



DEPARTMENT OF BUSINESS MANAGEMENT

EBMV301 FINANCIAL MANAGEMENT ASSIGNMENT (AS1) on Moodle

DATE: Due by 13 April 2022
(answers to be uploaded on Moodle by 23:00 at the latest)
MARKS: 70
LECTURERS: Prof C Rootman, Prof J Krüger and Mr S Watson

Assessment conditions:

- This is an **INDIVIDUAL** assessment. You are **NOT** allowed to discuss this assessment with any other student.
- You can not use any means that could inappropriately help you or another student with this assessment.
- **You can use your learning material to guide you during the completion of this assignment, with the other documentation supplied.**
- Normal rules pertaining to tests, assignments and examinations are applicable to this assessment.
- General Prospectus rule G1.27: "*Plagiarism and any instance of an academic dishonesty will be dealt with the Student Disciplinary Code. Students are referred to the Policy on Academic Integrity and Prevention of Plagiarism available on the student portal*".
- **Download the Pick n Pay Annual Integrated Report 2021 from the link given on Moodle. Download and/or print the pdf question document of this assessment from Moodle. Do the assessment. Thereafter, enter your answers on this assessment's Moodle quiz and submit it (before or on 13 April 2022).**
- **This assessment will close at 23:00 on 13 April 2022 and then it will be unavailable.**
- You can only attempt this assessment **ONCE**.

INTRODUCTION

Use the Integrated Annual Report 2021 for Pick n Pay Stores Limited to answer the assignment questions. The link to the report is available on the EBMV301 Moodle site – both on the homepage of the EBMV301 Moodle site and in the Assignment folder. Keep all your workings as you will only enter your answers on the Moodle Assignment quiz. As this is an **INDIVIDUAL ASSIGNMENT**, complete the assignment on your own and then enter your answers on Moodle.

The Moodle Assignment quiz will open on Monday 21 February 2022 at 11:00 and close on **Wednesday 13 April 2022 at 23:00. PLEASE DO NOT WAIT UNTIL THE EVENING OF 13 APRIL 2022 TO ENTER YOUR ANSWERS.** Once the Moodle Assignment quiz is closed you will NOT be able to enter your answers and you will receive a non-compliance notice, resulting in immediate failure of the module. Remember, **NO ASSIGNMENT, NO POSSIBILITY TO PASS THE MODULE.**

The solutions to the Moodle Assignment quiz will be available as from Wednesday 20 April 2022.

INSTRUCTIONS

- Complete the declaration question (question 1) on Moodle.
- Complete the campus question (question 2) on Moodle.
- Indicate the relevant **units** to your answers, such as R (eg R123.45), c (eg 350c), times (eg 13.46 times), days (eg 45.22 days), % (eg 36.65%) etc, where applicable.
- **DO NOT leave spaces** between units and numbers unless units are words (eg 3.12 times).
- Use **full-stops** before decimals and **NOT commas**.
- If an answer is negative or to indicate a decrease, enter you answer as -R123.45 if the answer is a monetary value or as -67.89% if the answer is a percentage.
- Round **FINAL** answers to **TWO** decimal places, unless otherwise stated.
- FY21 refers to the 2021 financial year.
- Reference to the “company” refers to the Group.
- For the multiple choice questions, select the correct answer. For the open questions, answer the questions clearly. If you need to fill in a missing word, only enter the missing word as your answer. For the true/false questions, indicate whether the statements are either true or false.

GENERAL (DECLARATION AND CAMPUS) QUESTIONS

1 Complete the declaration question.

Declaration: I hereby understand and agree to the assessment conditions. I shall adhere to the requirements, conditions and rules outlined and referred to above; and I am aware that transgression of these rules will result in disciplinary action in accordance with the Nelson Mandela University's General Prospectus.

In short, you declare that the answers you provide are your own work and that you have not received any help from any other individual in the completion of this assessment.

- A. Yes, I hereby understand and agree to the assessment conditions.
- B. No, I will therefore receive a mark of ZERO for this assessment.

2 Indicate your campus.

- A. South Campus
- B. George Campus

SECTION A – MULTIPLE CHOICE QUESTIONS

[14]

- 3 The company is a public company listed on the Johannesburg Stock Exchange. Which of the following reporting frameworks guide the company to ensure that it adheres to the exchange's guidelines, rules and policies? (1)
- A. International Financial Reporting Standards (IFRS)
 - B. International Integrated Reporting Council's (IIRC) Framework
 - C. Global Reporting Initiatives (GRI's) Sustainability Reporting Standards
 - D. King Code on Corporate Governance 2016™ (King IV)
 - E. JSE Listing Requirements
 - F. South African Companies Act, No. 71 of 2008 (as amended)
- 4 The company increased its percentage of waste diverted from landfill over the last few years. Which of the following reporting frameworks will most likely guide the information presented by the company pertaining to this? (1)
- A. International Financial Reporting Standards (IFRS)
 - B. International Integrated Reporting Council's (IIRC) Framework
 - C. King Code on Corporate Governance 2016™ (King IV)
 - D. JSE Listing Requirements
 - E. South African Companies Act, No. 71 of 2008 (as amended)
 - F. Global Reporting Initiatives (GRI's) Sustainability Reporting Standards
- 5 The group' auditors for the year ended 28 February 2021 is (1)
- A. Deloitte.
 - B. PwC.
 - C. KPMG.
 - D. Moore.
 - E. EY.
- 6 The extract on Page 3, "...strategy to create sustainable value..." best shows that the company focuses on the financial goal of (1)
- A. profit maximisation.
 - B. rate of return maximisation.
 - C. shareholder relations maximisation.
 - D. shareholder wealth maximisation.
- 7 The extract on Page 13, "...lowered cost of operations..." best shows that the company focuses on the financial goal of (1)
- A. profit maximisation.
 - B. rate of return maximisation.
 - C. shareholder relations maximisation.
 - D. shareholder wealth maximisation.

- 8 The company's focus on its supply chain productivity and efficiency best relates to its financial goal of (1)
- A. profit maximisation.
 - B. rate of return on equity maximisation.
 - C. shareholder relations maximisation.
 - D. shareholder wealth maximisation.
- 9 The company's "R12 billion capital investment over eight years" relates to the financial management area of (1)
- A. profitability.
 - B. capital structuring.
 - C. capital budgeting.
 - D. dividend decisions.
 - E. working capital management.
- 10 The extract on Page 19, "...Our financial resources include equity and debt funding..." relates to the financial management area of (1)
- A. profitability.
 - B. capital structuring.
 - C. capital budgeting.
 - D. dividend decisions.
 - E. working capital management.
- 11 The company's R1.9 billion cash balance input at the beginning of the year relates to the financial management area of (1)
- A. profitability.
 - B. capital structuring.
 - C. capital budgeting.
 - D. dividend decisions.
 - E. working capital management.
- 12 As stated on Pages 23 and 24, the company "converted 34 franchise stores to company-owned stores" and is committed to "ongoing store refurbishments". These decisions relate to the financial management area of (1)
- A. profitability.
 - B. capital structuring.
 - C. capital budgeting.
 - D. dividend decisions.
 - E. working capital management.

- 13 The company wrote off R195.6 million in overdue debt during the FY21 and increased its doubtful debt provision to 4.1% of its debtors' book. This information relates to the financial management area of
- A. profitability.
 - B. capital structuring.
 - C. capital budgeting.
 - D. dividend decisions.
 - E. working capital management.
- 14 The company's Integrated Annual Report is drafted by its Head of Investor Relations. The person appointed in this position will mainly focus on the company's relations with its (1)
- A. customers.
 - B. suppliers.
 - C. communities.
 - D. shareholders.
 - E. employees.
- 15 The company's clothing division increased its local sourcing by close to 40%. The stakeholder group that would benefit from this most, and firstly, is the company's (1)
- A. customers.
 - B. suppliers.
 - C. communities.
 - D. shareholders.
 - E. employees.
- 16 The extract on Page 71, "...Inventory at R7.2 billion was up 10.3% on last year..." reflects part of the _____ financial management element in the firm's Statement of financial position. (1)
- A. equity
 - B. liabilities
 - C. investment income
 - D. assets

SECTION B – OPEN QUESTIONS

[42]

- 17 According to the company, it competes in the South African food and grocery market with _____ other large retailers. (1)
- 18 It is estimated that the company has an almost _____% share of the total South African food and grocery market. (1)
- 19 The South African Consumer Price Index (CPI) food inflation increased from 3.6% (FY20) to 4.8% (FY21). This resulted in the increase of the company's internal selling price inflation from 2.6% (FY20) to _____% (FY21). (1)

- 20 The company's additional costs towards its Covid-19 operational response amounted to R_____. (1)
- 21 A total of _____% of the company's sales are generated through its loyalty programme. (1)
- 22 **Select and enter only one of the words in brackets to reflect your answer:** The revenue of the company's Rest of Africa segment _____ (increased or decreased) with 8.6% from the previous year. (1)
- 23 The statutory tax rate for the company is _____. (1)
- 24 The company's fixed (intangible) assets increased from the FY20 to the F21 with _____%. (1)
- 25 **Select and enter only one of the words in brackets to reflect your answer:** The R1.6 billion spent on capital projects during the FY21 shows the company's capital _____ (budgeting/structuring) decisions. (1)
- 26 **Select and enter only one of the words in brackets to reflect your answer:** The company has maintained low levels of gearing for a number of years, with no long-term debt. This reflects the company's capital _____ (budgeting/structuring) decisions. (1)
- 27 From the FY13 to the FY21, the company's return on capital employed increased from 16% to _____%. (1)
- 28 The company has _____ ordinary public shareholders. (1)
- 29 There was a change (decrease) in headline earnings per share for the company of _____% from the FY20 to the FY21. ONLY use the information/figures given on Page 52. (1)
- 30 **Select and enter only one of the words in brackets to reflect your answer:** Over the last eight years, the company has paid out R7 billion in _____ (capital gains/dividends) to shareholders. (1)
- 31 By the year _____, all the company's branded products will feature the new logo. (1)

INSTRUCTIONS TO ANSWER QUESTIONS 32 TO 58

Work to **two decimal places** where applicable. Indicate the unit you are working with, eg R for Rand values, c for monetary values in cent, times or %. Please note that the monetary values presented in the financial statements are given as R'm, therefore you can either add all zeros (eg R1 000 000) in your answers or add a m (eg R1m), where applicable.

INSTRUCTIONS TO ANSWER QUESTIONS 32 TO 48

Use the summary of the FY21 annual financial results on **Pages 73-75** of the Integrated Annual Report of Pick n Pay Stores Limited to answer questions 32 to 48.

- 32 Calculate the **net working capital** for the company for the FY21. (1)
- 33 Calculate the **net worth** of the company for the FY21. (1)
- 34 Calculate the **current ratio** for the company for the FY21. (1)
- 35 Calculate the **quick ratio** for the company for the FY21. (1)
- 36 Calculate the **inventory turnover ratio** for the company for the FY21. (1)
- 37 Calculate the **days sales outstanding** for the company for the FY21. Assume that 50% of the revenue (sales of merchandise) is from credit sales. Use a 360-day year. (1)
- 38 Calculate the **fixed assets turnover** for the company for the FY21. (1)
- 39 Calculate the **total assets turnover** for the company for the FY21. (1)
- 40 Calculate the **debt ratio** (as a %) for the company for the FY21. (1)
- 41 Calculate the **gross profit margin** for the company for the FY21. Do NOT give the ratio as calculated on Page 81 as the % is NOT to 2 decimal places. (1)
- 42 Calculate the **operating (trading) profit margin** for the company for the FY21. (1)
- 43 Calculate the **net profit margin** for the company for the FY21. Use the Profit for the period as the Net income. (1)
- 44 Calculate the **debt/equity ratio** (as a %) for the company for the FY21. (1)
- 45 Calculate the **equity multiplier** for the company for the FY21. (1)
- 46 Calculate the **return on assets** for the company for the FY21. (1)
- 47 Calculate the **return on equity** for the company for the FY21. (1)
- 48 Calculate the **effective tax rate** for the company for the FY21. Do NOT give the ratio as calculated on Page 74 as the % is NOT to 2 decimal places. (1)

INSTRUCTIONS TO ANSWER QUESTIONS 49 TO 58

Use the summary of the FY21 annual financial results on **Pages 76-83** of the Integrated Annual Report of Pick n Pay Stores Limited to answer questions 49 to 58.

- 49 The EPS decreased by _____% from the FY20 to the FY21. (1)
- 50 Calculate the **price/earnings ratio** for the company for the FY21. Use the market price at close of year and the EPS as given. (1)
- 51 Calculate the **average share price** for the company for the FY21 using the information given on Page 82. (1)

- 52 The dividends paid in the FY21 is _____% less than the dividends paid in the FY20. Do NOT give the ratio as calculated on Page 76 as the % is NOT to 2 decimal places. (1)
- 53 The total market capitalisation for the company at the close of the FY21 is R_____bn. (1)
- 54 The WACC for the company for the FY21 is _____% less than the WACC for the FY20. (1)
- 55 The sales growth of the company's core food and grocery for the FY21 is _____%. (1)
- 56 The growth of the turnover for the company from the FY17 to the FY21 is equal to _____%. (1)
- 57 The carbon footprint for the company changed by _____% from the FY17 to the F21. (1)
- 58 The Pick n Pay franchises grew by _____ stores from the FY17 to the FY21. (1)

SECTION C – TRUE OR FALSE QUESTIONS

[14]

- 59 There are more than 20 company-owned Pick n Pay Hypermarkets in South Africa. (1)
- 60 The company did not achieve any market share growth in Zimbabwe during the FY21. (1)
- 61 The Head: Commercial is the responsible executive for the company's supplier relationships. (1)
- 62 During the Covid-19 pandemic, less than 50 of the company's employees passed away. (1)
- 63 The company's corporate governance philosophy and practices are aligned with the two governance outcomes advocated by King IV. (1)
- 64 Richard Brasher was the CEO of the company for the complete duration of the FY21. (1)
- 65 The tenure of most of the company's directors is more than 15 years. (1)
- 66 By considering some of the Board of Director members, the company can still partly be regarded as a family business. (1)
- 67 The company reached its gender diversity target for its board during the FY21. (1)
- 68 As at the end of the FY21, more than 4 million ordinary shares are held by the directors of the company. (1)

- 69 One of the company's 2025 commitments is to reduce their food waste by half. (1)
- 70 The company's own brand packaging designs exclude an on-pack recycling label. (1)
- 71 Less than a quarter of the company's sales result from own brand products. (1)
- 72 Over an eight-year period, the company's compound annual growth in comparable earnings was 16%. (1)

-END OF 2022 EBMV301 ASSIGNMENT (AS1) QUESTIONS-