 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** | Budgets: Projected Income Statement | | | | | | **Term** | 3 | **Week** |  |
| **TIME ALLOCATION** | | 1 Week | | |  |  | | --- | --- | | **TIPS TO KEEP HEALTHY** | | |  |  | | 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%. | |  |  | | 2. | **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people. | |  |  | | 3. | **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use. | |  |  | | 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. | |  |  | | 5. | **STAY AT HOME.** | | | | | | | |
| **INSTRUCTIONS** | See requirements per activity | | |
| **RESOURCES** | **TEXTBOOK(S) & PREVIOUS ACTIVITIES** | | | | | | | | | |

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| **ACTIVITY 1** | | |
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| The Abridged Projected Income Statement of Juju Traders for the three months ended December 2019 is produced below. | | |
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| **REQUIRED:** | | |
|  | | |
| 1.1 | Complete the Debtors Collection Schedule to show the total amount expected to be received from debtors during November 2019. | |
|  |  | |
| 1.2 | Calculate the following: | |
|  |  |  |
|  | 1.2.1 | The expected sales in December 2019 |
|  | 1.2.2 | The gross profit percentage on turnover for October 2019 |
|  | 1.2.3 | The percentage increase in rent income |
|  | 1.2.4 | The percentage commission expected to be received each month |
|  | 1.2.5 | The insurance amount for each month |
|  | 1.2.6 | The amount of the loan that will be repaid on 1 December 2019. |
|  |  |  |
| 1.3 | **Refer to Information G** (budgeted and actual figures for November 2019):  Comment on the variance for each item given. In each case, provide ONE point  of advice that the business can use. | |
|  |  |  |
| **INFORMATION:** | | |
|  |  |  |
| A | **Abridged Projected Income Statement for the three months ended 31 December 2019** | |
|  | |  |  |  |  | | --- | --- | --- | --- | |  | **OCTOBER**  **2019** | **NOVEMBER 2019** | **DECEMBER 2019** | | Sales | 98 000 | 102 900 | **?** | | Cost of sales | 78 400 | 82 320 | **?** | | **Gross profit** | 19 600 | 20 580 | **?** | | **Other operating income** | 12 220 | 12 465 | **?** | | Rent income | 6 500 | 6 500 | 7 280 | | Discount received | 820 | 820 | 820 | | Commission income | 4 900 | 5 145 | **?** | | **Gross operating income** | 31 820 | 33 045 | 38 970 | | **Operating expenses** |  |  |  | | Salaries and wages | 8 400 | 8 400 | **?** | | Insurance | **?** | **?** | **?** | | Depreciation | **?** | **?** | **?** | | Advertising | 5 200 | 5 200 | 5 200 | | Bad debts | 1 800 | 1 960 | ? | | Telephone | 3 300 | 3 300 | 3 300 | | Sundry expenses | 1 250 | 1 260 | 1 270 | | **Operating profit** |  |  |  | | Interest on loan | 2 500 | 2 500 | 2 000 | | **Net profit (loss)** |  |  |  | | |
|  |  |  |
| B. | All sales are on credit. Sales in December is expected to increase by 20%. | |
|  |  | |
| C. | Debtors are granted 30 days credit. Receipts is normally as follows: | |
|  |  | |
|  | 45% of debtors pay their accounts in the month of sales  53% of debtors pay their accounts in the month following the month of sales  2% of debtors is normally written off as bad debts | |
|  |  | |
| D. | Commission income is expected to be a fixed percentage of sales. | |
|  |  | |
| E. | The insurance premium is paid every quarter. The last payment of R2 400 was made on 30 September 2019. | |
|  |  | |
| F. | Interest on loan at 10% p.a. is paid at the end of each month. | |
|  |  | |
| G. | The accountant provided the actual and budgeted figures for the following items for November 2019: | |
|  |  |  |
|  | |  |  |  | | --- | --- | --- | |  | **NOVEMBER 2019** | | | **BUDGETED** | **ACTUAL** | | Sales | 102 900 | 82 320 | | Advertising | 5 200 | 1 500 | | Telephone | 3 300 | 5 450 | | |
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| **ACTIVITY 1 WORK SHEET** | |
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| **1.1** | **Complete the Debtors Collection Schedule to show the total amount expected to be received from debtors during November 2019.** |
|  |  |
|  | |  |  |  |  | | --- | --- | --- | --- | | **MONTH** | **CREDIT SALES** |  | **NOVEMBER 2019** | | October |  |  |  | | November |  |  |  | | **TOTAL** | | |  | |  | | | | |
|  |  |
| **1.2.1** | |  | | --- | | **Expected sales in December 2019** | |  | |
|  |  |
| **1.2.2** | |  | | --- | | **The gross profit percentage on turnover for October 2019.** | |  | |
|  |  |
| **1.2.3** | |  | | --- | | **The percentage increase in rent income.** | |  | |
|  |  |
| **1.2.4** | |  | | --- | | **The percentage commission expected to be received each month.** | |  | |
|  |  |
| **1.2.5** | |  | | --- | | **The insurance amount for each month.** | |  | |
|  |  |
| **1.2.6** | |  | | --- | | **The amount of the loan that will be repaid on 1 December 2019.** | |  | |

|  |  |
| --- | --- |
|  |  |
| **1.3** | **Comment on the variance for each item given. In each case, provide ONE point of advice that the business can use.** |
|  | |  |  |  | | --- | --- | --- | |  | **COMMENT** | **ADVICE** | | **Sales** |  |  | | **Advertising** |  |  | | **Telephone** |  |  | |
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| **ACTIVITY 2** | | | |
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| You are provided with a partially completed Projected Income Statement prepared by the bookkeeper of Xuba Distributors for the period 1 October 2020 to 31 December 2020 | | | |
|  |  | |  |
| **REQUIRED:** | | | |
|  |  | |  |
| 2.1 | List TWO items on the Projected Income Statement provided, that would not appear on a Cash Budget? | | |
|  |  | | |
| 2.2 | Calculate the missing amounts denoted by A to E on the Projected Income Statement. | | |
|  |  | | |
| 2.3 | Taking into account the additional information, calculate the following: | | |
|  |  | | |
|  | 2.3.1 | The percentage increase in wages that the cleaners will receive in  December 2020. | |
|  |  |  | |
|  | 2.3.2 | The monthly salary due to the sales manager in December 20120. | |
|  |  |  | |
|  | 2.3.3 | The total credit sales expected in December 2020. | |
|  |  |  | |
|  | 2.3.4 | The loan balance on 1 November 2020. | |
|  |  |  | |
| 2.4 | Refer to the actual figures for Depreciation and Trading Stock Deficit for October 2020. In each case, provide a reason for the difference with the budgeted figures. | | |
|  |  | | |
| 2.5 | **Refer to the actual figures for October 2020.** | | |
|  |  | | |
|  | Comment on Any **TWO** expenses (excluding items mentioned in Question 2.4) that were not well controlled by the business. In each case, quote the relevant figures and give **ONE** suggestion on how this expense can be more effectively managed. | | |
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| **INFORMATION:** | | | |
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| A. | The business uses a mark-up percentage of 60% on cost. | | |
|  |  | | |
| B. | Credit sales comprises 75% of total sales. | | |
|  | Sales are expected to increase by 10% per month and by 20% during December. | | |
|  |  | | |
| C. | The business employs a sales manager and an administration manager. The sales manager earns R300 more than the administration manager (per month). The managers are entitled to an increase of 8% p.a. from 1 December 2020. | | |
|  |  | | |
| D. | R20 000 of the loan is payable on 30 November 2020. Interest on the loan at 9% p.a. is payable every quarter. The next payment is due on 1 January 2020. | | |
|  |  | | |
| E. | Advertising expense per month is budgeted at a fixed percentage of total sales. | | |
|  |  | | |
| F. | **PROJECTED INCOME STATEMENT FOR 1 OCTOBER TO 31 DECEMBER 2020.** | | |
|  | |  |  |  |  |  | | --- | --- | --- | --- | --- | |  | **OCTOBER**  **BUDGETED** | **OCTOBER**  **ACTUAL** | **NOVEMBER**  **BUDGETED** | **DECEMBER**  **BUDGETED** | | Sales | 120 000 | 98 400 | 132 000 | **?** | | Cost of sales | (75 000) | (58 800) | **B** | (99 000) | | **Gross profit** | **A** | **?** | **?** | **?** | | **Other income** | **20 700** | **18 200** | **20 700** | **21 200** | | Rent income | 10 000 | 10 000 | 10 000 | 10 000 | | Discount received | 1 200 | 1 000 | 1 200 | 1 200 | | Commission income | 9 500 | 7 200 | 9 500 | 10 000 | | **Gross operating income** | **?** | **?** | **?** | **?** | | **Operating expenses** | (48 300) | **?** | **?** | **?** | | Salaries (managers) | 17 100 | 17 100 | 17 100 | **D** | | Wages (cleaners) | 3 200 | 3 200 | 3 200 | 3 376 | | Maintenance | 4 000 | 1 650 | 4 000 | 4 000 | | Telephone | 2 000 | 4 280 | 2 000 | 2 500 | | Insurance | 1 800 | 1 800 | 1 800 | 1 800 | | Advertising | 2 400 | 1 900 | **C** | 3 168 | | Depreciation | 6 200 | 8 000 | 6 200 | 8 000 | | Trading stock deficit | 0 | 680 | 0 | 500 | | Stationery | 3 150 | 3 100 | 3 200 | 3 250 | | Sundry operating expenses | 8 450 | 8 420 | 8 500 | 8 550 | | **Operating profit** | **17 400** | **?** | **?** | **?** | | Interest income | **E** | 200 | 200 | 200 | | **Profit before interest expense** | **17 625** |  |  |  | | Interest expense | (585) | (585) | (585) | (435) | | **Net profit for the year** |  |  |  |  | | | |
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| **ACTIVITY 2 WORK SHEET** | |
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| **2.1** | |  | | --- | | **List TWO items on the Projected Income Statement provided, that would not appear on a Cash Budget?** | |  | |
|  |  |
| **2.2** | |  | | --- | | **Calculate the missing amounts denoted by A to E on the Projected Income**  **Statement.** | | |  |  |  | | --- | --- | --- | | **A.** | **Gross profit** |  | | **B.** | **Cost of sales** |  | | **C.** | **Advertising** |  | | **D.** | **Salaries** |  | | **E.** | **Interest income** |  | | |
|  |  |
| **2.3.1** | |  | | --- | | **The percentage increase in wages that the cleaners will receive in**  **December 2020.** | |  | |
|  |  |
| **2.3.2** | |  | | --- | | **The monthly salary due to the sales manager in December 2020.** | |  | |
|  |  |
| **2.3.3** | |  | | --- | | **The total credit sales expected in December 2020.** | |  | |
|  |  |
| **2.3.4** | |  | | --- | | **The loan balance on 1 November 2020.** | |  | |
|  |  |
| **2.4** | |  | | --- | | **Refer to the actual figures for Depreciation and Trading Stock Deficit for October 2020. In each case, provide a reason for the difference with the budgeted figures.** | | |  |  | | --- | --- | | **Depreciation** |  | | **Tradingstock deficit** |  | | |
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2.5** | |  | | --- | | **Refer to the actual figures for October 2020. Comment on Any TWO expenses (excluding items mentioned in QUESTION 2.4) that were not well controlled by the business. In each case, quote the relevant figures and give ONE suggestion on how this expense can be more effectively managed.** | | |  |  |  | | --- | --- | --- | | **EXPENSE** | **COMMENT** | **SUGGESTION** | | **Maintenance** |  |  | | **Telephone** |  |  | | **Advertising** |  |  | | |

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| **ACTIVITY 3**  **(40 marks; 25 minutes)** | | | |
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| 3.1 | Indicate whether the following statements are True or False. | | |
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|  | 3.1.1 | A Projected Income Statement reflects the expected profit or loss for a period of time. |  |
|  |  |  |  |
|  | 3.1.2 | Repayment of a loan will be reflected in the Projected Income Statement. |  |
|  |  |  |  |
|  | 3.1.3 | The Creditors’ payment schedule reflects the actual balance of the Creditors’ Control account. |  |
|  |  |  |  |
|  | 3.1.4 | Discount allowed is reflected in the Cash Budget. | (4) |
|  |  |  |  |
| 3.2 | Don Smiles owns Smigos Clothing and provides business wear to businesses. | | |
|  |  | | |
|  | **REQUIRED:** | | |
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|  | 3.2.1 | On 30 June 2020 Nanna identified some figures from the June Income Statement **(refer to information A below)**. Explain TWO problems and give ONE point of advice in each case. | (4) |
|  |  |  |  |
|  | 3.2.2 | Identify/Calculate the missing figures (i) to (iii) in the Cash Budget. | (10) |
|  |  |  |  |
|  | 3.2.3 | Complete the Debtors' Collection Schedule for July and August 2020. |  |
|  |  | Insert figures where \* are reflected. | (11) |
|  |  |  |  |
|  | 3.2.4 | Complete the missing figures (i) to (vi) in the Projected Income Statement. | (11) |
|  |  |  |  |
|  | **INFORMATION:** | |  |
|  |  | |  |
|  | **A.** | **Extract from the income statement:** |  |
|  |  | |  |  |  | | --- | --- | --- | |  | **JUNE 2020** | | |  | **BUDGETED** | **ACTUAL** | | Water and electricity | R13 500 | R13 800 | | Telephone | R1 900 | R3 800 | | Rent expense | R15 200 | R15 200 | | Returns by customers | R75 000 | R144 000 | |  |
|  |  |  |  |
|  |  |  |  |
|  | **B.** | **Sales, purchases of stock and cost of sales:** |  |
|  |  | |  |  |  | | --- | --- | --- | | **Total actual sales** | May | R600 000 | |  | June | R675 000 | | **Total projected sales** | July | R750 000 | |  | August | R900 000 | |  |
|  |  |  |  |
|  |  | * 40% of sales are cash, the rest is on credit. |  |
|  |  | * Stock is replaced on a monthly basis. |  |
|  |  | * 20% of purchases are cash, the rest is on credit, payable in 30 days less 6% discount. |  |
|  |  | * The mark-up is 50% on cost. |  |
|  |  | * Bad debts are written off after 60 days. |  |
|  |  |  |  |
|  | **C.** | **Debtors' collection:** |  |
|  |  |  |  |
|  |  | * 25% is collected in the month of sale. |  |
|  |  | * 50% is collected in the month following the month of sale. |  |
|  |  | * 20% is collected two months after the sale. |  |
|  |  | * 5% is written off as irrecoverable. |  |
|  |  |  |  |
|  | **D.** | **Extract from the Cash Budget for July and August 2020:** |  |
|  |  | |  |  |  | | --- | --- | --- | | **RECEIPTS** | **JULY** | **AUGUST** | | Cash sales | 300 000 | **(i)** | | Collection from debtors | 416 250 | 447 750 | | **PAYMENTS** |  |  | | Cash purchases of stock | **(ii)** |  | | Payments to creditors | 360 000 | **(iii)** | |  |
|  |  |  |  |
|  | **E.** | **Commission, wages and salaries** |  |
|  |  |  |  |
|  |  | * Employees received a 7,5% increase on 1 August 2020. |  |
|  |  | * The workers requested a commission of 2% of sales to staff to be implemented from August. |  |
|  |  |  |  |
|  | **F.** | Delivery expenses is a fixed percentage of sales. |  |
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|  | **G.** | **Extract from the Projected Income Statement on 30 June 2020.** |  |
|  |  | |  |  |  | | --- | --- | --- | |  | **July** | **August** | | Rent expense | 15 200 | 16 720 | | Water and electricity | 13 000 | 14 000 | | Salaries and wages | **(i)** | 193 500 | | Commission to sales staff |  | **(ii)** | | Delivery expenses | **(iii)** | 54 000 | | Bad debts | **?** | 20 250 | |  |
|  |  |  |  |
|  |  |  | **40** |
|  |  |  |  |

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| **ACTIVITY 3** | | |
|  |  | |
| **3.1** | |  |  | | --- | --- | | **3.1.1** |  | | **3.1.2** |  | | **3.1.3** |  | | **3.1.4** |  | | |  | | --- | |  | | **4** | |
|  | | |
| **3.2.1** | **Explain TWO problems and give ONE point of advice in each case.** |  |
|  | |  |  |  | | --- | --- | --- | | **EXPENSE** | **PROBLEM** | **ADVICE** | | **Telephone** |  |  | | **Returns by customers** |  |  | | |  | | --- | |  | | **4** | |
|  |  |  |
| **3.2.2** | **Extract from CASH BUDGET:** |  |
|  | |  |  |  | | --- | --- | --- | |  | **CALCULATION** | **AMOUNT** | | **(i)** | **Cash sales for August** |  | | **(ii)** | **Cash purchases of stock for July** |  | | **(iii)** | **Payments to creditors in August** |  | | |  | | --- | |  | | **10** | |
|  |  |  |
|  |  |  |
| **3.2.3** | **DEBTORS' COLLECTION SCHEDULE** |  |
|  | |  |  |  |  |  | | --- | --- | --- | --- | --- | | **MONTHS** | **CREDIT SALES** | **July** | **August** | **Bad debts** | | **May** | **360 000** | **72 000** |  |  | | **June** | **405 000** | **202 500** |  | **20 250** | | **July** | **450 000** |  |  |  | | **August** |  |  | **135 000** |  | |  |  |  |  |  | | |  | | --- | |  | | **11** | |
|  |  |  |
| **3.2.4** | **PROJECTED INCOME STATEMENT** |  |
|  | |  |  |  | | --- | --- | --- | |  | **Calculation** | **Answer** | | **(i)** |  |  | | **(ii)** |  |  | | **(iii)** |  |  | | |  | | --- | |  | | **11** | |
|  |  |  |
|  |  |  |
|  | **TOTAL: 40** |  |