



education

Department:
Education
REPUBLIC OF SOUTH AFRICA

**NATIONAL
SENIOR CERTIFICATE**

GRADE 12

**ACCOUNTING
PREPARATORY EXAMINATION 2008
MEMORANDUM**

MARKS: 300

TIME: 3 hours

This memorandum consists of 17 pages.

1.4	<p>Which of the cheques shown as outstanding on the April 2008 Bank Reconciliation Statement were reflected on the May 2008 Bank Statement? (Write down only the cheque numbers.)</p> <p style="text-align: center;">✓✓ ✓✓</p> <p>Cheque Numbers: No. 438 & No. 447</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">4</div>
1.5	<p>The Bank Reconciliation on 30 April 2008 shows the item: “Credit amount wrongly debited on Bank Statement, R 250”.</p>	
1.5.1	<p>Was this error corrected by the bank during May 2008? Give a reason for your answer.</p> <p>YES ✓</p> <p><i>Reason for your answer:</i></p> <p>If it had still not been corrected by the bank this entry would also be on the May 2008 Bank Reconciliation. ✓✓</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">3</div>
1.5.2	<p>Give an example of the type of error that the bank could have made.</p> <p><i>One valid example ✓✓✓</i></p> <p><i>Possible examples:</i></p> <ul style="list-style-type: none"> ▪ Bank reflected a cheque drawn by someone else on our statement thus reducing our balance in error. ▪ OR Stop / Debit order duplicated in error. ▪ Other answers possible. 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">3</div>
1.6	<p>Briefly explain why cheques 335 and 448 appear on both the April and May 2008 Bank Reconciliation Statements. You must provide a different reason for each cheque.</p> <p>→ Cheque No. 335</p> <p>This cheque has not yet been presented to the bank by the payee. It is not yet stale and therefore can still be taken to the bank by the payee within the next 3 months. ✓✓ (Cheque is still outstanding).</p> <p>→ Cheque No. 448</p> <p>This cheque is a Post Dated cheque issued and cannot be taken to the bank by the payee until 25 June 2008. We have already entered this in our CPJ (thus reducing our bank figure). ✓✓</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; text-align: center; margin: 0 auto;">4</div>

1.7 1.7.1	<p>Points for report to Chief Accountant:</p> <p>What you suspect the cashier is doing illegally which is resulting in these very large outstanding deposits.</p> <p><i>Any valid explanation ✓✓✓</i></p> <p><i>Possible answer:</i></p> <p>Cashier is deliberately under-stating the deposits each month. She is possibly taking a large amount of money for her own use and replaces this each month with new funds received near the end of the month. – “Rolling of Cash”.</p> <p>Learner does not need to use the actual term Rolling of cash.</p> <p><i>Good explanation = 3 Reasonable = 2 Poor = 1 Incorrect = 0</i></p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">3</div>
1.7.2	<p>Discuss three internal control measures that could be implemented within the accounting department to avoid any further problems of this type occurring.</p> <p><i>Any three valid measures (✓✓ ✓✓ ✓✓)</i></p> <p><i>Possible answers</i></p> <ul style="list-style-type: none"> ▪ Internal auditor must check the cashier’s process of depositing cash. ▪ Deposits must be made on a daily basis. ▪ Separation of duties. The cashier should not be receipting, completing deposit slips and banking the cash as she is able to roll cash as a result of this. 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">6</div>
1.7.3	<p>Discuss two steps that could be taken should your suspicions of illegal actions by the cashier be confirmed.</p> <p><i>Any two valid steps (✓✓ ✓✓)</i></p> <p><i>Possible answers</i></p> <ul style="list-style-type: none"> ▪ Management must be informed immediately. ▪ Disciplinary actions should follow – cashier is entitled to a fair hearing and may have legal representation. ▪ If the hearing finds her guilty of fraud - a criminal charge should be laid at the police station. ▪ She could face dismissal. ▪ Issue a letter of warning. <p>If learner simply says “fire her” - no marks to be awarded.</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">4</div>

QUESTION 2**2.1****General Ledger of Clarens Ltd
ASSET DISPOSAL**

2007 Nov	30	Vehicles ✓	Gj	✓ 80 000	2007 Nov	30	Accum Depr on Vehicles ✓	Gj	✓✓✓ 44 000
							Bank ✓	CRJ	✓ 36 000
				✓ 80 000					80 000

9

2.2.1	<p>Use the EPS in order to calculate the number of new shares issued on 1 March 2007.</p> <p>EPS = N.P after Tax / No of shares</p> <p>EPS = 126 000 ✓ / X = 0.20 ✓</p> <p>X = 630 000 Shares</p> <p>630 000 ✓ – 450 000 ✓ = 180 000 new shares issued ✓</p>	<table border="1"> <tr><td></td></tr> <tr><td>5</td></tr> </table>		5
5				

2.2.2	<p>Calculate the dividends per share for the year ended 29 February 2008.</p> <p>✓ ✓ ✓</p> <p>DPS = (50 400 + 88 200) / 630 000</p> <p>DPS = 138 600 / 630 000 * 100</p> <p>DPS = 22 cents per share ✓</p>	<table border="1"> <tr><td></td></tr> <tr><td>4</td></tr> </table>		4
4				

2.2.3	<p>Discuss one reason why shareholders would be:</p> <ul style="list-style-type: none"> ▪ happy with the dividend policy of this company <p><i>One reason with financial indicator ✓✓</i></p> <p><i>Possible answer:</i></p> <p>EPS of 20 c is a return of 40% on par value or 23.5% on current market price of 85 cents. This is much better than current investment rate. Those who are short term investors would be happy with such high dividends and not retaining profits as they will be selling their shares in the short term.</p> <ul style="list-style-type: none"> ▪ unhappy with the dividend policy of this company. <p>Quote financial indicators to support your answer.</p> <p><i>One reason with financial indicator ✓✓</i></p> <p><i>Possible answers:</i></p> <ul style="list-style-type: none"> ▪ EPS only 20 cents per share ▪ DPS is 22 cents per share ▪ Company has paid out all the earnings and has also used previously retained income for this year's dividend. ▪ Directors should be retaining some of the profits for future expansion 	<table border="1" style="width: 100%; height: 100%;"> <tr><td style="text-align: center;"> </td></tr> <tr><td style="text-align: center;">4</td></tr> </table>		4
4				
2.3	<p>Clarens Ltd shares are currently being traded on the stock exchange at R 0.85 per share and the Net Asset Value is R 0.62 per share. The directors have decided to issue the remainder of the authorised shares at R 0.75 cents each. Would you be willing to purchase additional shares at this price? Justify your answer by providing two reasons.</p> <p><i>Yes / No ✓</i></p> <p><i>Reference to market price ✓✓</i> <i>Reference to Net Asset Value ✓✓</i></p> <p><i>Any other logical reasons provided.</i></p>	<table border="1" style="width: 100%; height: 100%;"> <tr><td style="text-align: center;"> </td></tr> <tr><td style="text-align: center;">5</td></tr> </table>		5
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2.4 Cash Flow Statement of Clarens Ltd for the year ended 29 February 2008

	Note	
Cash Flows From Operating Activities:		34 520 <input checked="" type="checkbox"/>
Cash Generated from Operations	1	200 170 <input checked="" type="checkbox"/>
Interest Paid		(12 000) ✓
Dividends Paid (40 000 ✓ + 138 600 ✓ - 88 200 ✓)		(90 400) ✓
Income Tax Paid (4 000 ✓ + 54 000 ✓ + 5 250 ✓)		(63 250) ✓
Cash Flows From Investing Activities:		(103 920) <input checked="" type="checkbox"/>
Purchase of Tangible Assets (322 000 ✓ - (246 200 ✓ - 28 120 ✓ - 36 000 ✓))		(139 920) <input checked="" type="checkbox"/>
Proceeds from sale of tangible assets		36 000 <input checked="" type="checkbox"/>
Cash Flows From Financing Activities:		171 000 <input checked="" type="checkbox"/>
Increase in Loans (75000 ✓ + 12000 ✓ - 14400 ✓ + X = 132 000 ✓)		59 400 <input checked="" type="checkbox"/>
Decrease / Repayment of Loans		(14 400) ✓
Proceeds from issue of shares (180 000 ✓ × 0,70 [0,50 + 0,20] ✓ ✓)		126 000 <input checked="" type="checkbox"/>
Net Change in Cash Equivalents		101 600 <input checked="" type="checkbox"/>
Cash & Cash Equivalents at beginning of year		(8 000) ✓
Cash & Cash Equivalents at End of year		93 600 <input checked="" type="checkbox"/>

Notes to the Cash Flow Statement:

1. Reconciliation between profit before taxation and cash generated from operations:

Net profit Before Taxation	180 000 ✓
Adjust for the following:	40 120
Depreciation (22 392 + 5 728)	28 120 ✓ ✓
Interest on borrowed money	12 000 ✓
Operating Profit before changes in working capital	220 120
Changes in Working Capital:	(19 950)
Increase in Inventories	(29 950) ✓ ✓
Decrease in Debtors	3 000 ✓ ✓
Increase in Creditors	7 000 ✓ ✓
Cash Generated from Operations	200 170 ✓

43

70

QUESTION 3

3.1.1

GENERAL LEDGER OF SIKA LIMITED
FINAL ACCOUNTS SECTION
APPROPRIATION ACCOUNT

Dr				F3				Cr
2008 June	30	Income tax✓	336 000✓	2008 June	30	Profit & Loss✓	1 200 000✓✓	
		Dividends on ordinary shares✓	600 000✓✓			Retained income✓	193 000✓	
		Retained income✓	457 000☑					
			1 393 000				1 393 000	

12

3.1.2	<p>Comment on the liquidity position of the company in 2008 in comparison to 2007 by quoting THREE financial indicators in your answer.</p> <p>Liquidity has deteriorated over the year. One mark for trend and one for the financial indicator. ✓✓ ✓✓ ✓✓</p> <ul style="list-style-type: none"> ▪ Current ratio decreased from 1,9 : 1 to 1,3 :1 ▪ Acid test ratio decreased from 1,1 : 1 to 0,7:1 ▪ Stock turnover rate decreased from 5 times to 4 times ▪ Debtors collection period increased from 50 days to 60 days ▪ Creditors payment period decreased from 36 days to 30 days 	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="width: 40px; height: 20px;"></td></tr> <tr><td style="text-align: center;">6</td></tr> </table>		6
6				
3.1.3	<p>Make TWO recommendations to the directors as to how the liquidity position can be improved.</p> <p><i>Two recommendations (✓✓ ✓✓</i></p> <ul style="list-style-type: none"> ▪ Directors need to assess the amount of trading stock to determine that this is not too high. (Turnover rate has decreased but this might be the optimum level). ▪ Increase sales by advertising more vigorously which should reduce the amount of stock and increase the stock turnover rate. ▪ Investigate why debtors are taking longer to pay – offer incentives to encourage debtors to pay their accounts promptly. ▪ Investigate why creditors are being paid faster – negotiate with creditors to extend credit terms without losing discounts 	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr><td style="width: 40px; height: 20px;"></td></tr> <tr><td style="text-align: center;">4</td></tr> </table>		4
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3.1.4

SIKA LIMITED
BALANCE SHEET AS AT 30 JUNE 2008

ASSETS		
Non current assets	<input checked="" type="checkbox"/>	3 238 400
Tangible assets	<input checked="" type="checkbox"/>	3 088 400
Financial assets		
Fixed Deposit : Northwest Bank (270 000 ✓ - 120 000 ✓)	<input checked="" type="checkbox"/>	150 000
Current assets	<input checked="" type="checkbox"/>	561 600
Inventories		259 200
Trade and other receivables (170 000 + 9 400)	<input checked="" type="checkbox"/>	179 400
Cash and cash equivalents (3 000 + 120 000)	<input checked="" type="checkbox"/>	123 000
TOTAL ASSETS	<input checked="" type="checkbox"/>	3 800 000
EQUITY AND LIABILITIES		
Ordinary shareholders equity	<input checked="" type="checkbox"/>	3 040 000
Ordinary share capital (750 000 X R3)	<input checked="" type="checkbox"/>	2 250 000
Share premium (333 000 x R1,00)	<input checked="" type="checkbox"/>	333 000
Retained income/ distributable reserves	<input checked="" type="checkbox"/>	457 000
Non current liabilities (3 800 000 ✓ - 3 040 000 ✓ - 432 000 ✓)	<input checked="" type="checkbox"/>	328 000
Mortgage loan : GP Bank	<input checked="" type="checkbox"/>	328 000
Current liabilities	<input checked="" type="checkbox"/>	432 000 <input checked="" type="checkbox"/>
Trade and other payables (160 000 ✓ + 225 000 ✓ + 15 000 ✓)	<input checked="" type="checkbox"/>	400 000
Bank overdraft	<input checked="" type="checkbox"/>	32 000
TOTAL EQUITY AND LIABILITIES	<input checked="" type="checkbox"/>	3 800 000

3.2.1	<p>Who is responsible for ensuring that the financial statements are prepared?</p> <p>Directors / financial director ✓✓</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>
3.2.2	<p>Who is the main group of people the auditors are addressing the audit report to and why is the report addressed to this group?</p> <p>Shareholders ✓</p> <p>Appointed by shareholders. To protect the rights of shareholders ✓✓</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">3</div>
3.2.3	<p>The auditors report refers to the International Financial Reporting Standards (IFRS). Explain why auditors have to take IFRS into account in expressing their opinion?</p> <p>Requirement by auditing standards as the IFRS sets standards for preparation of financial statements. ✓✓</p> <p>This enables financial statements of different companies to be compared in South Africa and other countries.</p>	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">2</div>
3.2.4	<p>Should the shareholders be satisfied with the auditors report? Provide ONE reason for your answer.</p> <p>Yes. ✓</p> <p><i>One Reason</i> ✓✓</p> <p><i>Possible answers:</i></p> <ul style="list-style-type: none"> ▪ Unqualified report. ▪ Financial statements fairly present the financial position in all material respects. ▪ Report does not mention any irregularities. ▪ Financial statements comply with law and regulations. 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">3</div>
3.2.5	<p>If the auditors fail to carry out their audit duties properly there could be severe consequences for them. Discuss TWO benefits to the directors/shareholders of SIKALTD that the auditors all have to belong to a professional body.</p> <p><i>Two benefits</i> ✓✓ ✓✓</p> <ul style="list-style-type: none"> ▪ All auditors are CA's and are bound by the code of professional conduct of SAICA – which has disciplinary procedures and could de-register a member as CA (SA) ▪ Assured of ethical behaviour as auditors have to comply with a code of ethical practice/required to sign an ethical pledge. ▪ Should be guaranteed of high standards of professionalism as auditors have to commit to SAICA requirements. ▪ As a member of a professional body, directors are assured that the auditors have high levels of skills and integrity 	<div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto;"></div> <div style="border: 1px solid black; width: 40px; height: 20px; margin: 0 auto; text-align: center;">4</div>

3.2.6	<p>S. Siven, the audit partner, working on the audit job of SIKa LTD will marry L. Lyn, the financial director of SIKa LTD on 28 December 2008.</p> <ul style="list-style-type: none">▪ Will this affect the audit of SIKa Ltd in any way? Provide a reason for your answer. <p>Yes ✓</p> <p>Reason ✓✓</p> <p><i>Possible answers:</i></p> <ul style="list-style-type: none">▪ Objectivity / reliability of audit is compromised.▪ Independence will be compromised▪ Conflict of interest <p>What advice would you offer S. Siven?</p> <p><i>Any valid advice given</i> ✓✓</p> <p><i>Possible answers:</i></p> <ul style="list-style-type: none">▪ Declare the conflict of interest▪ The audit firm should resign as auditors▪ Get L. Lyn to change jobs	<table border="1" style="margin-left: auto; margin-right: auto;"><tr><td style="width: 40px; height: 20px;"></td></tr><tr><td style="width: 40px; height: 20px; text-align: center;">5</td></tr></table>		5
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4.2.1	<p>How would you respond to Terry's comment in the last sentence about 'this is a lot of nonsense'? Excellent answer = 3 marks; Good/Satisfactory = 2 marks; Poor = 1; Incorrect = 0</p> <p>Expected responses e.g. He owns the sole pharmacy in the area. He should be properly serving all the stakeholders (i.e. customers, community, employees, SARS) otherwise his business is not sustainable.</p>	3
4.2.2	<p>If you bought this business from Terry, what would you do differently? Explain two points that you would do differently and provide a reason for each point. Point 1: ✓ Reason: ✓✓ Point 2: ✓ Reason: ✓✓</p> <p>Excellent point & reason = 3 marks; Good/Satisfactory = 2 marks; Poor = 1; Incorrect = 0</p> <p>Expected responses – any two e.g.</p> <ul style="list-style-type: none"> • Establish a code of ethics for the business covering relationships with customers, expectations of conduct regarding staff members – engenders the confidence of the community • Use a more responsible method of valuing stock and setting prices e.g. FIFO with prices set accordingly; and use a more reasonable MU% - so that pricing is fair – generate goodwill <p>Obey the law e.g. pay VAT when it is due – to avoid legal issues and avoid penalties</p>	6
4.2.3	<p>Based on the information contained in this article, how much output VAT should Terry have declared to SARS for the last 6 months? Provide a calculation to support your answer.</p> <p style="text-align: center;">✓ ✓ ✓ <input checked="" type="checkbox"/> reasonableness</p> <p>14/114 x R100 000 x 6 months = R73 684,21</p>	4
4.2.4	<p>Tromp Pharmacy is experiencing a cash flow problem and there is no money available to pay SARS. As the accountant will you go along with this suggestion? Motivate your response by providing two reasons for your decision. No ✓ Any two valid reasons ✓✓ ✓✓</p> <p><i>Possible reasons:</i></p> <ul style="list-style-type: none"> ▪ This is tax fraud ▪ It will be detected by SARS when a VAT audit is done ▪ Every claim for VAT input & output must be supported with documentation ▪ Risk of being prosecuted for tax fraud as this is a serious offence. ▪ The company could be charged penalties and interest and in addition fined or imprisoned 	5

QUESTION 5**5.1.1 NERD MANUFACTURERS****Production Cost Statement for the year ended 31 August 2008.**

DIRECT COSTS	<input checked="" type="checkbox"/>	306 500
Direct material costs (14 700 ✓ + 136 000 ✓ + 5 800 ✓ – 6 000 ✓)	✓	150 500
Direct labour costs	✓	156 000
Factory overhead costs	<input checked="" type="checkbox"/>	180 970
Total manufacturing cost	<input checked="" type="checkbox"/>	487 470
Work in progress at the beginning of the year	✓	3 400
		490 870
Work in progress at the end of the year	✓	(10 870)
Cost of production of finished goods	<input checked="" type="checkbox"/>	480 000

Note to Financial Statements**Factory overhead costs**

Consumable stores (1 600 ✓ + 5 900 ✓ – 2 100 ✓) X 80% ✓	✓	4 320
Indirect labour	✓	9 200
Rent (24 000 X 60%)	✓✓	14 400
Foreman's salary	✓	86 000
Insurance (5 600 ✓ X 4/7 ✓)	✓	3 200
Other Factory overheads	✓	25 200
Depreciation (26 400 + 12 250)	✓✓	38 650
	<input checked="" type="checkbox"/>	180 970

5.1.2	<p>The owner, D. Dunn, is of the opinion that employees are not using the raw materials very effectively or tracksuits are being stolen in the factory. Recommend TWO internal control measures that could be implemented by management to solve these problems.</p> <p><i>Two control measures ✓✓ ✓✓</i></p> <p><i>Possible answers:</i></p> <ul style="list-style-type: none"> ▪ Regular stock counts of raw materials and finished goods and compare to the ledger. ▪ Supervise the usage of raw materials by obtaining correct cutting of fabric measurements minimising wastage/ off cuts. ▪ Train employees to use raw materials economically. ▪ Supervisor monitors the number of units cut from the raw materials. ▪ Supervisor to monitor the number of units made by each employee and make them answerable for shortages. ▪ Completed stock should be securely kept in a stock room and not lying around on the factory floor. Proper stock records must be maintained. 	<table border="1" style="width: 100%; height: 100%;"> <tr><td style="height: 20px;"> </td></tr> <tr><td style="text-align: center;">4</td></tr> </table>		4
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5.2 Soweto Shoe Factory

5.2.1	<p>Calculate the unit cost of production.</p> <p style="text-align: center;">$5\,436\,000 \checkmark / 36\,000 \checkmark = R151 \checkmark$</p>	<table border="1" style="width: 100%; height: 100%;"> <tr><td style="height: 20px;"> </td></tr> <tr><td style="text-align: center;">3</td></tr> </table>		3
3				
5.2.2	<p>Calculate the number of pairs of shoes that must be produced and sold to break even.</p> <p>Fixed costs / selling price per unit – variable cost per unit</p> <p style="text-align: center;">$= (864\,000 \checkmark + 540\,000 \checkmark) / (249 \checkmark \checkmark - 149 \checkmark \checkmark \checkmark)$</p> <p style="text-align: center;">$= 1\,404\,000 \checkmark / 100 \checkmark = 14\,040 \text{ units } \checkmark$</p> <p>SP per unit = $8\,964\,000 / 36\,000 = R249$</p> <p>VC per unit = $(1\,980\,000 + 2\,592\,000 + 792\,000) / 36\,000 = 5\,364\,000 / 36\,000 = R\,149$</p>	<table border="1" style="width: 100%; height: 100%;"> <tr><td style="height: 20px;"> </td></tr> <tr><td style="text-align: center;">10</td></tr> </table>		10
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QUESTION 6

6.1	<p>Calculate the figures:</p> <table border="1"> <tr> <td data-bbox="316 268 402 338">(a)</td> <td data-bbox="407 268 1256 338">R176 000 ✓✓</td> </tr> <tr> <td data-bbox="316 344 402 413">(b)</td> <td data-bbox="407 344 1256 413">R50 400 ✓✓</td> </tr> <tr> <td data-bbox="316 420 402 489">(c)</td> <td data-bbox="407 420 1256 489">25 200 ✓✓✓ + 11 200 ✓✓✓ = R36 400✓✓</td> </tr> <tr> <td data-bbox="316 495 402 564">(d)</td> <td data-bbox="407 495 1256 564">160 000✓ X 0.65 ✓ = R104 000✓ X 0.95✓ (-5 200) = R98 800✓✓</td> </tr> <tr> <td data-bbox="316 571 402 640">(e)</td> <td data-bbox="407 571 1256 640">R11 060 ✓✓</td> </tr> </table>	(a)	R176 000 ✓✓	(b)	R50 400 ✓✓	(c)	25 200 ✓✓✓ + 11 200 ✓✓✓ = R36 400✓✓	(d)	160 000✓ X 0.65 ✓ = R104 000✓ X 0.95✓ (-5 200) = R98 800✓✓	(e)	R11 060 ✓✓	<input type="text"/> <input type="text" value="18"/>
(a)	R176 000 ✓✓											
(b)	R50 400 ✓✓											
(c)	25 200 ✓✓✓ + 11 200 ✓✓✓ = R36 400✓✓											
(d)	160 000✓ X 0.65 ✓ = R104 000✓ X 0.95✓ (-5 200) = R98 800✓✓											
(e)	R11 060 ✓✓											
6.2.1	<p>Refer to the item, “Fixed Deposit (1 November)”, as shown under the Receipts section of the Cash Budget. Explain what is expected to happen with regards to the Fixed Deposit on 1 November 2008.</p> <p><i>Any valid explanation ✓✓</i></p> <p>A Fixed Deposit of R 20 000 will mature on 1 November 2008. The money will be deposited into the businesses current banking account.</p>	<input type="text"/> <input type="text" value="2"/>										
6.2.2	<p>The Smart Store plans to purchase equipment during the budget period. Study the Cash Budget in order to calculate the total expected cost price of this equipment.</p> <p>$R\ 3\ 000 + (R\ 4\ 700 \times 4) = R\ 3\ 000\ \checkmark + R\ 18\ 800\ \checkmark$ $= R\ 21\ 800\ \checkmark$</p>	<input type="text"/> <input type="text" value="3"/>										
6.2.3	<p>The sales assistant has complained to Mrs Reddy about her proposed salary increase in November 2008.</p> <p>One point to support her opinion</p> <p><i>Any valid point mentioned ✓✓</i></p> <p>Her salary only expected to increase by 2½ % (this is way below the current CPI) while mangers salary is expected to increase by 14%.</p> <p>One point against her opinion</p> <p><i>Any valid point mentioned ✓✓</i></p> <p>Sales have been decreasing over the past months (stated in question and can be picked up from 6.1.1) and business are experiencing huge difficulties at present as a result of the weakening economy.</p>	<input type="text"/> <input type="text" value="4"/>										

6.2.4	<p>At the end of October 2008, you compare the Actual figures for Advertising against the Cash Budget figures and you notice the following difference. Provide ONE point of advice to Mrs Reddy in this respect.</p> <p>→ Change in Advertising figures: <i>Any one valid point ✓✓✓</i></p> <p><i>Possible answers</i></p> <ul style="list-style-type: none">▪ R 2000 was budgeted but only R 600 was spent.▪ This could have been why the total sales decreased in October.▪ Continuous advertising is important for continuous sales – especially now that it is nearing Holiday Season.	<table border="1"><tr><td> </td></tr><tr><td>3</td></tr></table>		3
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TOTAL MARKS: 300