word (sien aanhangsel) om teen die huidige groeikoers van verkope plus 'n addisionele 8% te groei (voorbeeld – 5% huidige groei + 10% addisionele groei = 15%). Watter bestuursaksie/s kan geneem word om die berekende groeikoers moontlik te maak of in stand te hou? Gebruik 'n voorbeeld om die impak van u voorstel te illustreer en u antwoord te motiveer.

Indien die verkope groeikoers vir die 2017 -2018 jaar oorweeg word dink u dit is moontlik om die situasie soos bo uiteengesit te verwesenlik?

Vraag 4 **(30)**

Vanuit 'n historiese perspektief

Doen 'n ondersoek na en skryf 'n verslag oor die verhouding tussen bedryfswins risiko en aandele prys risiko wanneer dit op besigheid spesifieke risiko (stand-alone risk) basis oorweeg word. As daar 'n verskil en of verskille voorkom wat sou u voorstel kan bestuur doen om die situasie te verbeter? As verskille nie wesenlik is nie motiveer waarom u dink dit die geval is.

Addendum / Aanhangsel

Financial Information

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