

QUESTION 1

[25 marks; 19 minutes]

Required:

1.1. Answer the following questions by circling the correct answer(s).

1.1.1. Which of the following expenses will not appear in the cash budget?

- A. Bad Debts
- B. Interest on loan
- C. Wages
- D. Depreciation
- E. Electricity

(2)

1.1.2. Which of the following items will appear in the cash budget but not in the projected income statement?

- A. Purchase of a vehicle
- B. Payment of salaries
- C. Repayment of a loan
- D. Receipt of rent income
- E. Depreciation

(2)

1.2. Explain how the projected income statement and cash budget can be used as tools for effective internal control in a business.

(2)

Using the information found on page 3 of the Information book, answer the following questions.

1.3. Calculate the budgeted closing bank balance for February.

(2)

1.4. Why do you think that payments to creditors were so high in January, in relation to February and March?

(1)

1.5. Included in the R103 500, is a single unusual cheque payment for R35 000 to be made out in February 2007. If it cannot be the repayment of part of the loan, what could this payment likely be for?

(1)

- 1.6. Name two steps that you would you take to recover debts not collected within 60 days. (2)

- 1.7. If credit sales are 40% of total sales, what percentage of debtors is **expected** not to pay at all? N.B. Work on budgeted figures and **not** actual figures. (6)

- 1.8. Calculate the projected mark-up percentage that Illovo Stores intends applying over the budget period. (3)

- 1.9. Included in the other payments of R88 500 shown in March, is a loan repayment. If the anticipated interest payment for April is R1 200, calculate the amount of the loan that is to be repaid in March. (4)

QUESTION 2

[60 marks; 35 minutes]

Part A:

Required: Use the information from the information booklet to:

Complete the Income statement for the year ended 28 February 2008.

(34)

	2008
Sales (700 000)	
Less: cost of sales (580 000)	
Gross Profit	
Other operating income	
Rent Income (35 000)	
Commission income (34 575)	
Other incomes	1 000
Gross Income	
Less: operating expenses	
Salaries & wages	96 000
Sundry expenses	71 000
Stationery (2 600)	
Operating profit	
Interest Income	
Profit before interest expense	
Interest expense (45 375)	
Net profit (loss) for the year	

Part B:

Required

Use the information given below to prepare the **note to the financial statement for Current accounts** on 30 June 2008.

(26)

	L Love	L Lock
Balance at start of year		
Salaries		
Bonus		
Interest on Capital		
Balance at end of the year		

Question 3

[40 marks; 23 minutes]

Required:

Use the information found on page 6 of your information book

1. Identify which inventory system each department is using. Give a reason for each answer. (4)

Department A:
Department B:

2. Draw up the Trading Account for each department. (21)

Trading Account (Department A)

Trading Account (Department B)

3. Calculate the cost of Sales for Department B. (3)

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4. Calculate the mark-up for the Business as a whole. (6)

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5. If the business marks all goods up by 50%, give 3 reasons as to why there is a difference between the actual mark-up (your calculation in 4) and the intended mark-up. (6)

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QUESTION 4

[37 marks; 22 minutes]

Required:

Use the information found on page 6 of your Information Book to show how the entries affect the bank account and Bank reconciliation statement of Super Sport Stores by complete the table provided on 31 May 2008: (37)

		Bank Account		Bank Reconciliation Statement	
		Debit	Credit	Debit	Credit
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
TOTALS OF COLUMNS					

QUESTION 5

[18 marks; 21 minutes]

Required:

Use the information found on page 7 of the Information Book to answer the following questions:

Questions

1. Explain the difference between the internal auditor and the external auditor by completing the table in your answer book. (4)

Internal auditor	vs.	External auditor
Main function:		Main function:

2. Recommend 3 controls that could be implemented to improve control over Inventory. (6)

Three controls to be implemented to control Inventory
<ul style="list-style-type: none">•••

3. What action(s) would you recommend be taken against the stock control manager if it can be proved that he was stealing from HHMS? (4)

Action against the Stock control manager

4. List four steps (in order) that G Viljoen should take in order to acquire the computers by ethical means. (4)

1.
2.
3.
4.