**FINM 7311 Revision questions**

**Module 1**

1. Briefly discuss the Primary responsibilities and two (2) other responsibilities of a Financial Manager. (10)
2. Explain Economic Value Added (EVA) in your own words and give the formula. (5)
3. Required: Using the below information, calculate the EVA of ABC (Pty) Ltd at 28 Feb 2015

|  |  |
| --- | --- |
| From Statement of comprehensive Income | ‘000 |
| Revenue | 850 |
| Profit before tax | 175 |
| Tax | (45) |
| Profit after tax | 130 |

|  |  |
| --- | --- |
| From Statement of financial position | ‘000 |
| Non-current assets | 325 |
| Net current assets | 335 |
| Equity | 490 |
| Interest-bearing bank loans | 125 |

Further information:

1. The company’s WACC is 12.5%
2. Tax rate is 28%
3. Included in profit after tax is:
   1. Depreciation (the same for both accounting and tax purposes) of R105 000
   2. Interest expenses of R20 000
   3. Other non-cash expenses of R45 000
4. Define “Private placement” (2)
5. Name and explain the various functions of financial institutions (12)
6. Explain the three types of Financial institutions in SA (6)
7. In SA Financial institutions are regulated by three bodies. Briefly explain the role of each one (9)
8. Briefly describe and compare the two main types of financial markets in SA (10)
9. NB!!! Do all revision questions in text book

**Module 2**

1. Define:
   1. Single amounts (2)
   2. Ordinary Annuity (2)
   3. Annuity Due (2)
   4. Mixed cash flows (2)
   5. Perpetuity and provide the formula (2)
2. Calculate the future value for the following cash flows where the interest rate is 8.5%: (10)

|  |  |  |
| --- | --- | --- |
| Year | Cash flow 1 | Cash flow 2 |
|  | At end of year | At beginning of year |
| 0 | - | - |
| 1 | 15 000 | 16 000 |
| 2 | 17 000 | 18 000 |
| 3 | 18 000 | 20 000 |
| 4 | 21 000 | 22 000 |
| 5 | 25 000 | 25 000 |

1. Calculate the present value for the following cash flows where the interest rate is 10.5%: (10)

|  |  |  |
| --- | --- | --- |
| Year | Cash flow 1 | Cash flow 2 |
|  | At end of year | At beginning of year |
| 1 | 16 000 | 15 000 |
| 2 | 17 000 | 18 000 |
| 3 | 19 000 | 22 000 |
| 4 | 22 000 | 25 000 |
| 5 | 25 000 | 35 000 |

1. The company has money to do only one project. The company’s opportunity cost is 9.5%.

|  |  |  |
| --- | --- | --- |
|  | Project A | Project B |
| Year | Cash flow | Cash flow |
|  | At end of year | At beginning of year |
| 1 | (100 000) | (120 000) |
| 2 | 23 000 | 22 000 |
| 3 | 28 000 | 25 000 |
| 4 | 32 000 | 35 000 |
| 5 | 42 000 | 45 000 |

Required:

* Present values of both projects (8)
* Future values of both projects (8)
* Indicate which project you would suggest the company should do and why (4).

1. Calculate the effective annual interest rate for:
   1. 12% per year compounded monthly (2)
   2. 15% per year compounded semi-annually (2)
   3. 18% per year compounded quarterly (2)
   4. 7.5% per year compounded yearly (2)
2. You have received the following cash flows from an investment:

|  |  |  |
| --- | --- | --- |
| Year | Cash flow 1 | Cash flow 2 |
| 2013 | 12 250 | 1 500 |
| 2012 | 11 300 | 1 350 |
| 2011 | 10 900 | 1 250 |
| 2010 | 10 000 | 900 |

Calculate the growth rate form both investments. (6)

1. Review all revision questions in the textbook.