GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

GAUTENG DEPARTMENT OF EDUCATION

PREPARATORY EXAMINATION

2016

10710

ACCOUNTING

TIME: **3 hours**

MARKS: **300**

26 pages

ACCOUNTING
1071E
10710E

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INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. Show ALL workings in order to earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.

8. Use the information in the table below as a guide when answering the question paper. Try NOT to deviate from it.

QUESTION 1: 35 marks; 20 minutes	
Topic of the question:	**This question integrates:**
Bank and Creditors' Reconciliation	**Financial accounting** Bank and Creditors' Reconciliation **Managing resources** Internal control processes

QUESTION 2: 40 marks; 25 minutes	
Topic of the question:	**This question integrates:**
Manufacturing, Concepts and Notes Break-even point	**Managerial accounting** Direct labour cost, Factory overhead cost and Production cost statement, Variable Cost and Gross Profit Analysis and interpretation of break-even point

QUESTION 3: 70 marks; 45 minutes	
Topic of the question:	**This question integrates:**
Company Financial Statement and Audit Report	**Financial accounting** Income Statement, Balance Sheet and Notes: Fixed Assets, Ordinary Share Capital and Trade and Other Payables Audit report **Managing resources** Ethics

QUESTION 4: 60 marks; 35 minutes	
Topic of the question:	**This question integrates:**
Cash Flow Statement and Ratio Analysis	**Financial accounting** Calculations of income tax, fixed assets purchase, net changes in cash and cash equivalent, cash effects from financing activities, ratio analysis and interpretation **Managing resources** Internal control processes

QUESTION 5: 45 marks; 25 minutes	
Topic of the question:	**This question integrates:**
VAT and Inventory valuation	**Financial Accounting** VAT calculation and Average Stock Holding period **Managing Resources** Inventory valuation methods Internal control

QUESTION 6: 50 marks; 30 minutes	
Topic of the question:	**This question integrates:**
Cash Budget and Cost concepts	**Managerial Accounting** Cash budget calculations, Debtors' Collection Schedule Analysis and interpretation of the cash budget **Managing resources** Internal control processes and Ethics

QUESTION 1: BANK AND CREDITORS' RECONCILIATION (35 marks; 20 minutes)

1.1 BANK RECONCILIATION

The information below was extracted from the accounting records of Goniwe Traders for July 2016.

REQUIRED:

1.1.1 Calculate the bank balance as at 31 July 2016. (11)

1.1.2 Prepare the Bank Reconciliation Statement on 31 July 2016. (7)

1.1.3 **Refer to Information F.**
Explain ONE internal control measure that can be used to ensure that this problem does not occur. (2)

INFORMATION:

A. The following details were contained in the Bank Reconciliation statement on 30 June 2016:

Unfavourable balance as per Bank statement	19 650
Unfavourable balance as per Bank account	?
Deposits outstanding	9 500
Cheques outstanding: No. 523	2 950
No. 642	400

B. Provisional totals on 31 July 2016:

Cash Receipts Journal R123 800
Cash Payments Journal R 90 950

C. After comparing the July Bank Statement with the July Cash Journals, the following differences were noted:

- Interest on unfavourable bank balance, R270.
- The monthly insurance debit order, R2 400 payable to Better Insurers.
- A deposit of R9 500, made on the 30 June 2016, does not appear in the journals.
- The tenant had deposited R6 000 directly into the business bank account.

- A cheque for R1 900, received from a debtor Bhengu Cafe, was returned by the bank marked “insufficient funds”. The cheque had originally been received in settlement of an account of R2 000.

- Cheque no. 642 for R400 appears on the Bank Statement, but not in the journals for July 2016.

- Cheque no. 650 appears in both the Cash Payments Journal and the bank statement. The Bank statement correctly reflected it as R5 700, while the Cash payments journal showed it as R7 050.

D. The following items in the July 2016 journals were not reflected on the July Bank Statement:

- A deposit made on 30 July 2016 for R12 800

- Cheque no. 687, R950, dated 11 July 2016

- Cheque no. 692, R4 750 dated 28 September 2016

E. Cheque no. 523 for R2 950 still does not appear on the Bank Statement. This cheque was dated 18 January 2016 and was made payable to the Child Fund.

F. Upon investigation, the internal auditor found that an amount of R9 600 received from a debtor on 25 June 2016 was not recorded in the books. The necessary entries were made on 5 July 2016.

1.2 CREDITORS' RECONCILIATION

The information below relates to Imali Traders for August 2016.

REQUIRED:

1.2.1 Explain why the balance of the Creditors' Control Account and the total of the Creditors' List should correspond. (2)

1.2.2 Reconcile the Creditors' Control Account with the Creditors' List on 31 August 2016. The balance in the Creditors' Control Account was R108 450 and the total of the Creditors' List was R104 865. (13)

INFORMATION:

The following errors and omissions were discovered during an investigation:

A. The Creditors' Journal was overcast by R1 080.

B. A debit note of R825 was entered in the Creditor's Journal. The correct entry was made in the Creditors' Ledger.

C. A debtor with a credit balance of R405 was mistakenly included in the creditors' list.

D. An invoice for R981 received from a creditor was incorrectly recorded as R918 and posted accordingly.

E. VAT of R810 was omitted from an invoice received from a creditor.

F. Transfer the credit balance of R180 of a debtor in the Debtors' Ledger to his account in the Creditors' Ledger.

G. The amount of R1 260 reflected as a refund in the Creditors' Control Account was in fact received from a debtor whose account was previously written off. No entry for this amount was made in the Creditors' Ledger.

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QUESTION 2: MANUFACTURING, CONCEPTS AND NOTES

(40 marks; 25 minutes)

CONCEPTS

REQUIRED:

2.1 Indicate whether the following statements are TRUE or FALSE.
Write only 'true' or 'false' next to the question number (2.1.1 – 2.1.3) in the ANSWER BOOK.

(1)

2.1.1 Advertising is part of selling and distribution costs.

2.1.2 The salary of the foreman is part of the direct material cost. (1)

2.1.3 Carriage on raw materials purchased decreases the cost of raw materials issued for production. (1)

2.2 **THE CLOTHING FACTORY SHOP**

Nkosi Mlambo is the owner of this business which produces and sells tracksuits. The information below relates to production in her factory.

REQUIRED:

2.2.1 Prepare the Factory Overhead Cost Note to the Production Cost Statement. (14)

2.2.2 Calculate the following on 29 February 2016:

- Direct material cost (7)
- Direct labour cost (4)

INFORMATION:

A. Balances:

	29 February 2016	1 March 2015
Raw materials stock	251 000	164 800
Work-in-progress	445 450	223 700
Finished goods	?	569 500
Indirect material	7 300	9 800

B. Transactions for the financial year ended 29 February 2016:

Purchases: Raw materials		950 800
Purchases: Indirect materials		39 800
Carriage on purchases of raw materials		47 500
Advertising		29 500
Rent expense		130 000
Depreciation on:	Factory equipment	56 250
	Delivery vehicles	49 500

C. Additional information:

1. The bookkeeper forgot to record an invoice for R300 000 on which a trade discount of 25% was received for raw material purchases.

2. Two thirds ($\frac{2}{3}$) of the indirect materials were used in the factory.

3. **Salaries and wages**

   - Salary of the factory foreman, R216 000.
   - Earnings by the factory workers are reflected in the following summary from the Wages Journals:

Deductions			**Employer's contributions**	**Net wages**
PAYE	**UIF**	**Pension**		
R140 000	R9 600	R78 800	R97 856	R844 600
Total deductions = R228 400				

   Contributions are regarded as part of factory wage costs.

   - Indirect wages:

     Six (6) casual workers each clean the factory at R50 an hour. They each worked 192 hours of normal time. Three (3) of them worked 40 hours of overtime each at the normal rate plus 50%.

4. Rent expense includes rent for March 2016. There was no increase in the rent during the financial year. Rent is proportionally allocated to the various departments according to floor space occupied:

   - Factory 600 m²
   - Administration offices: 250 m²
   - Sales department: 150 m²

2.3 **FAST MOVERS FACTORY SHOP**

This business is owned by Patrick Pillay. He requires your assistance.
In each case, quote figures to support your opinion.

REQUIRED:

2.3.1 Break-even point:

- Calculate the break-even point.
- Patrick is satisfied with the break-even point. Explain. (4)
  Quote figures. (4)

2.3.2 Refer to the specific unit costs:

- Identify one specific factory cost that has improved. Quote figures. Provide ONE possible reason for this. (4)

INFORMATION:

	2016	**2015**
Total units produced & sold	12 000 units	9 000 units
Break-even point in units	?	7 000 units
Selling price per unit	**R270,00**	**R220,00**
TOTAL VARIABLE COSTS	R1 956 000	R1 560 000
VARIABLE COSTS PER UNIT	**R170,00**	**R166,00**
Direct material cost per unit	R85,00	R95,00
Direct labour cost per unit	R57,00	R43,00
Selling and distribution cost per unit	R28,00	R28,00
TOTAL FIXED COSTS	R612 000	R536 400
FIXED COST PER UNIT	**R51,00**	**R59,60**
Factory overhead cost per unit	R36,50	R42,60
Administration cost per unit	R14,50	R17,00

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QUESTION 3: COMPANY FINANCIAL STATEMENTS AND AUDIT REPORT

(70 marks; 45 minutes)

3.1 COMPANY CONCEPTS

Match the concepts in **Column A** with the descriptions in **Column B**. Write only the letter (A – D) next to the question number (3.1.1 – 3.1.4) in the ANSWER BOOK.

COLUMN A		COLUMN B	
3.1.1	Shareholders	A	Fixed deposit of R50 000 maturing in the next financial year
3.1.2	Directors	B	Investment of R200 000 made at 7,5% interest for a period of 5 years
3.1.3	Current Asset	C	Owners of a company
3.1.4	Financial Asset	D	Individuals elected to manage the company

(4)

3.2 YEH HAI LIMITED

The following information relates to Yeh Hai Limited. The financial year ended on 29 February 2016. The business uses the perpetual (continuous) inventory system.

REQUIRED:

3.2.1 Complete the Income Statement (Statement of Comprehensive Income) for the year ended 29 February 2016.
Certain amounts have been entered in the Income Statement for you. (35)

3.2.2 Prepare the following notes to the Balance sheet (Statement of Financial Position):

- Fixed / Tangible Assets (Refer to information C.) (13)
- Ordinary Share Capital (Refer to information D.) (9)

INFORMATION:

A. Extract of a list of Balances/Totals on 29 February 2016

PRE-ADJUSTMENT TRIAL BALANCE ON 29 FEBRUARY 2016	
Balance Sheet Accounts Section	**R**
Ordinary share capital	?
Retained income (1 March 2015)	1 525 000
Land and Buildings	6 789 720
Vehicles	452 000
Equipment	760 000
Accumulated depreciation on vehicles (1 March 2015)	236 000
Accumulated depreciation on equipment (1 March 2015)	650 000
Trading stock	1 534 000
Debtors' control	521 300
Provision for bad debts	22 000
Creditors' Control	774 290
SARS: Income tax (Dr)	150 000
SARS: PAYE	44 800
Pension fund	15 800
Nominal Accounts Section	
Sales	5 970 000
Cost of sales	3 200 000
Debtors' allowances	70 000
Salaries and Employer's contribution	921 268
Directors' fees	840 000
Audit fees	76 000
Sundry Expenses	292 330
Bad debts	12 100
Bad Debts recovered	3 860
Rent income	234 000
Interest on fixed deposit	27 000
Dividends on ordinary shares	55 000

B. ADJUSTMENTS:

(i) No entry has been made for defective stock returned by a debtor with a selling price of R15 000. Goods are marked-up at 50% on cost.

(ii) Trading stock on hand, as per physical stock taking on 29 February 2016, amounted to R1 531 000.

(iii) A debtor, B. Laat, was declared insolvent. His estate paid 40c in the rand. The amount of R450 was received and recorded. Write-off the balance as irrecoverable.

(iv) Provision for bad debts must be adjusted to R20 321.

(v) Advertising is included in Sundry Expense. An amount of R30 000 has been paid for January to March 2016.

(vi) Auditors are owed an amount of R24 000 in fees.

(vii) Rent income has been paid three months in advance. Rent was increased by 10% on 1 December 2015.

(viii) The loan statement from Rand Bank reflected the following:

Balance at beginning of financial year	R948 000
Repayments during the year	423 000
Interest capitalised	?
Balance at end of financial year	R600 000

(ix) **SARS Income Tax:**

R17 000 is still owed to SARS.

C. Fixed Assets

(i) Land and building were purchased during the financial year for R2 000 000. This has been properly recorded.

(ii) Depreciation on vehicles is calculated at 20% p.a. on the diminishing balance method. The total depreciation for the financial year amounted to R83 200.

On 29 February 2016 a vehicle costing R200 000 was sold for cash, for R118 000. The business made a loss of R10 000 on the sale of the asset.

(iii) Depreciation on equipment is calculated at 15% p.a. on the cost price. This equipment is very old and will be replaced in the near future.

D. Shares and Dividends

(i) Authorised share capital comprises 3 000 000 ordinary shares.

(ii) 2 000 000 shares were in issue on 1 March 2015, R5 000 000.

(iii) 250 000 shares were issued at R7 each on 1 April 2015.

(iv) The directors decided to buy back 10 000 shares from Yolisa, an existing shareholder, at R4,50 per share. An electronic transfer was made on 1 December 2015. She is entitled to final dividends at the end of the year.

3.3 **AUDIT OF PROTEA LIMITED**

You are provided with the following extract for Protea Limited from the report of the independent auditors.

REQUIRED:

3.3.1 Choose the correct answer from the words within brackets.
Write only your answer in your ANSWER BOOK.
The business received a (qualified, unqualified, disclaimer) report.
Give a reason for your answer. (3)

3.3.2 Who is the audit report addressed to? Give a reason for your answer. (2)

3.3.3 Explain why the Companies Act makes it a requirement for public companies to be audited by an independent auditor. Give ONE reason. (2)

3.3.4 The auditor's report refers to the International Financial Reporting Standards (IFRS). Explain why auditors have to take IFRS into account when expressing their opinions. (2)

INFORMATION:

EXTRACT

Audit opinion
We have audited the annual financial statements of Protea Limited for the year ended 29 February 2016. These financial statements are the responsibility of the company's directors.

Basis for Disclaimer of Opinion
During the course of our audit we have established that the valuation of fixed assets and inventories were materially overstated by an amount of R12 m.

Audit Opinion
Because of the significance of the matter described above, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements of Protea Limited for the year ended 29 February 2016. This is specified in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Nandi & Isha, Chartered Accountants (SA)

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QUESTION 4: CASH FLOW STATEMENT AND RATIO ANALYSIS

(60 marks; 35 minutes)

4.1 CONCEPTS

The following statements relate to the Cash Flow Statement. Choose the correct answer from the options given to complete the statements. Write down only the answer next to the question number (4.1.1 – 4.1.3) in the ANSWER BOOK.

interest income;	excluded;	inflow;
outflow;	interest expense	included

4.1.1 ... is added back to the net profit in the cash generated from operations as it is a finance cost. (1)

4.1.2 An increase in inventory indicates an ... of cash. (1)

4.1.3 Shareholders for dividends will be ... when calculating changes in working capital. (1)

4.2 MIKA LIMITED

Mika Limited provided you with extracts from their financial statements for the year ended 29 February 2016, together with comparative figures for 2015.

REQUIRED:

4.2.1 For the purpose of the Cash Flow Statement calculate the income tax paid for the year ended 29 February 2016. (5)

4.2.2 Prepare the section of the Cash Flow Statement showing the cash effects on financing activities for the year ended 29 February 2016. (9)

4.2.3 Calculate the following financial indicators on 29 February 2016: (Round-off your calculations to ONE decimal point or to the nearest cent, where applicable).

- Return on average shareholders' equity (ROSHE) (5)
- Debt equity ratio (3)

4.2.4 Comment on the following financial indicators.
Note that the intended mark-up is 50% on cost of sales.

- % gross profit on the cost of sales
- % operating expenses on sales

In each case, provide a reason for the improvement or the decline. Quote figures. (8)

4.2.5 The directors are of the opinion that the shareholders should be satisfied with the performance of the company. Explain TWO financial indicators or actual ratios/percentages to support their opinion. (6)

4.2.6 You are a shareholder of Mika Ltd. Calculate the price at which the new shares were offered. Comment on the selling price of the new shares issued. Quote TWO relevant financial indicators to support your answer. (7)

4.2.7 One of the directors feels that the loan should be paid-off as soon as possible. Do you agree? Explain quoting TWO financial indicators (with figures) to support your answer. (5)

4.2.8 Comment on the liquidity position of the company. Quote THREE relevant financial indicators (actual figures / ratios / percentages) and their trends. (9)

INFORMATION:

A. Extract from the financial statements

	29 Feb 2016	28 Feb 2015
Interest expense	39 000	56 000
Depreciation	112 000	82 000
Net profit before tax	1 500 000	600 000
Net profit after tax	1 080 000	432 000
Fixed/Tangible Assets	3 057 200	2 875 200
Financial Assets (Fixed Deposits)	931 800	1 006 000
Cash and Cash equivalents	1 066 000	0
Shareholders' Equity	**5 200 000**	**3 584 200**
Ordinary Share Capital	4 800 000	3 200 000
Retained Income	400 000	384 200
Non-current Liabilities	260 000	1 880 000
SARS (income tax)	94 000 (Dr)	36 000 (Cr)
Bank overdraft	0	175 000

B. ADDITIONAL INFORMATION:

- Cash generated from operations was calculated at R3 770 800.
- Fixed assets with a cost price of R550 000 and accumulated depreciation of R350 000 were sold at carrying value during the year.
- Fixed assets were purchased during the financial year.
- Income tax is calculated at 28% of the profit before tax.
- Total dividends declared during the year amounted to R890 000.
- 320 000 shares were in issue at the beginning of the financial year.
- On 1 April 2015 the company's board of directors authorised the buy-back of 20 000 shares from an unhappy shareholder. A repurchase price was set at R17,00 per share. An electronic transfer of funds was made to the shareholder.
- 150 000 new shares were issued on 1 September 2015.

C. FINANCIAL INDICATORS:

INDICATORS	2016 End of the year	2015 Beginning of the year
Return on shareholders' equity after tax	?	15,5%
Return on capital employed	35%	21%
Earnings per share	150 cents	68 cents
Dividends per share	124 cents	115 cents
Net Asset Value per share	1155 cents	1120 cents
Current ratio	1,8 : 1	1,4 : 1
Acid-test ratio	0, 9 : 1	0,7 : 1
Rate of stock turnover	4,2 times p.a.	3,5 times p.a.
Debtors' collection period	60 days	75 days
Debt : equity ratio	?	0,5 : 1
% gross profit on cost of sales	42%	39%
% operating expenses on sales	19%	25%
Interest rate on loan	10,5%	10%
Interest rate on investment	8,5%	9%
Market value per share on JSE	1410 cents	1230 cents

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QUESTION 5: VAT AND INVENTORY VALUATION

(45 marks; 25 minutes)

5.1 VAT CONCEPTS

Choose the correct word from those which are given within the brackets.

5.1.1 (Input VAT / Output VAT) is VAT collected from customers. (1)

5.1.2 A credit balance in the VAT Control account indicates that VAT is (payable to / receivable from) SARS by the business. (1)

5.1.3 Tax (avoidance / evasion) is illegal and punishable by law. (1)

5.2 VAT CALCULATIONS

Bluebell Stores is a VAT registered business. You are provided with the VAT records for the period ended 29 February 2016.

REQUIRED:

Calculate the amount of VAT payable to OR receivable from SARS on 29 February 2016. (12)

INFORMATION:

A The VAT Control account had a credit balance of R5 700 on 1 January 2016.

B Summary of transactions for 2 months ending 29 February 2016:

	VAT Exclusive	VAT	VAT Inclusive
Credit purchases of trading stock	588 600	?	
Sales of trading stock		?	556 320
Returns from debtors		12 880	
Returns to creditors		700	
Trading stock taken by the owner for his own use	17 000	?	19 380
Discount allowed to debtors in settlement		2 336	

5.3 INVENTORY VALUATION

Mani Traders sells branded Amor Shoes and footwear accessories. The business uses the periodic inventory system. The financial year ends on 30 June.

REQUIRED:

5.3.1 What does *FIFO* stand for? (1)

5.3.2 **Refer to information A.**

Calculate the closing stock of shoes according to the weighted average method on 30 June 2016. (10)

5.3.3 **Refer to information B.**

- Calculate the number of stolen items of footwear accessories. (4)
- Calculate the average stock holding period in days in respect of footwear accessories on 30 June 2016. (8)
- Should Mani Traders continue buying and selling accessories? Provide TWO points of advice. Quote figures to support your answer. (7)

INFORMATION:

A. SHOES

Details	No. of items	Unit Price	Total R
Opening Stock	235		163 150
Purchases	1 525		1 144 300
September 2015	870	720	626 400
December 2015	230	755	173 650
May 2016	425	810	344 250
Closing stock	400	?	?
Sales	1 210	1 450	1 754 500

150 pairs of shoes were returned from the September 2015 purchases.

B. FOOTWEAR ACCESSORIES

Details	No. of items	Total
Opening Stock	575	35 000
Purchases	2 625	?
	3 200	?
Total sales	1 700	85 000
Closing stock	1 020	40 800

The mark-up on accessories is 25% on cost.

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QUESTION 6: CASH BUDGET AND COST CONCEPTS (50 marks; 30 minutes)

The information provided relates to Teltron Traders, owned by Zebs Zungu. The business specialises in electrical products. Their financial year ends on 31 December 2016.

REQUIRED:

6.1 Indicate whether each of the following statements is TRUE or FALSE.

6.1.1 The balance on the cash budget represents profit earned.

6.1.2 All projected receipts and payments are recorded in the cash budget.

6.1.3 Profit on sale of asset will increase the balance on the cash budget.

6.1.4 R17 000 received for selling equipment must appear in the projected income statement as an operating income. (4)

6.2 Identify an incorrect entry in the cash budget and explain why it is incorrect. (2)

6.3 State THREE ways in which the purchasing of Land and Building would be financed. (3)

6.4 Complete the Debtors' Collection schedule for the budgeted period. (9)

6.5 Calculate the missing figures denoted by A – E on the cash budget. (12)

6.6 **Refer to information H.**

Zebs Zungu is concerned about certain aspects of his business.

- Comment on the cash and credit sales. Explain how these amounts affect the cash flow of the business. Quote figures. (6)
- Has the advertising campaign been beneficial to the business? Explain. Quote figures. (5)
- Do you think the collection from debtors is well controlled? Explain. Quote figures. Give TWO points of advice. (9)

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INFORMATION:

A. CASH BUDGET FOR OCTOBER AND NOVEMBER 2016

Cash Receipts	**OCTOBER**	**NOVEMBER**
Cash Sales	55 000	**E**
Additional Loan		400 000
Fixed deposit matured		250 000
Collections from debtors		
Total Receipts		
Cash Payments		
Cash Purchases	35 000	38 500
Payments to Creditors	**D**	71 500
Salaries	55 000	**C**
Advertising	11 000	15 000
Telephone	8 400	9 000
Vehicle expenses	6 906	7 113
Rent expense	12 000	
Land and buildings		1 200 000
Municipal rates on property		1 000
Depreciation	5 000	
Interest on loan		4 000
Equipment Repairs	8 200	10 200
Drawings	30 000	30 000
Total Payments		
Cash Surplus / Deficit		**B**
Opening Bank Balance at the beginning of the year		550 000
Closing Bank Balance at the end of the year	**A**	(35 703)

B. Information relating to sales and debtors

Month	Actual Sales	Projected Sales	Receivable from Debtors
August 2016	180 000		
September 2016	200 000		?
October 2016		220 000	?
November 2016		?	34 200

C. Debtors

Debtors are granted 30 days to settle their accounts as per policy. However, debtors' patterns of payment is as follows:

- 20% pay in the month of sale subject to a discount of 5%.
- 30% pay in the month following the month of sale.
- 48% pay in the following month.

The remaining 2% must be written off in the third month following the sale.

D. 75% of all sales are on credit.

E. Projected credit sales for September 2016 was R180 000.

F. Creditors and Trading Stock

- The business keeps a fixed base stock of R175 000. (Goods are replaced monthly.)
- The business uses a mark-up of 100% on cost.
- 35% of all stock is purchased on credit.
- Creditors' terms are strictly 30 days. The business complies with these terms.

G. Salaries

The business has employed additional staff at a cost of R10 090 per month effective from 1 November 2016.

H. Extract from the August 2016 Cash Budget

	August Budget	August Actual
Cash Sales	55 000	42 000
Credit Sales	135 000	180 000
Collection from debtors	141 150	86 500
Advertising	11 000	22 000

TOTAL: 300

END