

QUESTION 6

6.1 Calculate the expected monthly percentage of goods sold on credit.

4

6.2 **Debtors Collection Schedule for March 2017**

MONTH	CREDIT SALES	FEBRUARY	MARCH
December 2016	74 000	16 280	
January 2017	68 000	27 200	*
February 2017	70 000	24 010	*
March 2017	64 000		*
Cash from debtors		67 490	*

5

6.3.1 Explain why the owner is concerned. Give TWO reasons with supporting figures.

4

6.3.2 Suggest ONE solution for this problem.

2

6.4.1

		WORKINGS	ANSWER
(a)	Payment to creditors		
(b)	Salaries of sales assistants		

6

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6.4.2

Calculate the percentage increase in rent on 1 March 2017.

4

6.4.3

Calculate the amount of the interest on investment expected to be received in March 2017.

4

6.5

Identify TWO payments that you consider to be poorly managed in February 2017. In EACH case, give a suggestion to improve the internal control of the items identified.

PAYMENT	ADVICE

6

TOTAL MARKS
40

TOTAL: 300

QUESTION 6: BUDGETING

You are provided with the incomplete Debtors' Collection Schedule and Cash Budget of Zeppé Bazaar. **(40 marks; 25 minutes)**

REQUIRED:

- 6.1 Calculate the expected monthly percentage of goods sold on credit. (4)
- 6.2 Complete the Debtors' Collection Schedule for March 2017. (5)
- 6.3 The owner wants to improve the control over debtors. Credit terms are 30 days.
 - 6.3.1 Explain why the owner is concerned. Give TWO reasons with supporting figures. (4)
 - 6.3.2 Suggest ONE solution for this problem. (2)
- 6.4 Calculate the following:
 - 6.4.1 (a) and (b) as provided in the budget. Use budgeted figures in your calculations. (11)
 - 6.4.2 The percentage increase in rent on 1 March 2017 (4)
 - 6.4.3 The amount of the interest on the investment expected to be received in March 2017 (4)
- 6.5 Refer to information H. Identify TWO payments that you consider to be poorly managed in February 2017. In EACH case, give a suggestion to improve the internal control of the items identified. (6)

INFORMATION:

A. The Debtors' Collection Schedule for February and March 2017

MONTH	CREDIT SALES	FEBRUARY	MARCH
December 2016	74 000	16 280	
January 2017	68 000	27 200	?
February 2017	70 000	24 010	?
March 2017	64 000	?	?
Cash from debtors		67 490	?

- B. Debtors are expected to pay as follows:
- 35% is paid in the month of sale. They receive a 2% discount.
 - 40% is paid in the month following the sales month.
 - 22% is paid two months after the sales month.
 - 3% is bad debts.

- C. All goods are sold at a profit mark-up of 25% on cost.
- D. Stock sold is replaced in the month of sale (a stock base is maintained).
- E. All stock is purchased on credit. Creditors are paid in the month following the month of purchase to receive a 5% early settlement discount.
- F. The business employs four sales assistants on the same salary scale. They will receive an inflationary increase of 7.5%, effective from 1 March 2017. An additional sales assistant will be employed on 1 March 2017, but she will not receive the increase.
- G. A fixed deposit matures on 31 March 2017. This will be received together with interest at 8% p.a. for the last quarter of its term.

H. EXTRACT FROM BUDGET FOR FEBRUARY 2017 AND MARCH 2017

	FEBRUARY		MARCH	
	BUDGETED	ACTUAL	BUDGETED	BUDGETED
Receipts				
Cash sales	17 500	18 640	16 000	
Cash from debtors	67 490	43 870	?	
Rent income	11 200	11 200	12 544	
Fixed deposit (including interest)	-	-	16 830	
Payments				
Payments to creditors (for stock)	68 000	68 000	(a)	
Salaries: office staff	19 000	19 000	20 900	
Salaries: sales assistants	20 800	20 800	(b)	
Municipal services	10 600	10 600	11 000	
Drawings	3 000	5 500	3 000	
Stationery	1 200	2 600	1 200	
Loan instalment	5 000	5 000	5 000	
Maintenance of office equipment	3 800	1 500	3 800	
Advertising	2 400	1 000	2 400	

I. DEBTORS' AGE ANALYSIS ON 28 FEBRUARY 2017

Total owed	30 days	60 days	90 days	90+ days
R110 400	R53 000	R32 000	R17 800	R7 600
	48%	29%	16%	7%

40

TOTAL: 300