



Tutorial letter 201/1/2018

Personal Financial Management

FIN2602

Semester 1

Department of Finance, Risk Management & Banking

IMPORTANT INFORMATION:

This tutorial letter contains the solutions to Assignments 01 and 02 for this module

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Dear Student

1 INTRODUCTION AND WELCOME

At this stage of your study programme you should have a general idea of personal financial management as a field of study and be acquainted with some factors that may have a positive or negative influence on your financial future.

By the end of the semester you will have been introduced to the most important factors that could influence your financial independence after retirement. You should then be able to apply your knowledge to practical problems with regard to personal money matters in a professional way.

I trust that by now you have purchased your textbook for personal financial management. You will need the textbook to complete Assignments 01 and 02 and to prepare for the examination.

The purpose of this tutorial letter is to provide you with suggested answers to both Assignments.

1.1 Lecturer

Enquiries of a **purely academic nature** concerning this module may be directed to the following person:

Module head: Nico Swart (the module, assignments, the examination)

2 SUGGESTED SOLUTIONS TO ASSIGNMENT 01 (FIRST SEMESTER) AND ASSIGNMENT 02 (FIRST SEMESTER)

The correct answers to this assignment are given below. Please work through the suggested solutions and note where you made mistakes. Page references to the 4th edition of Swart (December 2016)/studyguide have been provided to assist you with the solutions to the assignment questions.

SUGGESTED SOLUTIONS TO ASSIGNMENT 01 (FIRST SEMESTER)

QUESTION	CORRECT ANSWER
1	4
2	3
3	3
4	5
5	3
6	5
7	5
8	3
9	4
10	3
11	3
12	5
13	4
14	1
15	4
16	3
17	4
18	3
19	2
20	3

Page references

- (1) Alternative [4] is correct. See Swart, section 1.2.1, p. 3.
- (2) Alternative [3] is correct. See Swart, sections 1.2.2, 1.2.4, 1.2.5, p. 7.
- (3) Alternative [3] is correct. See Swart, section 1.10, p. 26.
- (4) Alternative [5] is correct. See Swart, section 1.2.2, p. 4; section 1.5, p. 11.
- (5) Alternative [3] is correct. See Swart, section 2.3.1, p. 37 - 40.
- (6) Alternative [5] is correct. See Swart, section 2.3.6, p. 45.
- (7) Alternative [5] is correct. See Swart, section 2.3.5,

p. 44.

- (8) Alternative [3] is correct. See Swart, p. 50 - 52.
- (9) Alternative [4] is correct. See Swart, section 2.3.3, p. 40 - 44.
- (10) Alternative [3] is correct. See Swart, section 2.3.2, p. 40.
- (11) Alternative [3] is correct.

Clear the financial memory (orange 2ndF, C C-ALL)

The payment period per year is 12 (12, orange 2ndF, P/YR)

The monthly mortgage bond instalment

Calculation

Input	Function
+/-R 1 500 000	PV
11	I/YR
20	orange 2ndF, xP/YR
	PMT

Answer = R15 482.83

- (12) Alternative [5] is correct.

The amount of capital amortised by the 120th instalment.

Calculation

Input	Function
120	INPUT
	orange 2ndF, AMORT =

Answer = R5 132.63

- (13) Alternative [4] is correct.

The amount of interest amortised by the 120th instalment.

Calculation

Just press the = sign

Answer = R10 350.20

(14) Alternative [1] is correct.

The outstanding balance on the bond

Calculation

Just press the = sign

Answer = R1 123 980.01

(15) Alternative [4] is correct.

The monthly instalment

Calculation

1000 +- PV

6 N

14% I/YR

0 FV

PMT = R 173.54

Answer = R173.54

(16) Alternative [3] is correct. See Swart, section 4.13, p. 133 – 134.

(17) Alternative [4] is correct. See Swart, section 4.13.14, p. 137.

(18) Alternative [3] is correct. See Swart, section 4.14, p. 139 – 140.

(19) Alternative [2] is correct. See Swart, pages 105 – 106.

(20) Alternative [3] is correct. See Swart, p. 106.

SUGGESTED SOLUTIONS TO ASSIGNMENT 02 (FIRST SEMESTER)

The correct answers to this assignment are given below.

QUESTION	CORRECT ANSWER
1	3
2	1
3	5
4	5
5	2
6	1
7	4
8	5
9	5
10	3
11	3
12	4
13	5
14	4
15	3

EXPLANATORY NOTES

- (1) Alternative [3] is correct. See Swart, section 6.2, p. 163.
- (2) Alternative [1] is correct. See Swart, p. 170 (table).
- (3) Alternative [5] is correct. See Swart, p. 175.
- (4) Alternative [5] is correct. See Swart, p. 175 - 176.
- (5) Alternative [2] is correct. See Swart, section 6.13, p. 180.
- (6) Alternative [1] is correct. See Swart, p. 288.
- (7) Alternative [4] is correct. See Swart, p. 282, 283, 284.
- (8) Alternative [5] is correct. See Swart, section 10.3, p. 287 - 290.
- (9) Alternative [5] is correct. See Swart, p. 261, 282.
- (10) Alternative [3] is correct. See Swart, section 10.3.4, p. 289 - 290.

- (11) Alternative [3] is correct. See Swart, p. 281.
- (12) Alternative [4] is correct. See Swart, p. 327 - 328.
- (13) Alternative [5] is correct. See Swart, section 10.4, p. 290 - 299.
- (14) Alternative [4] is correct. See Swart, section 10.2.5, p. 286.
- (15) Alternative [3] is correct. See Swart, section 12.5.1, p. 380.

3 IMPORTANT INFORMATION

3.1 Examination format

The examination paper consists of 35 multiple choice questions (taken from the discussion questions/possible examination questions in tutorial letter 101), worth a total of 70 marks. Your total mark will be out of 70 and make up 80% of your final examination mark, while your assignment mark will make up the remaining 20%. This is a **two-hour** examination paper.

3.2 Assignments

Please note that both Assignments 01 and 02 for this semester are an integral part of your final examination in the sense that they contribute 20% of the final mark you will obtain. Each of these assignments will contribute 10% to final mark. However, bear in mind that you will be required to obtain 40% and above in the final examination for your year mark/assignment marks to be considered.

3.3 Calculator

We recognise the **Hewlett Packard HP10BII+** calculator as the acceptable standard financial calculator for this module. We recommend that you familiarise yourself with the applications to help you with your calculations.

4 CONCLUDING REMARKS

Lastly, do not hesitate to contact the e-tutor/module-lecturer if you have any queries and/or problems relating to this module. Please note that lecturers will only be able to assist you with problems of an academic nature (not administrative) in relation to this module.

Kind regards

Nico Swart

DEPARTMENT OF FINANCE, RISK MANAGEMENT AND BANKING

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