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| **QUESTION 5** |  |
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| **5.1** | **BRUCE TRADERS****CASH BUDGET FOR NOVEMBER AND DECEMBER 2015** |

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| **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 000If 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 |
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Superfluous/foreign entries -1 per item (max – 3) forAdvertising for Dec, bad debts, discount, depreciation

**5.2 SLEEPEZI BEDS (PTY) LTD**

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| **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🗸 |

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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 answersExpected 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 orderExpected response for 1 mark: Audit fees lower than expected |

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| **5.2.3** | **Comment on how the new competitor has affected the sales of Sleepezi Beds. Provide figures.**Comment 🗸🗸 Figures 🗸🗸

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| 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

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| **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 🗸 |
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| **5.2.4** | **Comment on the cash balances. Provide figures.** Any valid comment 🗸 Figure/s 🗸Expected responses:

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| 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 explanationsExpected responses for 2 marks:

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| 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 |

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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 -1Discount received Depreciation Bad debts |

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| **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 -1Cash from debtors Fixed deposit maturesPayments to creditors Repayment of loan |

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| **6.2** | **DEBTORS' COLLECTION SCHEDULE** |  |
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|  | **MONTHS** | **CREDIT SALES** | **SEPTEMBER** | **OCTOBER** |  |
|  | **July** | **120 000** |  | **8 400** |  |  |  |

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|  | **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 |
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| **6.3** | **AMOUNTS FOR THE CASH BUDGET** |  |
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|  |  | **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 |

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|  | **(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 2one 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 325One 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.  |

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| **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 itemCandidates must compare percentages of these two items to earn full marksSales 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. |

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