 Province of the

EASTERN CAPE

EDUCATION

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**HOME SCHOOLING SELF-STUDY**

**ACTIVITIES AND WORKSHEETS**

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| **SUBJECT** | ACCOUNTING | **GRADE** | 11 | **DATE** |  |
| **TOPIC** | Cash budgets | **Term**  | 3 | **Week** | 6 |
| **TIME ALLOCATION** | 2 Weeks  |

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| **TIPS TO KEEP HEALTHY** |
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| 1. | **WASH YOUR HANDS** thoroughly with soap and water for at least 20 seconds. Alternatively, use hand sanitizer with an alcohol content of at least 60%. |
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| 2. | **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people. |
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| 3. | **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use. |
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| 4. | **WEAR A MASK AND TRY NOT TO TOUCH YOUR FACE.** The virus can be transferred from your hands to your nose, mouth and eyes. It can then enter your body and make you sick. |
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| 5. | **STAY AT HOME.**  |

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| **INSTRUCTIONS** | See requirements per activity |
| **RESOURCES** | **TEXTBOOK(S) & NOTES** |

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| **ACTIVITY 5** |
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| The information below was extracted from the books of BOMB Traders. |
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| **REQUIRED:** |
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| Prepare the Creditors Payment Schedule for the period April 2020 – June 2020. |
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| **INFORMATION:** |
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|  | **TOTAL SALES** |
|  | **Actual** | **Budgeted** |
| February 2019 | 294 000 |  |
| March 2019 | 468 000 |  |
| April 2019 |  | 336 000 |
| May 2019 |  | 252 000 |
| June 2019 |  | 210 000 |

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| Additional information: |
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| * Cost of sales is equal to 60% on turnover.
* Cash purchases of merchandise amount to 30% of all purchases.
* Creditors allow the business 60 days credit. These terms will be complied with.
* Stock sold each month is replenished in the same month.
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| **ACTIVITY 5 WORK SHEET** |
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| **CREDITORS PAYMENT SCHEDULE** |
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|  | **APRIL** | **MAY** | **JUNE** |
| Payments to Creditors |  |  |  |

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| **ACTIVITY 6** |  |
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| You are provided with information relating to Blund Traders, a sole trader. The financial year ends on 31 October each year. |  |
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| **REQUIRED:** |  |
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| 6.1 | Calculate the cash received from debtors during November 2020. |  |
|  |  |  |
| 6.2 | Calculate the bad debts to be written off during the budget period. |  |
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| 6.3 | Calculate the discount to be allowed during December 2020. |  |
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| 6.4 | Calculate the payments to be made to creditors during November 2020. |  |
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| **INFORMATION:** |  |
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| 1. | **TOTAL MONTHLY SALES FOR 2020: ALL SALES ARE ON CREDIT** |  |
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| **ACTUAL** | **BUDGETED** |
| **AUGUST** | **SEPTEMBER** | **OCTOBER** | **NOVEMBER** | **DECEMBER** |
| 60 000 | 70 000 | 85 000 | 90 000 | 94 000 |

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| 2. | Cost of sales is equal to 75% of total sales. |  |
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| 3. | The money due by debtors for the above sales are collected as follows: |  |
|  | * 40% in the month of sales (12½% settlement discount allowed).
* 35% in the month following the sales.
* 20% in the second month following the sales.
* The balance is written off as bad debts in the third month.
 |   |
| 4. | 40% of purchases are paid for by cheque. Creditors are paid in the month following the purchases. Trading stock is maintained through monthly purchases. |  |
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| **ACTIVITY 6 WORK SHEET** |
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| **6.1** | **Calculate the cash received from debtors during November 2020.** |
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|  | **CREDIT SALES** | **NOVEMBER** |
| **September** | **70 000** |  |
| **October** | **85 000** |  |
| **November** | **90 000** |  |
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| **6.2** | **Calculate the bad debts to be written off during the budget period.** |
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|  | **Credit sales** | **Bad debts amount** |
| **August** |  |  |
| **September** |  |  |
| **Total bad debts** |  |

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| **6.3** | **Calculate the discount to be allowed during December 2020.** |
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| **6.4** | **Calculate the payments to be made to creditors during November 2020.** |
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| **Credit** **purchases** | **November** (payments) |
| **October** |  |  |

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| **ACTIVITY 7** |  |
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| **NOZUKO’S SHOP** |  |
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| **REQUIRED:** |  |
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| 7.1 | Why it is essential for the business to prepare a Cash Budget.?  |  |
| 7.2 | Complete the Debtors’ collection schedule for May and June 2020. |  |
| 7.3 | Prepare the Cash budget for May and June 2020. |  |
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| **INFORMATION:** |  |
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|  |  | **Provisional budgeted amounts** |  | **May** | **June** |  |  |
|  |  | Sales | Cash | 42 600 | 48 500 |  |  |
|  |  |  | Credit | 76 500 | 94 400 |  |  |
|  |  | Purchases: Trading Inventory | Cash | 22 000 | 27 300 |  |  |
|  |  |  | Credit | 58 000 | 43 800 |  |  |
|  |  | Drawings | Cash | 10 500 | 12 000 |  |  |
|  |  |  | Inventory | 3 750 | 2 500 |  |  |
|  |  | Bad Debts written off |  | 1 800 | 2 160 |  |  |
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|  | **Additional information** |  |
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| 1. | Debtors paid their accounts as follows: |  |
|  | * 20% in the same month of sales less 5% discount for prompt payment.
* 50% during the first month following the month of the transaction (30 days)
* 25% during the second month following the month of transaction. (60 days)
* The remainder will be written off in the third month following the month of transaction. (90 days)
 |  |
| 2. | Suppliers are paid in full in the month following the month of purchases. Purchases of trading inventory during April amounted to R37 000. 75% of the purchases during April were on credit. |  |
| 3. | The monthly wages for May 2020 will amount to R16 000. Wages are increased annually during June. The wage increase for 2020 is expected to amount to 7 ½ % |  |
| 4, | On 1 June 2019 Nosuko’s Stores obtained a loan of R54 000 at 14% interest per annum. The loan is paid in annual instalments of R9 000 on 31 May. The interest is payable monthly. |  |
| 5. | The depreciation on vehicles for the year ended 30 June 2020 amounted to R21 000. |  |
| 6. | Advertising costs are based on projected monthly sales and are paid in the same month as the projected sales by cheque. The advertising costs are expected to increase on 1 June 2020 from 3% to 4% of sales. |  |
| 7. | A flat that is part of the building is let by Nozuko’s Sores. The rental is received on the first day of each month by means of a stop order. The rent amounts to R5 500 per month. There is an increase of 15% on 1 June each year. |  |
| 8. | Other operating expenses were R7 500 for April. These expenses are expected to increase by R500 each month thereafter. |  |
| 9 | On 30 April 2014 the bank balance amounted to R25 000 (dr). |  |

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| **ACTIVITY 7 WORK SHEET** |
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| **7.1** | **Why it is essential for the business to prepare a Cash Budget.?**  |
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| **7.2** |

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| **DEBTORS COLLECTION SCHEDULE for May en June 2020** |
|  | **Credit sales** | **May** | **June** |
| **March** | **40 000** | **10 000** |  |
| **April** | **56 000** |  |  |
| **May** |  |  |  |
| **June** |  |  |  |
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| **7.3** |

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| **NOZUKO’S STORES****CASH BUDGET FOR May and June** **2020** |
|  | **May** | **June** |
| **RECEIPTS** |  |  |
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| **PAYMENTS** |  |  |
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| **CLASS TEST** | **(45 marks; 30 minutes)** |
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| **REQUIRED:** |  |
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| 1.1 | **CONCEPTS** |  |
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|  | 1.1.1 | What is the main purpose of preparing a Cash Budget?  | (2) |
|  |  |  |  |
|  | 1.1.2 | IdentifyTHREE items that should not be placed in the Cash Budget from the information given below. | (2) |
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|  |  |  | Cash sales, Cash withdrawals, Bad debts, Rent income, Depreciation, Profit on sale of asset, Interest on fixed deposit |  |  |
|  |  |  |  |
| 1.2 | **DOUGLAS TRADERS**The owner S. Squarepants requests your assistance with her cash budget for the two-month period April to May 2020. |  |
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|  | **REQUIRED:** |  |
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|  | 1.2.1 | Complete the Debtors’ Collection Schedule. | (10) |
|  |  |  |  |
|  | 1.2.2 | Complete the Cash Budget for April and May.  | (31) |
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|  | **INFORMATION:** |  |
|  |  |  |
|  | **Summary of transactions** |  |
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| **DETAILS** | **ACTUAL** | **BUDGETED** |
| **January** | **February** | **March** | **April** | **May** |
| Total sales | R 67 080 | R 63 900 | R 64 800 | R 67 200 | R 84 600 |
| Credit purchases of stock | R 20 220 | R 19 500 | R 18 540 | R 17 760 | R 21 480 |
| Rent income | R 18 000 | R 18 000 | R 18 000 | ? | ? |
| Operating expenses | R 7 920 | R 8 400 | R9 000 | ? | R 9 930 |

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|  | * Credit sales are 60% of the total sales.
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| **Additional information** |  |
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| 1 | Cash in the Bank on 31 March 2020, R 22 080. |  |
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| 2 | Credit sales are to be collected as follows: |  |
|  | * 20% in the month of sale (subject to a 5% discount)
 |  |
|  | * 60% after 30 days (first month after sale)
 |  |
|  | * 18% after 60 days (second month after sale)
 |  |
|  | * 2% is to be written off after 90 days (third month after sale)
 |  |
|  |  |  |
| 3 | Creditors are paid one month after purchases. |  |
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| 4 | Operating expenses are paid in cash one month after the expense occurred. The operating expenses increase by 5% per month over the budget period. |  |
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| 5 | The following withdrawals are made monthly by the owner: |  |
|  | Cash to pay for owner’s personal telephone | R 360 |  |
|  | Trading stock | R 840 |  |
|  |  |  |
| 6 | Rent income will increase on the 1st of April 2020 by 10%. |  |
|  |  |  |
| 7 | Fixed deposit of R 54 000 with interest of R 4 800 is due to mature in May 2020. |  |
|  |  |  |
| 8 | Depreciation is calculated at R 5 250 per month. |  |
|  |  |  |
| 9 | A new vehicle costing R160 000 will be purchased in April 2020. A deposit of R45 000 will be paid at the end of April 2020. The balance will be paid in eight equal monthly instalments commencing from June 2020. |  |
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| 10 | The two employees who earn the same salary will receive an increase of 5% on their current salaries at the end of May 2020. The increase for both employees will amount to R 525. |  |
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| **CLASS TEST WORK SHEET** |  |
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| **QUESTION 1** |  |
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| **1.1** | **CONCEPTS** |  |
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| **1.1.1** | **What is the purpose of preparing a budget?** |  |
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| **2** |

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| **1.1.2** | **Identify TWO items that should not be placed in the Cash Budget.** |  |
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| **2** |

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| **1.2.1** |  |  |
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| **Debtors’ Collection Schedule from 1 April 2020 to 31 May 2020** |
|  | **Credit sales** | **April** | **May** |
| **February** | **38 340** | **6 900** |  |
| **March**  |  | **23 328** |  |
| **April** |  |  |  |
| **May** |  |  |  |
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| **10** |

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| **1.2.2** |
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| **CASH BUDGET FOR THE PERIOD 1 APRIL 2020 TO 31 MAY 2020** |
| **Receipts** | **April** | **May** |
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| **Total Receipts**  |  |  |
| **Payments** |  |  |
| **Cash purchases** | **14 880** | **17 640** |
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| **Total Payments**  |  |  |
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| **31** |

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