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# GRADE 11 CASE STUDY – PROVINCIAL TASK SEPTEMBER 2022

Issued date: 06 September 2022

Due date: 06 September 2022

MARKS: 50

TIME: 90 MINUTES

**EXAMINER: Mr M Mkhize** 

**MODERATOR: Me PN Sicwetsha** 

This task consists of 6 pages.

# INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

- 1. The Case Study must be administered in class under supervision of the teacher.
- 2. It must be answered individually.
- Learners are allowed to use extra material in hard cory, during answering the task. No cell phones allowed.
- 4. An answer book is provided in which to answer all the questions.
- 5. You may use a non-programmable calculator.
- 6. You may use a dark pencil or blue/black ink to answer questions.
- 7. Where applicable, show ALL calculations to ONE decimal point.
- Write neatly and legibly.

#### SECTION A: BUDGETS AND INTERNAL CONTROL

You are provided with an incomplete extract from the Cash Budget of Motloung Traders for three months ending 31 July 2022. The owner is Sello Motloung.

# REQUIRED:

- 1. Answer the following questions:
  - 1.1. What is the main purpose of preparing the Cash Budget? (2)
  - 1.2 Name TWO items what will appear in the Cash Budget but not in the Projected Income Statement. (2)
  - 1.3 Name TWO items that will appear in a Projected Income Statement but not in a Cash Budget. (2)
- 2 Refer to information 1 to 6 below. Calculate the missing figures in the Cash Budget indicated by A to H, sics.com (18)
- To increase sales and the number of customers, Sello intends to advertise that credit limits for all credit customers will be increased to R50 000 and new customers are welcome to open accounts during the month of August.
  - 3.1 Do you agree with Sello? Name THREE things that he should consider before increasing credit limits. (6)

# INFORMATION:

#### 1. Total Sales

	2022	0
May	June	July
R 600 000	R 560 000	R 560 000

75% of sales are expected to be on credit, the rest are for cash.

## 2. Total Purchases

,	2022	06
May	June	July
R 313 500	R 219 450	R 188 100

- 30% of all purchases are for cash, the rest are on credit.
- Creditors are paid two months after the purchase of stock.

3. Extract of the Cash Budget for 2022:

	May (R)	June (R)	July (R)
RECEIPTS			
Cash Sales	Α	В	С
Receipts from Debtors	434 250	all the	1000
Loan from ATM Bank (12% p.a.)	320 000	3 11/2	I WAS
PAYMENTS	Section in con-		Section 1970
Cash Purchases	94 050	65 835	D
Payments to Creditors	262 200	364 800	E
Interest on Loan	0	3 200	F
Repayment of Loan		32 000	32 000
Wages	32 500	22 256	G
Advertising	HStal	nmor6 720	6 720

4. Loan and Interest on Loan: The interest on the loan and the monthly loan instalments are payable at the end of each month. Interest is not capitalised. The loan was obtained on 31 May 2022.

# 5. Wages:

In May the business will have five employees, each earning a wage of R1 300 per week. All their employees are paid their wages on Fridays. There are five Fridays in May and four Fridays in June and July 2022.

One employee will resign on 31 May 2022 and the remaining employees will be given a 7% increase from the 1<sup>st</sup> of June 2022.

The business plans to employ two more staff members at the same weekly wage as on the 1 July 2022.

 Advertising: The advertising budget increased by 5% with effect from 1 June 2022

30

#### SECTION B: CASH BUDGET AND INTERPRETATION

You are provided with information from Nosipho Stylists for three months ending 31 August 2022. The owner is Nosipo Rabada. The business buys and sells a wide range of sporting goods to the public.

# REQUIRED:

- 1. The owner feels that the debtors are not being properly managed. Do you agree?

  Explain your answer fully with at least TWO points to substantiate your answer.

  Discuss TWO measures that he could introduce to improve the situation.

  (9)

Calculate the cost of sales for June 2022

- (3)
- 3. Give TWO reasons why the salaries and wages increased in July.
- (4)
- 4. Management is not sure whether their advertising policy has been effective. Comment on this by discussing at least two points.

(4)

## INFORMATION:

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#### A. SALES:

60% of their sales are on credit and they allow their debtors 30 days in which to settle their accounts subject to a 2% discount.

# B. PURCHASES:

All goods are marked up by 25% on cost. Nosipho Stylists work on a fixed stock base, i.e., stock sold each month is replenished in the same month. 80% of all purchases are on credit.

# C. DEBTORS COLLECTION PERIOD:

# A survey reveals that debtors pay their accounts as follows:

- 15% within the same month as the sale subject to the 2% discount.
- 20% in the following month after the sale.
- 48% in the second month following the sale.
- 5% in the third month following the sale.
- 12% are written off as bad debts.

# D. LOAN FROM FANBANK:

The loan from Fanbank was received on 1July 2022. Interest will be paid monthly starting form 1 August 2022

# E. NOSIPHO STYLISTS

# CASH BUDGET FOR THE 3 MONTHS ENDED 31 AUGUST 2022

CASH RECEIPTS	JUNE	JULY	AUGUST
Cash sales	60 000	80 000	76 000
Cash from debtors	93 390	104 000	90 558
Rent Income	6 000	6 000	6480
Loan from Fanbank		180 000	
Total receipts	159 390	370 100	173 038
CASH PAYMENTS		100	
Cash purchases of stock	24 000	30 000	30 400
Payments to creditors	108 800	140 800	96 000
Interest on loan	人践建		2 175
Salaries and wages	40 000	48 000	40 000
Advertising	1 500	10 000	1 900
Sundry expenses	10 000	10 000	10 000
Total payments	184 300	238 800	180 475
Surplus/ Deficit	(24 910)	131 300	(7 437)
Opening bank balance	60 000	(35 090)	96 210
Closing bank balancesics.com	(35 090)	96 210	88 773

# F. DEBTORS COLLECTION SCHEDULE

CREDIT SALES		AUGUST
	R	R
May	132 000	6 600
June	90 000	43 200
July	120 000	24 000
August	144 000	16 758
		90 558

20

**TOTAL MARKS: 50** 

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SCHOOL:	
SURNAME:	
NAME:	

# **CASE STUDY**

# TASK 5 SEPTEMBER 2022

	MARK	MARKER	MODERATOR
TOTAL	50		

This answer book consists of 3 pages.





What	is the main purpose of preparing a Cash b	oudget
400		
		IF.
		I not be reflected in a

Projected Income Statement. Stanmorephysics.com

Name TWO items that will appear in a Projected Income Statement but 1.3 not in a Cash Budget.

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September 2022

	CALCULATIONS	ANSWER	
A			
7			
В			
В			
	A An H		
С			
D			
E	Stanmorephysics.com		
_			
_			
F			
G			
Н			
2 VOIL	agree with Sello? Name THREE	things that he should consi	
fore in	ncreasing credit limits.	unings that he should consi	

**TOTAL MARKS** 30

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1.	The owner feels that the debtors are not being properly managed. Do you agree? Explain your answer fully with at least 2 points to substantiate your answer. Discuss two measures that he could introduce to improve the situation.	
	Points	
	Measures	
	Stanmorephysics.com	
		9
2	Calculate the cost of sales for June 2022	53
		3
3	Give two reasons why the salaries and wages increased in July.	
		- <del>                                     </del>
		4
4	Management is not sure whether their advertising policy has been effective. Comment on this by discussing at least two points.	200
	I	7

TOTAL MARKS

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20

September 2022





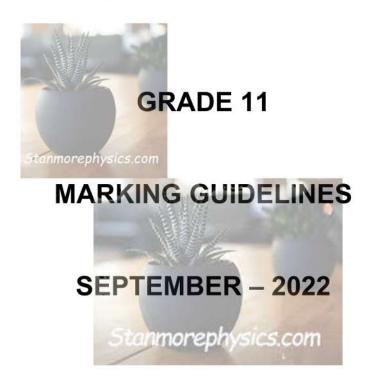
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**TOTAL: 50 Marks** 

**TIME: 90minutes** 

This memorandum consists of 4 pages.

# **SECTION A**

1.1 What is the main purpose of preparing a Cash budget

Expected responses two marks: 

✓✓

- To plan
- To determine future receipts and payments
- To control cash
- To project whether the business will operate at a deficit / surplus

2

1.2 Name TWO items in the Cash Budget that will not be reflected in a Projected Income Statement.

Any TWO items

- Receipts from Debtors
- Loan
- Payments to creditors / Assets / Drawings / Cash Purchases / Fixed Deposit / Capital

2

1.3 Name TWO items that will appear in a Projected Income Statement but not in a Cash Budget.

Any TWO items

- Bad Debts
- Discount allowed / discount received
- Depreciation
- Provision for bad debts
- Profit/loss on sale of asset
- Trading Stock deficit / Trading Stock surplus

2

September 2022

#### 2. Refer to information 1 – 6. Calculate the missing figures in the Cash Budget indicated by A – H.

m	CALCULATIONS	ANSWER	
	600 000 x 25%	150 000	✓
ПВ	560 000 x 25%	140 000	✓
С	560 000 x 25%	140 000 See B above	☑
D	188 100 x 30%	56 430	<b>/ /</b>
E	313 500 x 70%	219 450	11
F	320 000 one mark – 32 000 one mark  288 000 ✓ ✓ x 12/100 ✓ x 1/12 ✓	2 880	Ø
G	1 300 x 107% 1 rephysics.com 1 391 ✓ x 4 ✓ x 6 ✓	33 384	Ø
Н	6 720 x 100/105	6 400	<b>//</b>

18	

3.1 Do you agree with Sello? Name THREE things that he should consider before increasing credit limits.

Any TWO valid points ✓✓ ✓✓

- Screen debtors properly / Background check
- Improve collection from debtors
- · Only increase credits for customers who settle their debts promptly
- Any acceptable answer.

**TOTAL MARKS** 30

# **SECTION B**

1. The owner feels that the debtors are not being properly managed. Do you agree? Explain your answer fully with at least 2 points to substantiate your answer. Discuss two measures that he could introduce to improve the situation.

Yes ✓

Points: Any TWO

- Debtors are given 30 days to pay but
- Only 35% of the debtors are paying in this time
- 12% of debts are written off

Measures: Any TWO ✓✓ ✓✓

- Increase the discount rate from 2% to encourage debtors to pay.
- Charge interest on overdue accounts.
- Set credit limits.
- Close off accounts that are overdue
- Any acceptable answer.

9

2 Calculate the cost of sales for June 2022

60 000 + 90 000

150 000 ✓ x 100/125 ✓ = R120 000 ☑ one part correct

3

3 Give two reasons why the salaries and wages increased in July.

Any TWO valid reasons

More overtime was paid in July/ Work longer hours

- · Appointed extra workers during the holiday
- Bonuses paid
- More workers appointed

4

4 Management is not sure whether their advertising policy has been effective. Comment on this by discussing at least two points.

Any TWO valid points ✓✓ ✓✓

- Advertising increased in July and so did the sales.
- Increased sales were due to holiday season and not advertising.
- Should start advertising in June already. Need to increase advertising to increase sales all the time.

4

TOTAL MARKS

20