

**Monyetla Project – Accounting Gr 11**

**Lesson 4: Budgeting**

<b>QUESTION 1: NOSIPA TRADERS</b>	<b>(48 marks, 38 minutes)</b>
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<b>1.1</b>	<p><b>Why is it important to draw up a Cash Budget?</b></p> <p>Project future cash inflow and outflow.                  Predict future cash receipts and cash payments.                  Control cash / Estimate the bank balance in certain months.      ✓✓</p>	<b>2</b>																								
<b>1.2</b>	<p><b>Name two items that would not appear in the Cash Budget.</b></p> <p>Depreciation                  Bad debts / Provision for bad debts                  Discount allowed / Discount received                  Profit on sale of asset</p> <p style="text-align: right;"><i>Any two non-cash items ✓✓</i></p>	<b>2</b>																								
<b>6.1.3</b>	<p><b>Debtors Collection Schedule for September and October 2015</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin: 10px 0;"> <thead> <tr> <th style="width: 35%;"></th> <th style="width: 15%; text-align: center;">Credit Sales</th> <th style="width: 15%; text-align: center;">September</th> <th style="width: 35%; text-align: center;">October</th> </tr> </thead> <tbody> <tr> <td>July</td> <td style="text-align: center;"><b>84 000</b></td> <td style="text-align: center;"><b>21 000</b></td> <td></td> </tr> <tr> <td>August</td> <td style="text-align: center;"><b>96 000</b></td> <td style="text-align: center;">28 800 ✓</td> <td style="text-align: center;">24 000 ✓</td> </tr> <tr> <td>September</td> <td style="text-align: center;">74 000 ✓</td> <td style="text-align: center;">28 120 ✓✓</td> <td style="text-align: center;">22 200 ✓</td> </tr> <tr> <td>October</td> <td style="text-align: center;">92 000 ✓</td> <td></td> <td style="text-align: center;">34 960 ✓✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;"><b>77 920</b></td> <td style="text-align: center;"><b>81 160</b></td> </tr> </tbody> </table> <p style="text-align: right;"><input checked="" type="checkbox"/> both amounts</p>		Credit Sales	September	October	July	<b>84 000</b>	<b>21 000</b>		August	<b>96 000</b>	28 800 ✓	24 000 ✓	September	74 000 ✓	28 120 ✓✓	22 200 ✓	October	92 000 ✓		34 960 ✓✓			<b>77 920</b>	<b>81 160</b>	<b>10</b>
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1.4

**NOSIPA TRADERS**  
**CASH BUDGET FOR SEPTEMBER AND OCTOBER 2015**

	September	October
<b>RECEIPTS</b>		
Cash sales	86 000 ✓	78 000 ✓
Cash from debtors	77 920 ☑	81 160 ☑
Rent income	6 500 ✓	7 475 ✓✓
<b>TOTAL RECEIPTS</b>	<b>170 420</b>	<b>166 635</b>
<b>PAYMENTS</b>		
Cash purchases	36 500 ✓	32 400 ✓✓
Payments to creditors	33 000 ✓✓	55 600 ✓
Salaries	19 000 ✓✓	23 000 ✓✓
Loan repayment	-	8 000 ✓
Interest on loan	800 ✓✓	720 ✓✓
Advertising	6 400 ✓✓	5 100 ✓✓
Operating expenses	1 500 ✓	1 700 ✓
<b>TOTAL PAYMENTS</b>	<b>97 200</b>	<b>126 520</b>
Cash surplus / deficit	73 220 ☑	40 115 ☑
Bank balance beginning of the year	(110 000) ✓	(36 780) ☑
<b>Bank balance end of the year</b>	<b>(36 780) ☑</b>	<b>3 335 ☑</b>

<b>34</b>

TOTAL MARKS		<b>48</b>
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## Lesson 4: Budgeting

### QUESTION 2: SIMON'S STATIONERY SHOP

(35 minutes)

#### 2.1 DEBTORS COLLECTION SCHEDULE

	Credit sales	DEC	JAN	FEB
October N D	210 000	136 500	-	-
November D J	240 000	72 000	156 000	-
December J F	270 000	-	81 000	175 500
January F M	150 000	-	-	45 000
February M A	90 000	-	-	-
<b>CASH FROM DEBTORS</b>		<b>208 500</b>	<b>237 000</b>	<b>220 500</b>

#### 2.2 CASH BUDGET OF SIMON'S STATIONERY SHOP FOR DEC 2018 – FEB 2019

	DEC	JAN	FEB
<b>CASH RECEIPTS</b>			
Cash sales [25%]	90 000	50 000	30 000
Cash from debtors	208 500	237 000	220 500
Rent income (R14 112 x 100/112)	12 600	12 600	<b>14 112</b>
<b>TOTAL RECEIPTS</b>	<b>311 100</b>	<b>299 600</b>	<b>264 612</b>
<b>CASH PAYMENTS</b>			
Cash purchases [40%]	115 200	64 000	38 400
Payment to creditors [60%] (60 days → Credit purchases x 90%) (Oct → Dec: R224 000 x 60% x 90%) (Nov → Jan: R256 000 x 60% x 90%) (Dec → Feb: R288 000 x 60% x 90%)	120 960	138 240	155 520
Advertising (X % x R360 000 = R10 800 X = 3%)	<b>10 800</b>	6 000	3 600
Salary of shop manager (R9 000 x 109/100)	<b>9 000</b>	9 810	9 810
Wages of shop assistants (R20 400 x 105/100 = R21 420 Feb: R21 420 x ¾)	<b>20 400</b>	21 420	16 065
Staff training	-	40 000	46 000
<b>TOTAL PAYMENTS</b>	<b>276 360</b>	<b>279 470</b>	<b>269 395</b>
<b>CASH SURPLUS/SHORTFALL</b>	<b>34 740</b>	<b>20 130</b>	<b>(4 783)</b>
Bank (Opening balance)	<b>27 600</b>	62 340	82 470
<b>Bank (Closing balance)</b>	<b>62 340</b>	<b>82 470</b>	<b>77 687</b>

**Remember:** Cost of Sales = Purchases

**NOTE!** In the school syllabus, businesses **maintain constant levels of trading stock**. It is therefore important that the business buys enough stock to sell AND extra for drawings of stock and donations of stock.

**BUT:** When Cost of Sales/Purchases are given, you are not allowed to add any amounts to the Purchases. It was already added when Purchases were calculated.

**Calculations:**

	<b>Sales</b>	<b>Cash 25%</b>	<b>Credit 75%</b>	<b>Purchases</b>	<b>Cash 40%</b>	<b>Credit 60%</b>
Oct	280 000	70 000	<b>210 000</b>	224 000	89 600	<b>134 400</b>
Nov	320 000	80 000	<b>240 000</b>	256 000	102 400	<b>153 600</b>
Dec	360 000	<b>90 000</b>	<b>270 000</b>	288 000	<b>115 200</b>	<b>172 800</b>
Jan	200 000	<b>50 000</b>	<b>150 000</b>	160 000	<b>64 000</b>	96 000
Feb	120 000	<b>30 000</b>	<b>90 000</b>	96 000	<b>38 400</b>	57 600

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Debtors  
Collection  
Schedule

↓

Payable in  
60 days,  
LESS 10%  
discount

## Lesson 4: Budgeting

### QUESTION 3: YUSUF DEALERS

(46 marks, 36 minutes)

3.1	<p><b>Explain the difference between a Cash Budget and a Projected Income Statement in short.</b></p> <p>A Cash Budget looks at <u>future inflows and outflows of cash</u> and indicates the <u>expected bank balances</u> during each month of the budget period. ✓✓</p> <p>A Projected Income Statement looks at <u>future income and expenses</u> during the budget period and indicates the <u>expected profit/loss in the future</u>. ✓✓</p>	4
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3.2

### CASH BUDGET OF YUSUF DEALERS FOR THE BUDGET PERIOD 1 JANUARY 2016 TO 28 FEBRUARY 2016

	JANUARY	FEBRUARY
<b>CASH RECEIPTS</b>		
Cash sales	140 000 ✓✓	<b>180 000</b>
Cash from debtors	203 440	183 530
November (275 000) N D J	41 250 ✓	-
December (350 000) D J F	87 500 ✓	52 500 ✓
January (140 000) J F M	74 690 ✓✓	35 000 ✓
February (180 000) F M A	-	96 030 ✓✓
Asset disposal	350 000 ✓	-
Loan	-	200 000 ✓✓
<b>TOTAL RECEIPTS</b> <span style="float: right;"><b>13</b></span>	<b>693 440</b>	<b>563 530</b>
<b>CASH PAYMENTS</b>		
Cash purchases	48 640 ✓✓	61 200 ✓✓
Payments to creditors	440 192 ✓✓✓	184 832 ✓✓✓
Sundry expenses	<b>13 000</b>	13 520 ✓✓
Salaries (120 000 + 30 000 – 40 000) [(120 000 x 1,5) + 40 000]	110 000 ✓✓	220 000 ✓✓
Drawings	22 000 ✓✓	32 000 ✓✓
Vehicles	-	80 000 ✓✓
Interest on loan	4 500 ✓✓	7 500 ✓✓
<b>TOTAL PAYMENTS</b> <span style="float: right;"><b>26</b></span>	<b>638 332</b>	<b>599 052</b>
Cash Surplus / Deficit	55 108	(35 522)
Bank opening balance beginning of the period	<b>(8 000)</b>	47 108 ✓
Bank closing balance end of the period <span style="float: right;"><b>3</b></span>	47 108 ✓	11 586 ✓

**NOTE!** Because the business has a **policy of maintaining constant levels of trading stock**, it is important that the business buys enough stock to sell AND extra for drawings of stock and donations of stock.

This will only happen when Purchases were not given, and you must calculate it yourself.

**No 5:** The owner withdraws R18 000 worth of stock each month.

**No 6:** Trading stock with a cost price of R1 200 will be donated to the Old Age Home during December and January 2016.

**Calculations:**

	Sales	Cash 50%	Credit 50%	Purchases x 100/125	Cash 20%	Credit 80%
Nov	550 000	275 000	<b>275 000</b>	440 000 + 18 000 = 458 000	91 600	366 400
Dec	700 000	350 000	<b>350 000</b>	560 000 + 18 000 + 1 200 = 579 200	115 840	<b>463 360</b>
Jan	280 000	<b>140 000</b>	<b>140 000</b>	224 000 + 18 000 + 1 200 = 243 200	<b>48 640</b>	<b>194 560</b>
Feb	360 000	<b>180 000</b>	<b>180 000</b>	288 000 + 18 000 = 306 000	<b>61 200</b>	244 800

TOTAL MARKS		<b>46</b>
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## Lesson 4: Budgeting

**QUESTION 4: HADEBE TRADERS****(35 minutes)****CASH BUDGET OF HADEBE TRADERS FOR MARCH AND APRIL 2017**

	<b>MARCH</b>	<b>APRIL</b>
<b>CASH RECEIPTS</b>		
Cash sales	19 600	24 600
Cash from debtors	63 640	73 925
January [75 200] J F M	11 280	-
February [50 400] F M A	15 120	7 560
March [78 400] M A M	37 240	23 520
April [90 200] A M J	-	42 845
Interest on fixed deposit (R 4 800 x 6/12)	2 400	-
Rent income	3 680	4 232
Capital	40 000	-
<b>TOTAL RECEIPTS</b>	<b>129 320</b>	<b>102 757</b>
<b>CASH PAYMENTS</b>		
Cash purchases [25%]	17 950	20 500
Payments to creditors [75%] (Credit purchases → 30 days) (Feb → Mar: [R63 000 x 100/140] x 75%) (Mar → Apr: [(R98 000 x 100/140) = 70 000 + 1 800] x 75%)	33 750	53 850
Drawings	1 500	1 500
Operating expenses	18 000	18 000
Salaries (Mar: R24 000 x 180/100)	43 200	24 000
Vehicles (R96 000 / 12)	8 000	8 000
Bank charges	500	500
<b>TOTAL PAYMENTS</b>	<b>122 900</b>	<b>126 350</b>
<b>Cash Surplus/Deficit</b>	6 420	(23 593)
<b>BANK – Opening balance</b>	(6 000)	420
<b>BANK – Closing balance</b>	<b>420</b>	<b>(23 173)</b>

**NOTE!** Because the business **maintains constant levels of trading stock**, it is important that the business buys enough stock to sell AND extra for drawings of stock and donations of stock.

**No 3:** The owner withdraws R1 500 cash per month and will donate merchandise with a value of R1 800 during March 2017 to the local church.

**Calculations:**

→ **Sales x 100/140 = Cost of sales = Purchases**

	<b>Sales</b>	<b>Cash</b>	<b>Credit</b>	<b>Purchases</b>	<b>Cash 25%</b>	<b>Credit 75%</b>
Jan	94 080	18 880	<b>75 200</b>	67 200	16 800	50 400
Feb	63 000	12 600	<b>50 400</b>	45 000	11 250	<b>33 750</b>
Mar	98 000	<b>19 600</b>	<b>78 400</b>	70 000 + 1 800	<b>17 950</b>	<b>53 850</b>
Apr	114 800	<b>24 600</b>	<b>90 200</b>	82 000	<b>20 500</b>	61 500

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Debtors  
Collection  
Schedule

↓

Payable in  
30 days

**No 7:**

The **rent income** for the previous financial year ended 31 December 2016, was R42 720. The rent increase annually with 15% on 1 April.

1 January – 31 December 2016 → Rent income = R42 720 with a 15% increase on 1 April 2016

Ask yourself: How many months before the increase? Jan, Feb, Mar = 3 X  
How many months after the increase? Apr – Dec = 9 (115/100 X)

$$\begin{aligned} \text{Thus: } 3 X + 9 (115/100 X) &= \text{R42 720} \\ 3 X + 10,35 X &= \text{R42 720} \\ 13,35 X &= \text{R42 720} \\ X &= \text{R3 200} \rightarrow \text{For Jan, Feb and Mar 2016} \end{aligned}$$

$$\text{R3 200} + 15\% \text{ increase} = \text{R3 680} \rightarrow \text{For Apr – Dec 2016}$$

$$\text{Check: } (3\ 200 \times 3) + (3\ 680 \times 9) = 9\ 600 + 33\ 120 = \text{R42 720}$$

**Now:** The Rent income for March 2017 will still be R3 680, but for **April 2017** it will be:

$$\text{R3 680} + 15\% \text{ increase} = \text{R4 232}$$