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| **QUESTION 5** | | | |  | |
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| **5.1** | **BRUCE TRADERS**  **CASH BUDGET FOR NOVEMBER AND DECEMBER 2015** | | | |  | | --- | |  | | **25** | | |
| **CASH BUDGET** | **NOVEMBER 2015**  **R** | **DECEMBER 2015**  **R** |
| **CASH RECEIPTS:** | | |
| **Cash sales** | 420 000 | **399 000** |
| **Cash from debtors** | **536 025** | **597 975** |
| **Commission income** | ✓ 6 000 | 🗸 7 000 |
| **Total receipts 5**  Operation both columns, one part correct | ☑ 962 025 | 1 003 975 |
| **CASH PAYMENTS:** | | |
| **Cash purchases of stock** |  120 000 | **114 000** |
| **Payments to creditors** | **520 000** | ☑☑480 000  If R600 000  **–**cash Purchases Nov |
| **Sundry expenses** | **22 500** | 🗸20 700 |
| Wages and salaries | 🗸200 000 | 🗸 256 000 |
| Advertisements | 🗸🗸 33 000 | 0 |
| Repayment of loan Any figure | ☑🗸🗸 36 000 | 2 marks if correct figure  in wrong column |
| Interest on loan | 🗸3780 | 🗸3 510 |
| **Total payments 17** | **935 280** | **874210** |
| **Surplus (deficit)** Operation | **26 745** | ☑ 129765 |
| **Opening bank balance** | **(56 000)** | ✓(29 255) |
| **Closing bank balance** Operation | **(29 255)** | ☑100510 |
|  |  | | | |  |

Superfluous/foreign entries -1 per item (max – 3) forAdvertising for Dec, bad debts, discount, depreciation

**5.2 SLEEPEZI BEDS (PTY) LTD**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **5.2.1** | **Calculate the percentage increase in the amount budgeted for salaries and wages for October 2015.**  1 800 x 100 = 6% 🗸🗸% sign not essential here  30 000 1  **Should the employees be satisfied with this? Explain.**  Yes / No – compare to inflation rate / compare to directors fees🗸 | |  | | --- | |  | | **3** | |

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| **5.2.2** | **The financial director is pleased with the work being done by the bookkeeper and internal auditor. Identify an expense that indicates that he is correct.**  🗸Audit fees  **Explain your answer.**Any valid explanation🗸🗸Part-marks for partial answers  Expected response for 2 marks:  The audit fees are much lower than expected, which means that they spent less time on the audit / records were in order  Expected response for 1 mark: Audit fees lower than expected | |  | | --- | |  | | **3** | |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **5.2.3** | **Comment on how the new competitor has affected the sales of Sleepezi Beds. Provide figures.**Comment 🗸🗸 Figures 🗸🗸   |  | | --- | | Cash sales are ¼ of the amount budgeted | | Cash sales projected R1,2m while actual was R300 000 | | Actual cash sales for Sept were R1,28m and dropped to R300 000 in Oct | | Budgeted cash sales was 80% but actually achieved 20% | | Sales decreased by 60 beds | | Gross profit decreased by R120 000 (R2 000 gross profit per bed) | | Sales decreased by R400 000 |   **Explain how Sleepezi Beds has responded to this problem. Provide THREE points. Provide figures.**  Part-marks for incomplete explanationsConsider other valid alternatives   |  |  | | --- | --- | | **Point 1** | They deliberately increased credit sales (R300 000 was budgeted but R900 000 was sold on credit).Explanation 🗸🗸 Figures 🗸 | | **Point 2** | They increased delivery expenses to expand their target market / improve after-sales service.(Budgeted R150 000 but spent R168 000; 12% increase).Explanation 🗸🗸 Figures 🗸 | | **Point 3** | They spent R40 000 on advertising (Budgeted R10 000; 300% overspent)./ Decreased directors fees by R44 000 to fund more advertising R30 000.Explanation 🗸🗸 Figures 🗸 | |  |  | | |  | | --- | |  | | **13** | |

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| **5.2.4** | **Comment on the cash balances. Provide figures.**  Any valid comment 🗸 Figure/s 🗸Expected responses:   |  | | --- | | Disappointing / they expected a closing balance of R335 000 | | The actual balance is an overdraft of R210 000 (difference R545 000) | | Actual balance for Sept is R230 000 while Oct reflects an overdraft of R210 000 |   **Explain how the directors can improve the cash balances in future. Explain TWO points.**Any valid comment 🗸🗸🗸🗸Award part-marks for incomplete explanations  Expected responses for 2 marks:   |  |  | | --- | --- | | Encourage debtors to pay faster | Charge clients for deliveries | | Negotiate with creditors for longer payment terms | Take out a loan(to reduce the overdraft and interest) | | Raise more capital / issue more shares | Decrease mark-up to increase sales | | Move to cheaper premises | Look for alternative income e.g. commission |   Expected responses for 1 mark:  Decrease expenses / increase income / decrease rent / increase sales | |  | | --- | |  | | **6** | |

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| **QUESTION 6** | | | | | | | | | | |
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| **6.1.1** | **TWO items recorded incorrectly in the Cash Budget:** | | | | | | | | |  |
|  | Any TWO of: 🗸 🗸  If more than two items given, -1 for invalid item; max -1  Discount received  Depreciation  Bad debts | | | | | | | | | |  | | --- | |  | | **2** | |
|  |  | | | | | | | | |  |
| **6.1.2** | **TWO items in the Cash Budget that would NOT appear in a Projected Income Statement:** | | | | | | | | |  |
|  | Any TWO of: 🗸 🗸  If more than two items given, -1 for invalid item; max -1  Cash from debtors  Fixed deposit matures  Payments to creditors  Repayment of loan | | | | | | | | | |  | | --- | |  | | **2** | |
|  |  | | | | | | | | |  |
| **6.2** | **DEBTORS' COLLECTION SCHEDULE** | | | | | | | | |  |
|  |  | | | | | | | | |  |
|  | **MONTHS** | | **CREDIT SALES** | | **SEPTEMBER** | | **OCTOBER** | | |  |
|  | **July** | | **120 000** |  | **8 400** |  |  | |  | |  | | --- | |  | | **9** | |
|  | **August** | | **151 200** |  | **60 480** |  | 🗸🗸 10 584 | |  |
|  | **September** | | **172 800** |  | **86 400** |  | 🗸🗸 69 120 | |  |
|  | **October** | | 🗸🗸 198 720 | | 50% of credit sales | | ☑☑ 99 360 | |  |
|  |  | |  | | **155 280** |  | Operation one part correct  ☑ 179 064 | | |
|  |  | | | | | | | | |  |
| **6.3** | **AMOUNTS FOR THE CASH BUDGET** | | | | | | | | |  |
|  |  |  | | | | | |  | |  |
|  |  | **WORKINGS** | | | | | | **AMOUNT** | |  |
|  | **(a)** | **Cash sales for September**  288 000 🗸 x 40%🗸 **3**  172 800 one mark x 40/60 one mark | | | | | | R115 200☑  One part correct | |  |
|  | **(b)** | **Payments to creditors for October**  252 000 🗸 x 100/180 🗸x 96/100 🗸 **4**  140 000 two marks – 5 600 one mark  241 920 two marks | | | | | | R134 400☑  One part correct | | |  | | --- | |  | | **18** | |
|  | **(c)** | **Directors' fees for October**  216 000 🗸 x 2/3 🗸🗸 x 135/100 🗸 **5**  144 000 three marks + 50 400 one mark  (72 000 + 25 200) x 2  one mark two marks one mark | | | | | | R194 400☑  One part correct | |
|  | **(d)** | **Interest on loan for October** Could use solve for x method  🗸 🗸 🗸 🗸  6 875 – (12,5% x 52 800 ÷ 12) **6**  550 three marks  6 600 two marks 4 400 two marks  one mark one mark one mark one mark  (660 000 – 52 800) x 12,5% ÷ 12  607 200 two marks | | | | | | 🗸☑  R6 325  One part correct | |

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| **6.4.1** | **The directors changed the method of payment to the salespersons.** |  |
|  | **Explain how this has benefitted the salespersons. Quote figures.**  Explanation 🗸 Figures 🗸  Although the salaries were reduced from R40 000 to R12 000, they received a commission of R66 150 (total: R78 150) / 95,4% or R38 150 more than their previous salaries.  **Explain how this has benefitted the business. Quote figures.**  Explanation 🗸 Figures 🗸  Actual sales are higher than the budgeted sales by R201 600  (489 600 – 288 000); sales are 70% higher than budget. | |  | | --- | |  | | **4** | |
|  |  |  |
| **6.4.2** | **The directors are not concerned about the overspending on packing material. Explain why this is so. Quote figures or calculations.** |  |
|  | Explanation 🗸 Both items i.e. Sales & Packing materials must be mentioned  Figures 🗸🗸 🗸🗸  Candidates must quote percentages – if totals are quoted, award only one mark for each item  Candidates must compare percentages of these two items to earn full marks  Sales were 70% over budget, while packing materials were only 20% over budget.  **OR**  Packing materials were budgeted at 5% of sales, while actual packing materials were only 3,5% of sales.  **Response for one mark:**  Packing materials will increase if sales increase. | |  | | --- | |  | | **5** | |