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| Province of the  EASTERN CAPE  EDUCATION  **DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**  **HOME SCHOOLING SELF-STUDY**  **MARKING GUIDELINE**   |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | --- | | **SUBJECT** | ACCOUNTING | **GRADE** | 11 | **DATE** |  | | | | | **TOPIC** | Budgets: Projected Income Statement | | | | **Term** | 3 | **Week** |  | |

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| **ACTIVITY 1** | |
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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.** |
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|  | |  |  |  |  | | --- | --- | --- | --- | | **MONTH** | **CREDIT SALES** |  | **NOVEMBER 2019** | | October | 98 000 | x 53% | 51 940 | | November | 102 900 | x 45% | 46 305 | | **TOTAL** | | | 98 245 | |  | | | | |
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| **1.2.1** | |  | | --- | | **Expected sales in December 2019** | | 102 900 x 120% = 123 480 | |
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| **1.2.2** | |  | | --- | | **The gross profit percentage on turnover for October 2019.** | | 19 600 ÷ 98 000 x 100 = 20% | |
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| **1.2.3** | |  | | --- | | **The percentage increase in rent income.** | | 7 280 – 6 500 x 100 = 12%  6 500 | |
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| **1.2.4** | |  | | --- | | **The percentage commission expected to be received each month.** | | 4 900 x 100 = 5% or 5 145/102 900 x 100 = 5%  98 000 | |
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| **1.2.5** | |  | | --- | | **The insurance amount for each month.** | | 2 400 = 800  3 | |
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| **1.2.6** | |  | | --- | | **The amount of the loan that will be repaid on 1 December 2019.** | | a x 0,1 ÷ 12 = 2 500 a = 300 000  b x 0,1 ÷ 12 = 2 000 b = 240 000  amount paid is 300 000 – 240 000 = 60 000 | |

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| **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** | Received less than the budgeted amount / over-budgeted / expected sales to be higher than what was received. Not well controlled | Monitor sales closely / extend the target market / offer after sales services / discounts / reduce mark- up / clearance sales / give salespersons commission on sales | | **Advertising** | Spent less than the budgeted amount / over-budgeted / was not effectively applied / may have resulted in the poor actual sales | Use the budget effectively / explore other types of advertising such as flyers / posters / specials / ensure that this is a percentage of sales revenue | | **Telephone** | Under-budgeted / spent too much / Telephone was used more than expected / telephone may be abused / not well controlled | Monitor the use of the telephone / keep a log book / provide codes for employees / check the statements / restrict private use. | |
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| **ACTIVITY 2** | |
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| **2.1** | |  | | --- | | **List TWO items on the Projected Income Statement provided, that would not appear on a Cash Budget?** | | Any Two  Cost of sales  Discount received  Depreciation  Trading stock deficit | |
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| **2.2** | |  | | --- | | **Calculate the missing amounts denoted by A to E on the Projected Income**  **Statement.** | | |  |  |  | | --- | --- | --- | | **A.** | **Gross profit** | 120 000 – 75 000 = 45 000 | | **B.** | **Cost of sales** | 132 000 x 100/160 = 82 500  OR 132 000 x 62, 5% OR 132 000 – (132 00 x 37,5%) | | **C.** | **Advertising** | 2 400/120 000 x 100 = 2%  132 000 x 2/100 = 2 640 | | **D.** | **Salaries** | 17 100 x 108/100 = 18 468  OR 17 100 + 1 368 = 18 468 | | **E.** | **Interest income** | 17 625 – 17 400 = 225 | | |
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| **2.3.1** | |  | | --- | | **The percentage increase in wages that the cleaners will receive in**  **December 2020.** | | 376 – 3 200 = 176  176/3 200 x 100 = 5,5% | |
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| **2.3.2** | |  | | --- | | **The monthly salary due to the sales manager in December 2020.** | | 17 100 – 300 = 16 800/2 = 8 400  (8 400 + 300) x 108/100 = 9 396 | |
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| **2.3.3** | |  | | --- | | **The total credit sales expected in December 2020.** | | (99 000 x 160/100) x 75/100 = 118 800  OR 132 000 x 120/100 = 158 400 x 75/100 = 118 800 | |
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| **2.3.4** | |  | | --- | | **The loan balance on 1 November 2020.** | | 585 x 100/9 x 12 = 78  OR (435 x 100/9 x 12) + 20 000 = 78 000 | |
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| **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** | Any valid answer  Purchase of a new asset.  Calculation error (omission) | | **Tradingstock deficit** | Any valid answer  Unanticipated stock loss.  Random stock take revealed stock shortage.  Damaged goods noted and taken into account. | | |
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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** | Over budgeted / underspent  (4 000 – 1 650) | Adjust budget or use the money wisely to maintain the assets. This could extend the lifespan and productivity of the assets. | | **Telephone** | Under budgeted / overspent  (2 000 – 4 280) over 50% | Control usage or check for misuse. Budget correctly if found to be necessary. | | **Advertising** | Over budgeted / underspent  (2 400 – 1 900) | Spend money allocated. Look at different forms of advertising. May result in better sales/profit. | | |

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| **ACTIVITY 3 ** | | |
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| **3.1** | |  |  | | --- | --- | | **3.1.1** | True ✓ | | **3.1.2** | False ✓ | | **3.1.3** | False ✓ | | **3.1.4** | False ✓ | | |  | | --- | |  | | **4** | |
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| **3.2.1** | **Explain TWO problems and give ONE point of advice in each case.** |  |
|  | |  |  |  | | --- | --- | --- | | **EXPENSE** | **PROBLEM ✓ ✓** | **ADVICE ✓ ✓** | | **Telephone** | Spent significantly more than budgeted figure /  Under-budgeted | Monitor and control calls / Restrict personal calls.  Investigate and adjust budget upwards. | | **Returns by customers** | Significantly more returns than expected. | Investigate quality of goods to avoid returns.  Re-train staff on customer service to lead to effective sales and goodwill of customers.  Compare order form with invoice to eliminate errors | | |  | | --- | |  | | **4** | |
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| **3.2.2** | **Extract from CASH BUDGET:** |  |
|  | |  |  |  | | --- | --- | --- | |  | **CALCULATION** | **AMOUNT** | | **(i)** | **Cash sales for August**  900 000 x 40% | R360 000✓ | | **(ii)** | **Cash purchases of stock for July**  750 000 ✓x 100/150 ✓x 20%✓ | R100 000🗹 | | **(iii)** | **Payments to creditors in August**  500 000 ✓x 80% ✓- 6%✓ (x 94%) | R376 000 🗹 | | |  | | --- | |  | | **10** | |
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| **3.2.3** | **DEBTORS' COLLECTION SCHEDULE** |  |
|  | |  |  |  |  |  | | --- | --- | --- | --- | --- | | **MONTHS** | **CREDIT SALES** | **July** | **August** | **Bad debts** | | **May** | **360 000** | **72 000** |  | ✓18 000 | | **June** | **405 000** | **202 500** | ✓✓81 000 | **20 250** | | **July** | **450 000** | ✓✓112 500 | ✓✓225 000 |  | | **August** | ✓✓540 000 |  | **135 000** |  | |  |  | 🗹387 000 | 🗹 441 000 |  | | |  | | --- | |  | | **11** | |
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| **3.2.4** | **PROJECTED INCOME STATEMENT** |  |
|  | |  |  |  | | --- | --- | --- | |  | **Calculation** | **Answer** | | **(i)** | 193 500 ✓x 100 / 107,5✓ | 180 000 🗹 | | **(ii)** | 900 000 x 2% | 18 000✓✓ | | **(iii)** | 54 000✓/900 000✓ x 100 = 6%🗹  750 000 ✓x 6%🗹 | 45 000🗹 | | |  | | --- | |  | | **11** | |
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|  | **TOTAL: 40** |  |