



basic education

Department:
Basic Education
REPUBLIC OF SOUTH AFRICA

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING

FEBRUARY/MARCH 2014

MARKS: 300

TIME: 3 hours

This question paper consists of 24 pages and an 18-page answer book.

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Workings must be shown in order to achieve part-marks.
4. Non-programmable calculators may be used.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Calculate to ONE decimal point.

7. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 30 marks; 18 minutes	
Topic of the question:	Learning outcomes covered:
Concepts, inventory valuation and VAT	LO1 Financial accounting
	AS1 Concepts
	AS7 Apply principles of VAT
	LO3 Managing resources
	AS4 Validate and calculate inventories – FIFO and weighted average
	AS6 Apply internal control

QUESTION 2: 35 marks; 21 minutes	
Topic of the question:	Learning outcomes covered:
Bank Reconciliation, internal control and Debtors' Age Analysis	LO1 Financial accounting
	AS4 Reconciliation and interpretation
	LO3 Managing resources
	AS6 Apply internal control and audit processes

QUESTION 3: 75 marks; 45 minutes	
Topic of the question:	Learning outcomes covered:
Income Statement and notes to the Balance Sheet	LO2 Managerial accounting
	AS5 Financial statements
	AS5 Notes to financial statements
	LO3 Managing resources
	AS3 Asset disposal

QUESTION 4: 70 marks; 42 minutes	
Topic of the question:	Learning outcomes covered:
Cash Flow Statement, interpretation and audit report	LO1 Financial accounting
	AS1 Concepts
	AS5 Financial statements

QUESTION 5: 50 marks; 30 minutes	
Topic of the question:	Learning outcomes covered:
Manufacturing	LO2 Managerial accounting
	AS1 Concepts
	AS2 Production Cost Statement
	Unit costs and break-even point
	LO3 Managing resources
	AS6 Apply internal control and audit processes

QUESTION 6: 40 marks; 24 minutes	
Topic of the question:	Learning outcomes covered:
Cash Budget, Projected Income Statement and internal control	LO2 Financial accounting
	AS3 Analyse and interpret a Cash Budget and Projected Income Statement
	LO3 Managing resources
	AS6 Apply internal control

QUESTION 1: CONCEPTS, INVENTORY VALUATION AND VAT

(30 marks; 18 minutes)

1.1 CONCEPTS

Give ONE word/term for each of the following descriptions by choosing a word/term from the list below. Write only the word/term next to the question number (1.1.1–1.1.3) in the ANSWER BOOK.

perpetual inventory system; periodic inventory system; VAT exempt; zero-rated VAT; VAT vendor; first in first out

- 1.1.1 Cost of sale is determined at the point of sale. (2)
- 1.1.2 VAT cannot be charged on an item as per government legislation, for example interest is not subject to VAT. (2)
- 1.1.3 VAT is not charged on these products but can be introduced by the Minister of Finance, if necessary, for example brown bread, fruit and vegetables. (2)

1.2 INVENTORY VALUATION

You are provided with information relating to All-Bright Traders. The business is owned by Jakob Mthemba. He sells a single brand of washing powder in boxes. The financial year ends on 31 May 2013. The weighted-average method is used to value stock.

REQUIRED

- 1.2.1 Calculate the following on 31 May 2013:
- Weighted-average value per box (5)
 - Value of the closing stock (3)
 - Number of boxes of washing powder missing (4)
- 1.2.2 Jakob has determined that the missing items have been stolen by the clerk who places the orders and receives the goods from suppliers. Jakob has dismissed this employee.
- Division of duties plays an important part in preventing this problem. Explain how Jakob should implement this in the business with regard to stock. (2)
 - Name ONE other strategy he could use and explain how he should implement this strategy. (2)

INFORMATION FOR THE YEAR ENDED 31 MAY 2013:

	NUMBER OF ITEMS	VALUE PER ITEM	CARRIAGE ON PURCHASES	TOTAL VALUE
Stock on hand on 1 June 2012	3 800			R107 500
Purchases:	19 250			R768 400
14 August 2012	5 750	R35	R3 750	R205 000
10 December 2012	7 500	R42	R4 400	R319 400
22 March 2013	6 000	R40	R4 000	R244 000
Sales	18 800	R60		R1 128 000
Stock on hand on 31 May 2013	3 350			?

1.3 VAT

The following information was extracted from the accounting records of Manhattan Traders. All goods bought and sold are subject to the standard rate of VAT (14%). Manhattan Traders is registered for VAT on the invoice basis.

REQUIRED

1.3.1 Choose the correct answer in brackets.

If VAT input is greater than VAT output, SARS for VAT will be shown in the financial statements as a Trade and Other (Payable/Receivable). (2)

1.3.2 The credit sales for October 2013 amounted to R120 000 (excluding VAT). Calculate the amount of VAT on the credit sales. (2)

1.3.3 The total of the debit notes issued to suppliers for merchandise returned to creditors indicates VAT of R1 120. Determine the VAT-exclusive amount that must be posted to the Trading Stock Account. (2)

1.3.4 Calculate the VAT paid if the total cash purchases for October 2013 was R159 600 (including VAT). (2)

QUESTION 2: BANK RECONCILIATION STATEMENT, INTERNAL CONTROL AND DEBTORS' AGE ANALYSIS

(35 marks; 21 minutes)

2.1 BANK RECONCILIATION STATEMENT AND INTERNAL CONTROL

You are provided with information relating to Remington Traders. The financial year ends on 31 August 2013. All monies received are deposited by Angel Workright. Angel has been in charge of daily deposits for the past four years.

REQUIRED

- 2.1.1 Identify the items and the amounts that must be entered in the Cash Receipts Journal (CRJ) and the Cash Payments Journal (CPJ) for August 2013. List only the item number and the amount. Do NOT give totals for each journal. (10)
- 2.1.2 Prepare the Bank Reconciliation Statement on 31 August 2013. (13)
- 2.1.3 It is clear that the business is not controlling its cash properly. What specific problems will the internal auditor include in his report? Explain TWO of these problems, providing figures to support your explanation, and give a possible solution for each. Dismissal of employees is not an option at this stage. (6)

INFORMATION

1. The following items appeared in the Bank Reconciliation Statement on 31 July 2013, the end of the previous month:

Favourable balance as per Bank Statement	74 000
Outstanding deposits:	
• Dated 16 July 2013	21 500
• Dated 27 July 2013	34 800
Outstanding cheques:	
• 1034 (dated 17 February 2013)	2 000
• 2372 (dated 31 July 2013)	56 000
• 2395 (dated 14 August 2013)	15 000
Favourable balance as per bank account	57 300

2. On comparing the August 2013 Bank Statement received from Star Bank with the relevant accounting records of the business, the following were noted:

Item 1	The outstanding deposit of R34 800 (dated 27 July 2013) appeared on the Bank Statement for August 2013.
Item 2	Angel Workright informed the business that she had been robbed on her way to the bank with a deposit of R21 500 (dated 16 July 2013). The matter was referred to the local police. None of the funds have been recovered.
Item 3	Of the outstanding cheques on the July Bank Reconciliation Statement, only cheque No. 2372 appears on the Bank Statement for August 2013. Cheque No. 1034 was issued as a donation.
Item 4	Bank charges of R620 appeared on the Bank Statement for August 2013 but not in the journals.
Item 5	The Bank Statement for August 2013 reflected a dishonoured cheque of R8 000. This cheque was originally received from F Frost, a debtor, in settlement of his account of R8 150.
Item 6	Interest of R540 was credited on the Bank Statement for August 2013. It has not been entered in the relevant journal.
Item 7	Commission income of R14 000 was deposited directly into the current banking account of Remington Traders by Cute Cellulites. It appeared on the Bank Statement for August 2013 but not in the journals.
Item 8	Cheque No. 2412 was issued in favour of Redbro Suppliers, a creditor, during August 2013. It appeared correctly on the Bank Statement for August 2013 as R16 200. It was recorded incorrectly in the journal as R12 600.
Item 9	A sundry debit entry of R300 appeared on the Bank Statement on 21 August 2013. This item was queried at the bank. Remington Traders was informed by the bank that this was a mistake and they would reverse this item on the September 2013 Bank Statement.
Item 10	The following cheques appeared in the August 2013 CPJ but not on the August 2013 Bank Statement: <ul style="list-style-type: none"> • Cheque No. 2418 (dated 25 August 2013), R8 450 • Cheque No. 2420 (dated 28 October 2013), R12 000
Item 11	Two deposits appear only in the Cash Receipts Journal and not on the Bank Statement: <ul style="list-style-type: none"> • A deposit of R15 600, dated 26 August 2013 • A deposit of R18 000, dated 28 August 2013
Item 12	The Bank Statement closed off with a favourable balance of R42 000 on 31 August 2013.

2.2 DEBTORS' AGE ANALYSIS

Anna's Fashion Boutique sells 80% of their ladies' fashion wear on credit. Their credit terms are strictly 30 days. The business pays cash for its stock. Study the information given below and answer the questions that follow.

INFORMATION

The age analysis of debtors extracted at the end of January 2014 showed the following:

More than 60 days	60 days	30 days	Current month
R28 200	R42 300	R14 100	R9 400
30%	45%	15%	10%

REQUIRED

- 2.2.1 The business is not controlling its debtors effectively. Give ONE reason why you would agree with this statement. Refer to figures in your answer. (2)
- 2.2.2 Anna is of the opinion that her debtors' clerk does not screen (check) customers properly before they start buying on credit from her business.
- Give TWO strategies that the debtors' clerk should follow before allowing customers to open accounts. (4)

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QUESTION 3: INCOME STATEMENT AND NOTES TO THE BALANCE SHEET
(75 marks; 45 minutes)

You are provided with information relating to Pearl Limited for the financial year ended 31 December 2013. Pearl Limited buys and sells ornaments and flower vases.

REQUIRED

- 3.1 Complete the Income Statement for the year ended 31 December 2013. (46)
- 3.2 Complete the Fixed Assets note (Vehicles only) to the Balance Sheet on 31 December 2013. (5)
- 3.3 Prepare the note for Trade and Other Payables on 31 December 2013. (24)

INFORMATION

EXTRACT FROM THE TRIAL BALANCE ON 31 DECEMBER 2013

Balance sheet accounts section	R
Ordinary share capital (R2,00 par value)	3 000 000
Retained income (1 January 2013)	314 000
Loan: Helpu Bank	270 400
Vehicle	407 000
Equipment	616 000
Accumulated depreciation: Vehicle	147 400
Accumulated depreciation: Equipment	341 000
Debtors' control	63 190
Creditors' control	43 400
Provision for bad debts	3 450
Trading stock	138 000
SARS: Income tax (Dr)	224 000
SARS: PAYE	14 100
Unemployment insurance fund (UIF)	1 300
Pension fund	14 500
Nominal accounts section	
Sales	4 220 700
Cost of sales	1 100 720
Profit on sale of asset	12 500
Sundry expenses	?
Bank charges	6 000
Audit fees	45 000
Directors' fees	432 000
Salaries and wages	940 000
Employer's contribution (for UIF and pension fund)	103 400
Rent expense	63 360
Interest on current account	680
Bad debts	2 790
Depreciation (on vehicle sold)	13 750
Ordinary share dividends (interim)	96 000

ADJUSTMENTS AND ADDITIONAL INFORMATION

- On 28 December 2013 L Payne, a debtor, returned damaged ornaments. The selling price was R850 and the mark-up was 25% on cost price. The goods were immediately sent to the supplier, who issued a credit note. No entries have been made in the books.
- The insolvent estate of L Nkosi paid out 40 cents in the rand and transferred R360 directly into the bank account of Pearl Ltd on 5 December 2013. This has been recorded. The rest of his outstanding balance must be written off and the provision for bad debts must be adjusted to R3 090.
- Trading stock comprises ornaments and vases. On 31 December 2013 a physical count revealed stock of ornaments on hand valued at R82 000.

The physical count revealed 90 vases on hand. Vases are valued on the FIFO method. You are provided with the following information:

	Total vases	Cost price per vase
Opening stock	40 vases	R545
Purchases:		
31 May 2013	160 vases	R550
30 November 2013	72 vases	R525
Closing stock	90 vases	

- The company has paid their TWO directors up to 30 June 2013. Both earn the same fees. A THIRD director was appointed on 1 October 2013 on the same monthly rate as the other two directors. His director's fees have not been paid yet. Provide for the total outstanding directors' fees.
- An employee was left out of the Salaries Journal for December 2013. The details on his payslip were as follows:

Gross Salary	Deductions			Contribution		Net salary
	PAYE	UIF	Pension fund	UIF	Pension fund	
?	1 600	90	630	90	?	R6 680

The employees contribute 7% of their gross salary to the pension fund and the employer 10%. The UIF deduction is 1% of their gross salary.

- Interest on a loan was capitalised but has not yet been entered. The loan statement from Helpu Bank on 31 December 2013 reflects the following:

HELPU BANK: Loan statement on 31 December 2013	
Balance on 1 January 2013	R320 800
Interest charged	?
Repayments to Helpu Bank during the year	R50 400
Balance on 31 December 2013	R310 000

7. Rent expense was increased by 10% on 1 December 2013. The rent for January 2014 has already been paid.
8. On 31 October 2013 an old vehicle was sold for R48 250 in cash. All details relating to the asset sold have been properly entered in the books. The details from the Fixed Asset Register are as follows:
- Cost price, R82 500
 - Accumulated depreciation at date of sale, R46 750

Provide for depreciation as follows:

- On equipment, at 10% p.a. on the diminishing-balance method. Take into account that new equipment was bought for R90 000 on 1 September 2013. This transaction was recorded properly.
 - The depreciation on the remaining vehicle amounts to R81 400 on 31 December 2013.
9. 300 000 new shares were issued and recorded on 1 December 2013. These shares do not qualify for dividends in 2013. Final dividends of 7c per share were declared by the directors at year end.
10. Income tax for the year amounts to R240 000. This is 30% of the net profit before tax.
11. Note that the sundry expenses amount is the missing figure in the Income Statement.

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QUESTION 4: CASH FLOW STATEMENT, INTERPRETATION AND AUDIT REPORT
(70 marks; 42 minutes)

- 4.1 Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number (4.1.1–4.1.4) in the ANSWER BOOK.
- 4.1.1 The directors are responsible for preparing the financial statements of a company. (2)
- 4.1.2 Depreciation is added back into the Cash Flow Statement, as it is regarded as a 'non-cash' expense. (2)
- 4.1.3 The creditors' payment period is an example of a financial indicator affecting liquidity. (2)
- 4.1.4 The external auditor prepares relevant control measures for accounting procedures and ensures that they are followed. (2)
- 4.2 You are provided with information relating to Bongi Limited, a public company.
- REQUIRED**
- 4.2.1 Complete the note to show the cash generated from operations. (8)
- 4.2.2 Calculate the following amounts that will appear in the Cash Flow Statement for the year ended 30 June 2013:
- Taxation paid (4)
 - Dividends paid (4)
 - Fixed assets purchased (5)
- 4.2.3 Calculate the following financial indicators on 30 June 2013:
- Solvency ratio (5)
 - Acid test ratio (4)
 - Return on average capital employed (ROTCE; use net profit before tax in your calculation.) (5)
- 4.2.4 The CEO, Gus Logie, currently owns 45% of the issued shares. The board of directors has decided to issue all the unissued shares in July 2013.
- Calculate the minimum number of shares Gus must buy in July 2013 to gain control of the company. (4)
 - Gus wants to purchase the additional shares at R8,00 without advertising the shares to the public. Give TWO reasons why you would not approve of this arrangement. (4)
- 4.2.5 One of the directors believes that the company should also make use of loans in the new financial year. Quote TWO financial indicators (with figures) and explain each indicator to support her opinion. (4)
- 4.2.6 The directors are of the opinion that the liquidity has deteriorated. Quote THREE financial indicators (with figures) to support this opinion. (6)

INFORMATION

1. Information extracted from the Income Statement on 30 June 2013:

Depreciation	200 000
Interest on loan	36 000
Net profit before tax	980 000
Income tax	294 000

2. Information from the Balance Sheet on 30 June 2013:

	Notes	2013	2012
Fixed assets (at carrying value)		3 350 000	2 000 000
Current assets		458 400	588 000
Inventories		316 900	239 100
Trade and other receivables	1	137 500	194 900
Cash and cash equivalents		4 000	154 000
		3 808 400	2 588 000
Shareholders' equity		2 904 000	1 630 000
Ordinary share capital		1 200 000	1 000 000
Share premium		850 000	250 000
Retained income		854 000	380 000
Loan: Star Bank (9% p.a.)		400 000	560 000
Current liabilities		504 400	398 000
Trade and other payables	2	390 400	398 000
Bank overdraft		114 000	-
		3 808 400	2 588 000

Note 1: Trade and other receivables

	2013	2012
Trade debtors	137 000	186 000
Income receivable	500	–
SARS: Income tax	–	8 900
	137 500	194 900

Note 2: Trade and other payables

	2013	2012
Trade creditors	246 000	325 000
Expenses payable	–	3 000
SARS: Income tax	12 400	–
Shareholders for dividends	132 000	70 000
	390 400	398 000

3. **Additional information**

- The company is registered as a public company with an authorised share capital of 450 000 ordinary shares at par value of R5,00 each.
- New shares were issued on 1 February 2013.
- Dividends were as follows:

Final dividend on 30 June 2012	35 cents per share
Interim dividend on 31 December 2012	40 cents per share
Final dividend on 30 June 2013	55 cents per share

- Fixed assets were sold for cash at carrying value of R165 000 during the financial year. Fixed assets were also purchased during the financial year.

4. The following financial indicators were calculated for the past two financial years:

	2013	2012
Solvency ratio	?	2,7 : 1
Current ratio	0,9 : 1	1,5 : 1
Acid test ratio	?	0,9 : 1
Debtors' collection period	21 days	28 days
Creditors' payment period	30 days	30 days
Stock turnover rate	8 times	15 times
Debt-equity ratio	0,1 : 1	0,3 : 1
Return on average capital employed (ROTCE)	?	22%
Net asset value per share (NAV)	1 210 cents	815 cents
Earnings per share (EPS)	286 cents	234 cents
Market price	1 450 cents	1 230 cents
Current rate of borrowing	9%	9%
Current rate of investing	6%	6%

4.3 AUDIT REPORT

The following audit report was issued by the auditors of Bongi Limited for the financial year ending 30 June 2012:

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 30 June 2012 and the results of their operations and cash flow for the year ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Tshabalala & Associates
Chartered accountants (SA)
Registered accountants and auditors

31 October 2012

REQUIRED:

- 4.3.1 Is the audit report presented by Tshabalala & Associates regarded as a qualified report, a disclaimer of opinion report or an unqualified report? Give ONE reason. (2)
- 4.3.2 Explain why the Companies Act makes it a requirement for public companies to be audited by an independent auditor. Give ONE reason. (2)
- 4.3.3 To whom is this audit report addressed? Give ONE reason. (2)
- 4.3.4 Senzo Tshabalala, a senior partner in Tshabalala & Associates, wants to purchase shares in Bongi Limited, as he regards it as an excellent investment opportunity. What advice would you offer Senzo? Explain. (3)

QUESTION 5: MANUFACTURING

(50 marks; 30 minutes)

5.1 COST CONCEPTS

REQUIRED

Choose an item from COLUMN B that matches the term in COLUMN A. Write only the letter (A–D) next to the question number (5.1.1–5.1.3) in the ANSWER BOOK.

COLUMN A		COLUMN B	
5.1.1	Indirect labour	A	cleaning detergents used in the factory
5.1.2	Indirect material	B	raw material stock issued to the factory to be used in production
5.1.3	Direct material	C	stationery used in the office
		D	salary paid to the factory foreman

(6)

5.2 PRODUCTION COST STATEMENT

You are provided with information relating to Mountain View Manufacturers for the financial year ended 30 June 2013. The business produces sports bags and sells them at a mark-up of 40% on cost.

REQUIRED

5.2.1 Complete the note for Factory Overhead Costs. (12)

5.2.2 Prepare the Production Cost Statement for the year ended 30 June 2013. Where notes are not required, provide workings in brackets. (17)

INFORMATION

1.	Stock balances:	30 June 2013	1 July 2012
	Raw material stock	56 700	42 400
	Work-in-process stock	33 000	43 300

2. **Transactions during the year**

Raw materials purchased (cash and credit)	1 182 500
Cost of transporting raw materials to the factory	24 100
Unsatisfactory raw materials returned to suppliers	32 800
Water and electricity paid	137 000
Rent expense paid	296 000
Advertising expense	25 500
Insurance paid	30 000
Maintenance on factory plant and machinery	19 404
Depreciation on factory plant and machinery	32 390
Salaries and wages (See Information 4 below)	?
Commission paid to sales staff	57 550

3. Additional Information

- Factory indirect materials were bought for R35 360. Of this amount, R35 730 was used in the factory.
- Water and electricity must be split between the factory and the sales department in the ratio 3 : 1.
- 70% of the insurance expense relates to factory plant and equipment.
- Rent expense is allocated across the various departments according to floor space. The floor space is as follows:

Factory	1 800 square metres
Sales department	900 square metres
Office block	300 square metres

4. Salaries and wages

Salary and wages must be allocated to the Cost Account applicable to the specific employees. All employees are paid for 12 months or 52 weeks.

EMPLOYEES	EMPLOYEES IN PRODUCTION PROCESS	FACTORY FOREMAN	OFFICE CLERK	FACTORY CLEANING STAFF
Number of employees	7	1	1	1
Basic salary/wage per employee	R6 400 per month	R9 500 per month	R5 500 per month	R950 per week
Overtime hours worked by <u>each</u> employee in the year	130 hours			
Overtime rate per hour	R57 per hour			
Bonus		13 th cheque	13 th cheque	10% of basic annual wage

5.3 UNIT COSTS AND BREAK-EVEN POINT

Stormers Manufacturers is a small business that manufactures rugby shirts which are sold to supporters. Their financial year ended on 31 August 2013.

REQUIRED:

5.3.1 Calculate the following:

- Direct material cost per unit, indicated by **(a)** in the table in Information 3 below (2)
- Factory overhead cost, indicated by **(b)** in the table in Information 3 below (2)

5.3.2 Other than price changes, give a possible reason for the change in unit costs in each of the following cases:

- Direct material cost per unit (2)
- Factory overhead cost per unit (2)

5.3.3 Calculate the break-even point for the year ended 31 August 2013. The break-even point for the previous year was 23 064 units. (4)

5.3.4 Explain whether the business should be satisfied with the level of production achieved. Mention the break-even point in your explanation. (3)

INFORMATION:

1. During the financial year ended 31 August 2013, the business made and sold 42 000 shirts. Shirts are sold at a fixed price of R60,00 each.
2. All the shirts were sold. There was no work-in-process at the beginning or end of the financial year.
3. The following costs were identified. Some unit costs are also given.

Year ended	31 August 2013		31 August 2012
Units produced and sold	42 000		30 000
	TOTAL COSTS	UNIT COSTS	UNIT COSTS
Variable costs	R1 722 000		
Direct material	R756 000	(a)	R21,80
Direct labour	R651 000	R15,50	R12,75
Selling and distribution	R315 000	R7,50	R7,80
Fixed costs	R567 000		
Factory overheads	(b)	R9,00	R11,75
Administration	?	R4,50	R4,70

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QUESTION 6: CASH BUDGET, PROJECTED INCOME STATEMENT AND INTERNAL CONTROL
(40 marks; 24 minutes)

6.1 CASH BUDGET AND PROJECTED INCOME STATEMENT

You are provided with information relating to Busy Bazaar for the period ending 31 May 2014.

Complete the table in the ANSWER BOOK by filling in only the amounts in the appropriate columns.

EXAMPLE: The tenant will pay monthly rent of R6 000.

No.	Amount in the Cash Budget for May 2014		Amount in the Projected Income Statement for May 2014	
	RECEIPT	PAYMENT	INCOME	EXPENSE
Example	R6 000		R6 000	

- 6.1.1 The expected monthly telephone cost is R1 800.
- 6.1.2 Depreciation for the 2014 financial year will be R7 800.
- 6.1.3 Expected cash sales for May 2014 amount to R52 000 (cost of sales: R30 000).
- 6.1.4 Payments by cheque to creditors during May 2014 are expected to be R34 000. Discount of R1 700 will be claimed. (8)

6.2 CASH BUDGET

Molly Pillay owns Flash Transport, a business which offers a delivery service to various suppliers on the KwaZulu-Natal South Coast.

You are provided with an extract from the Cash Budget for the period 1 April 2014 to 31 May 2014.

REQUIRED

- 6.2.1 Complete the Debtors' Collection Schedule for May 2014. (5)
- 6.2.2 Refer to the Cash Budget in Information 1 below.
Calculate the following:
- The amounts indicated by **A** to **D**. (For **A** and **B**, refer to Information 4 below.) (6)
 - The amount of the loan on 1 April 2014 (3)
 - The percentage increase in salaries on 1 May 2014 (3)
- 6.2.3 At the end of April 2014, the following actual figures were identified and compared to the budgeted figures. Explain what you would mention to Molly about each of the items listed below and give ONE point of advice in each case.

	APRIL 2014	
	BUDGETED	ACTUAL
Fuel (petrol)	75 000	87 500
Collection from debtors	152 600	126 450
Advertising	250	250

INFORMATION

1. **FLASH TRANSPORT**
EXTRACT FROM THE CASH BUDGET FOR THE PERIOD
1 APRIL 2014 TO 31 MAY 2014

	APRIL	MAY
CASH RECEIPTS		
Fee income from cash customers		
Collection from debtors	152 600	
Rent income	6 540	A
Commission income		
Investment maturing on 2 April 2014	100 000	-
Interest on investment	6 000	-
TOTAL RECEIPTS	422 000	310 000
CASH PAYMENTS		
Fuel (petrol)	B	90 000
Insurance	6 400	8 500
Salaries	46 500	50 220
Telephone		
Advertising	250	250
Purchase of vehicles (2 x R100 000)	-	200 000
Drawings	15 000	15 000
Maintenance	17 800	19 135
Sundry expenses		
Interest on loan (11% p.a.)	4 400	4 400
TOTAL PAYMENTS	195 300	418 200
SURPLUS/SHORTFALL	226 700	C
Cash at beginning of the month	53 300	?
Cash at the end of the month	280 000	D

2. Molly does deliveries of parts to certain suppliers, on credit.
Services rendered to clients on credit are as follows:

March (actual)	R140 000
April (budgeted)	R200 000
May (budgeted)	R280 000

3. Debtors are expected to pay as follows:
- 35% of debtors settle their accounts during the transaction month to benefit from a 2% discount for prompt payment.
 - 60% settle accounts in the month following the transaction month.
 - 5% is written off thereafter.
4. With effect from 1 May 2014, the budget for rent income will increase by 10% and that of fuel will increase by 20%.

6.3 INTERNAL CONTROL

Candice Booysen runs a tuck shop at a primary school. She employs learners to assist her in serving at the tuck shop during breaks. Candice sells fruit juice, chips and chocolates in her tuck shop.

REQUIRED

Identify a problem that Candice is experiencing concerning each of her products. State a different problem for each product. You must quote figures to support your answer. Give a suitable solution to each problem identified. (9)

INFORMATION FOR NOVEMBER 2013

	FRUIT JUICE (500 mℓ)	CHIPS (30 g packets)	CHOCOLATES (100 g bars)
Opening stock	Nil	700 units	20 units
Number of items bought during the month	5 000 units	3 160 units	400 units
Number of items sold during the month	4 935 units	3 100 units	335 units
Closing stock per physical count	62 units	758 units	30 units
Damaged stock written off	3	2	20
Selling price per unit	R6,00	R11,00	R9,00
Cash collected	R28 800	R34 100	R2 835
Mark-up percentage on cost	40%	75%	25%

40

TOTAL: 300