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Education and Sport Development

Department of Education and Sport Development
Departement van Onderwys en Sportontwikkeling
Lefapha la Thuto le Tlhabololo ya Metshameko

NORTH WEST PROVINCE

NATIONAL SENIOR CERTIFICATE

GRADE 12

ACCOUNTING SEPTEMBER 2019

MARKS: 300

TIME: 3 hours

This question paper consists of 23 pages and a 19-page answer book.

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 to achieve part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or black/blue ink to answer the questions.
6. Where applicable, show ALL calculations to ONE decimal point.
7. Write neatly and legibly.

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

QUESTION 1: 20 marks; 10 minutes	
Topic:	This integrates:
VAT and Ethics	Financial accounting VAT Managing resources Ethics

QUESTION 2: 40 marks; 20 minutes	
Topic:	This integrates:
Reconciliation and Internal Control	Financial accounting Bank reconciliation Creditors' Reconciliation Managing resources: Internal control

QUESTION 3: 50 marks; 30 minutes	
Topic:	This integrates:
Manufacturing and Inventory	Managerial accounting Production Cost Statement Inventory Break-even analysis and interpretation Managing resources Internal control

QUESTION 4: 85 marks; 55 minutes	
Topic:	This integrates:
Balance Sheet, GAAP and Audit Report	Financial accounting GAAP principles Balance Sheet Audit Report and King Code

QUESTION 5: 75 marks; 45 minutes	
Topic:	This integrates:
Fixed Assets, Cash Flow Statement, Interpretation and Analysis	Financial accounting Cash Flow Statement and notes Ratio analysis and interpretation Managing resources Ethics

QUESTION 6: 30 marks; 20 minutes	
Topic:	This integrates:
Cash Budgets	Managerial accounting Cash Budget Interpretation of projections Calculations and problem solving

QUESTION 1: VAT AND ETHICS**(20 marks; 10 minutes)****1.1 CONCEPTS**

Choose the correct word(s) from those given in brackets. Write only the word(s) next to the question numbers (1.1.1 to 1.1.5) in the ANSWER BOOK.

- 1.1.1 (Exempted items/Zero-rated items) are items the law says must not be taxed. (1)
- 1.1.2 VAT is (an indirect/a direct) tax. (1)
- 1.1.3 When a business buy goods it has to pay (output/input) VAT on these items. (1)
- 1.1.4 The VAT rate can be changed by (SARS/the Minister of Finance). (1)
- 1.1.5 A company can claim input VAT on gifts given to clients. (True/False) (1)

1.2 PRO PARTY SHOP

You are provided with information relating to Pro Party Shop for the VAT period ended 28 February 2019. The standard VAT rate of 15% is applicable.

REQUIRED:

- 1.2.1 Calculate the amount owing to SARS in respect of VAT at the end of February 2019 after taking the transactions into account. (13)
- 1.2.2 Pro Party Shop is experiencing cash flow problems and there is no money available to pay SARS. The bank account shows an overdraft of R52 110 on 31 January 2019. The directors have asked the accountant to reduce the sales amount so that the business will then receive a refund from SARS.
- Must the accountant go along with this suggestion? Give ONE reason for your decision. (2)

INFORMATION:**Transactions for February:**

- A.** Balances on 15 February:
- VAT output account, R59 325
 - VAT input account, R33 585
- B.** Bought stationery on credit for R3 220 (VAT R420).
- C.** Trading stock sold for cash, R30 800 (excluding VAT).
- D.** Settled the amount owing, R25 300, to Dolphin Traders by cheque, less 5% discount.
- E.** Bought 92 costumes @ R500 each (VAT inclusive) from Funny Clothes Ltd received Invoice 1702.
- F.** Returned 10 faulty costumes together with Debit Note 87 to Funny Clothes Ltd. The VAT on this return amounted to R560.
- G.** The bank returned a debtor's cheque for R2 050, marked R/D - insufficient funds. This cheque had been received last month in settlement of her account of R2 280.
- H.** In January, 4 costumes were sold to a primary school for R1 894. The tax invoice reflected VAT on sales as R247. This was posted to the ledger as R427.

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QUESTION 2: RECONCILIATION AND INTERNAL CONTROL**(40 marks; 20 minutes)****2.1 BANK RECONCILIATION AND INTERNAL CONTROL**

You are provided with information from the records of Rose Boutique for January 2019.

REQUIRED:

- 2.1.1 According to the January Bank Statement, does Rose Boutique have a favourable or unfavourable bank balance? Give a reason for your answer. (2)
- 2.1.2 Calculate the Bank balance according to the books of Rose Boutique on 31 January 2019. State whether this balance is favourable or unfavourable. (7)
- 2.1.3 The Reconciliation Statement for January 2019 shows an error that was made by the bank. Give ONE example of the type of error the bank could have made in this instance. (2)
- 2.1.4 There are large outstanding deposits on the Bank Reconciliation Statement provided by the bookkeeper. On investigation it appears that these funds were in fact received by the cashier on 20 and 25 January 2019.
- a) What concern should you have regarding the deposits? (1)
- b) Provide TWO solutions to ensure that this does not happen in future. (4)
- 2.1.5 Rose Boutique issued a post-dated cheque no. 510 (dated 15 April 2019). Explain how this cheque will be handled in the financial statements on the financial year end, 28 February 2019. (2)

INFORMATION:**BANK RECONCILIATION STATEMENT OF ROSE BOUTIQUE ON 31 JANUARY 2019**

Debit balance as per Bank Statement	41 200
Outstanding deposit	52 780
Outstanding deposit	39 800
Outstanding cheques:	
No. 195 (dated 18 Aug 2018)	420
No. 456 (dated 20 Nov 2018)	2 315
No. 510 (dated 15 April 2019)	1 620
Credit amount incorrectly debited on Bank Statement	275
Balance as per bank account in the General Ledger	?

2.2 CREDITORS' RECONCILIATION AND INTERNAL CONTROL

A newly appointed bookkeeper of Molimo Traders has been having problems in preparing the monthly Creditors' Reconciliation, since the balance of the Creditor's Account in the Creditors' Ledger does not coincide with the statement of account received from the supplier.

REQUIRED:

2.2.1 Prepare a Creditors' Reconciliation Statement on 30 June 2019 and calculate the correct balance of Bailey Ltd in the Creditors' Ledger. (13)

2.2.2 Refer to Information D.

Calculate the average creditors' payment period in days. (5)

2.2.3 Provide TWO internal control measures which can be implemented by a business for good internal control over creditors. (4)

INFORMATION:

A. Creditors' Ledger of Molimo Traders

BAILEY LTD

Date	Details	Debit	Credit	Balance
June 01	Account rendered			18 510
07	Electronic payment	9 000		9 510
	Discount received	450		9 060
15	Invoice 5671		6 555	15 615
16	Debit Note 121	900		14 715
23	Invoice 5801		7 835	22 550
26	Invoice 6011		5 800	28 350
29	Electronic payment	10 000		18 350
	Discount received	500		17 850

B. Statement received from Bailey Ltd

BAILEY LTD

STATEMENT OF ACCOUNT

Masukhane Street 498

Pietermaritzburg 3201

Date: 25 June 2019

Tel. 033 345 6901

Fax. 033 333 1455

ACCOUNT OF: MOLIMO TRADERS

Account number: 09/7412

Date	Details	Debit	Credit	Balance
Jun 01	Account rendered			18 510
07	Receipt		9 000	9 510
	Discount		900	8 610
15	Invoice 5671		6 900	1 710
16	Debit Note 121		900	810
20	Invoice 5780	3 320		4 130
23	Invoice 5801	5 985		10 115

C. Additional information:

- (a) The discount reflected on 7 June on the statement of account is correct.
- (b) Trade discount of 5% was deducted on Invoice 5671. Bailey Ltd did not take this discount into account. They also made an error in recording Invoice 5671.
- (b) After an investigation, it was established that the invoice on 20 June is in respect of a purchase made by another business.
- (c) Invoice 5801 reflected on 23 June on the statement of account, is incorrect.
- (d) There are some entries in the Creditors' Ledger which do not appear on the monthly statement of account as these transactions took place after the statement date.

D. Information on 28 February 2019 (year-end):

Cost of sales	R720 000
Credit purchases for the year	R416 100
Cash purchases for the year	R180 000
Creditors' Control balance (1 March 2018)	R50 000
Creditors' Control balance (28 February 2019)	R64 000

QUESTION 3: MANUFACTURING AND INVENTORY (50 marks; 30 minutes)

- 3.1 Identify ONE cost account for each of the descriptions from the list below. Write only the answer next to the question numbers (3.1.1 to 3.1.5) in the ANSWER BOOK.

variable cost; factory overhead cost; direct labour cost;
indirect labour cost; direct material cost; indirect material cost;
selling and distribution cost; fixed cost; administration cost

- 3.1.1 This cost stays the same, even when the number of items manufactured changes.
- 3.1.2 The cost of raw materials that are not directly involved in manufacturing products.
- 3.1.3 Bad debts for the accounting period.
- 3.1.4 Selling and distribution cost as well as direct material cost and direct labour cost are also referred to as ũ
- 3.1.5 Rent expenses of the office for the accounting period. (5)

3.2 N'SYNC MANUFACTURERS

You are provided with information relating to N'Sync Manufacturers, a business manufacturing heart rate monitors for athletes. The financial year ends on 28 February 2019.

REQUIRED:

- 3.2.1 Calculate the value of the raw material on hand on 28 February 2019, using the weighted-average method. (4)
- 3.2.2 Calculate the value of the direct material issued for production. (3)
- 3.2.3 Prepare the note for Factory overhead cost. (12)
- 3.2.4 Prepare the Production Cost Statement for the year ended 28 February 2019. Show all calculations in brackets. (14)

INFORMATION:

A. Stock on hand	28 February 2019	28 February 2018
	R	R
Indirect material cost	2 730	4 500
Work-in-progress	?	65 050
Finished goods	80 500	101 450

B. Direct material:

	Units	Total Amount
Stock on hand 1 March 2018	500	55 000
Purchases:	9 020	1 135 000
Jun 2018	1 250	137 500
Sept 2018	4 560	592 800
Dec 2018	3 210	404 700
Total available for production	9 520	1 190 000
Stock on hand 28 February 2019	560	?

C. Other costs:

	R
Direct labour cost	467 720
Factory overhead cost	616 280
Selling and distribution cost	16% of sales
Administration cost	92 500
Sales	6 282 375
Cost of finished goods sold	2 512 950

D. The following items must still be taken into account:

- Indirect material

Indirect material bought during the year was R260 000.

At the end of the year it was discovered that indirect material in the factory costing R1 750 had been stolen. The material is insured and the insurance will pay out R1 130 in March 2019. No entries have been made to record this theft. The net loss on the theft must be treated as an Administration cost.

Indirect material used is divided between the factory, administration and selling and distribution departments in the ratio of 1 : 1 : 3.

- The monthly insurance premium increased by 10% on 1 January 2019. Insurance paid for the year amounted to R124 992 and this included insurance paid in advance for March and April 2019. Insurance of R59 520 was allocated to selling and distribution, and R7 440 to administration.
- Salary and wage expenses were incurred:

Direct Labour	Gross salaries and wages	Deductions	Contributions	
			Medical aid	UIF
Factory	312 850	15 750	7 002	2 428

3.3 CRAFTY WOOD

Crafty Wood is a small manufacturing business that produces laser craft wood products.

REQUIRED:

- 3.3.1 Calculate the break-even point for the year ended 31 October 2018. (6)
- 3.3.2 Calculate the units produced and sold for 2018. (2)
- 3.3.3 Explain whether you think the owner, Jenny, should or should not be concerned about the profitability and production level of her business. Provide TWO reasons and justify your answer by providing supporting figures. (4)

INFORMATION:

- A. Every year all the goods produced, are sold.
- B. Information taken from the financial records of Crafty Wood:

	31 October 2018	
	Total cost	Unit cost
Direct material cost	607 750	R5,50
Direct labour cost	508 300	R4,60
Selling and distribution cost	182 325	R1,65
Factory overhead cost	548 410	
Administration cost	247 500	

	31 October 2018	31 October 2017
Selling price per unit	R18,85	R15
Units produced and sold	?	98 000
Break-even point	?	78 000

QUESTION 4: BALANCE SHEET, GAAP AND AUDIT REPORT**(85 marks; 55 minutes)****4.1 GAAP PRINCIPLES**

Choose a GAAP principle in COLUMN B that matches the description in COLUMN A. Write only the letters (A–F) next to the question numbers (4.1.1 to 4.1.5) in the ANSWER BOOK.

COLUMN A		COLUMN B
4.1.1	The original cost of the assets of a business need to be recorded.	A prudence
4.1.2	All significant information needs to be clearly shown in the financial statements of a business.	B matching
4.1.3	Income and expenses must be recorded in the correct financial period.	C business entity
4.1.4	Financial Statements are prepared with the assumption that the business does not expect to close down in the near future.	D materiality
4.1.5	The owner and business are seen as two separate entities for accounting purposes.	E historical cost
		F going concern

(5 x 1) (5)

(See QUESTION 4.2 on the next page.)

4.2 SAHARA LIMITED

The information provided relates to Sahara Ltd for the year ended 30 June 2019. Sahara Ltd has an authorised share capital of 1 000 000 ordinary shares.

REQUIRED:

4.2.1 Prepare the following notes to the Balance Sheet:

(a) Ordinary share capital (10)

(b) Retained income (13)

4.2.2 Complete the Balance Sheet (Statement of financial position) on 30 June 2019. Show calculations. (46)

INFORMATION:**A. Ordinary share capital:**

- 700 000 ordinary shares were issued on 1 July 2018 to the total value of R2 100 000.
- The company decided to buy back 30 000 shares from an unsatisfied shareholder on 1 October 2018 at R9 per share. An electronic transfer to the shareholder was done on the same day. These shares do not qualify for any dividends thereafter.
- A further 100 000 new ordinary shares were issued on 1 March 2019 at R7 per share.

B. Dividends:

- An interim dividend of 20 cent per share was paid on 31 December 2018.
- A final dividend of 35 cent per share was declared on 30 June 2019 and will be paid in August 2019.

C. Net profit and income tax:

- The correct net profit before income tax for the year ended on 30 June 2019 was calculated at R1 250 000. This is after all the adjustments reflected below were brought into account.
- Income tax is calculated at 28% of net profit.

D. Balances in the books on 30 June 2019:

	R
Retained income	799 660
Creditors' Control	720 000
Debtors' Control	530 000
Creditors for salaries	35 500
Accrued income	24 000
Cash in the bank	66 000
Fixed deposit	?
SARS: Income tax (provisional)	400 000

E. Fixed deposit:

- A fixed deposit of R175 000 matures on 31 January 2020.

F. Loan: Quality Bank:

	R
Balance at beginning of financial year	300 000
Interest capitalised during the year	8 000
Repayments, including interest, during the year	56 000

- Capital portion of loan to be paid in the following financial year remains the same as the current year.

G. Fixed assets:

- Land and buildings cost price on 1 July 2018 is R1 275 000.
The following invoice was not recorded:
Improvement to land and buildings: R300 000
Repairs to land and buildings: R120 000
- The carrying value of vehicles on 30 June 2019 was R720 000.
- All equipment were purchased on 1 January 2016 at R600 000.
Depreciation is calculated at 15% per annum on the cost-price method.

H. Rent income:

- Rent income received in advance for July and August 2019 amounted to R17 000.

I. Financial indicators on 30 June 2019:

- The current ratio is 1,5 : 1

4.3 AUDIT REPORT

You are provided with the extracts of the independent audit reports of Giovanni Ltd.

REQUIRED:

4.3.1 Provide ONE reason why public companies must be externally audited. (2)

4.3.2 What type of report did Giovanni Ltd receive from the independent auditors? Explain your answer. (3)

4.3.3 **Refer to Information B.**

One of the directors says that 'the company must not waste money on things like this.' Provide THREE reasons against his opinion. (6)

INFORMATION:

A. Extract from the Independent Auditors' Report:

In our opinion, these financial statements present fairly, in all material respects, the financial position of Giovanni Ltd as at 31 March 2019, in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act (Act 71 of 2008) of South Africa.

B. The following extract appeared in the Directors' report of Giovanni Ltd:

In terms of the outreach programme, Giovanni Ltd has established a sports academy for the local community. The company is providing sporting facilities to schools and is maintaining the sports ground.

QUESTION 5: FIXED ASSETS, CASH FLOW STATEMENT, INTERPRETATION AND ANALYSIS
(75 marks; 45 minutes)

5.1 FIXED ASSETS

You are provided with information for the financial year ended 28 February 2019 taken from the books of Bontle Ltd a public company listed on the Johannesburg Securities Exchange (JSE).

REQUIRED:

5.1.1 Calculate the cost price of the delivery vehicle that was traded in on 31 August 2018 (4)

5.1.2 **Refer to information A**

Calculate the missing figures as indicated by (i)–(iv) on the fixed asset note (14)

INFORMATION:

A. Incomplete Fixed Asset Note on 28 February 2019:

	Land and buildings	Vehicles	Equipment
CARRYING VALUE AT THE BEGINNING OF THE YEAR	5 715 000		
Cost price	5 715 000	1 120 000	200 000
Accumulated depreciation	(0)	(460 000)	(171 000)
MOVEMENTS			
Additions	(ii)	450 000	65 000
Disposals	(i)	(iii)	
Depreciation		(153 000)	(iv)
CARRYING VALUE AT THE END OF THE YEAR	6 015 000		
Cost price	6 015 000	1 270 000	265 000
Accumulated depreciation	(0)		

B. Fixed/Tangible assets

Land and buildings

A security office, cost price R400 000, was completely destroyed in a fire. Instead of repairing the old security office, the insurance claim and additional funds were used to build a new security office in a different place on the property.

Vehicles

A delivery vehicle bought on 1 March 2017 was traded in on 31 August 2018 for a new vehicle costing R450 000.

Depreciation on vehicles is written off at 20% p.a. on the diminishing balance method.

Equipment

Bontle Ltd bought a printing machine on 1 June 2016. On 1 December 2018 the company bought a new printing machine to the value of R65 000. No equipment was sold during the year.

Depreciation on equipment is written off at 18% p.a. on the cost-price method.

5.2 CASH FLOW STATEMENT

You are provided with information for the financial year ended 31 August 2019 taken from the books of Mandla Ltd, a public company listed on the Johannesburg Securities Exchange (JSE).

REQUIRED:

Use the template provided to complete the following incomplete section notes to the Cash Flow Statement:

- 5.2.1 Reconciliation between profit before taxation and cash generated from operations. (17)
- 5.2.2 Cash effects of operating activities (13)
- 5.2.3 Net change in cash and cash equivalents (4)

INFORMATION:**A. Extract from the Income Statement for the year ended 31 August 2019:**

Sales	R600 000
Depreciation	43 200
Interest on loan	R12 900
Income tax	R60 000
Net profit after tax	R90 000

B. Extract from the Balance Sheet on 31 August 2019:

	2019	2018
	R	R
Trading stock	126 150	162 000
Consumable stores on hand	7 850	0
Trade and other receivables	28 000	36 000
Cash and cash equivalents	6 800	16 400
Ordinary share capital	550 000	440 000
Retained income	72 000	32 000
Loan	76 000	96 000
Trade and other payables	74 800	83 700
Bank overdraft	60 000	0

C. Notes to the financial statements:

	2019	2018
	R	R
1. TRADE AND OTHER RECEIVABLES		
Trade debtors	23 800	36 000
Prepaid expenses	1 400	0
SARS: Income tax	2 800	0
2. TRADE AND OTHER PAYABLES		
Trade creditors	54 800	63 000
Accrued expenses	0	700
Shareholders for dividends	20 000	12 000
SARS: Income tax	0	8 000

D. Interest on loan is capitalised.

E. No shares were repurchased.

5.3 INTERPRETATION AND ANALYSIS

You are provided with information relating to Radebe Ltd for the financial year ended 31 December 2018.

REQUIRED:

5.3.1 Comment on the following financial indicators and supply ONE possible reason for the change in each. Quote figures.

(a) % gross profit on the cost of sales. (3)

(b) % operating expenses on sales (3)

NOTE: The intended mark-up is 60% on cost.

- 5.3.2 From 2017 to 2018 the directors made a well-considered decision to change the policy on the distribution of profit in the form of dividends. Explain this change. Quote figures or calculations to support your answer. (4)
- 5.3.3 Shareholders are satisfied with the issue price of the new shares. Quote TWO financial indicators with figures to support this statement. (4)
- 5.3.4 One of the directors feels that the loan should be paid as soon as possible. Do you agree? Quote TWO financial indicators with figures to support your opinion. (5)
- 5.3.5 The shareholders should be satisfied with the return on their investment and the companies' earnings. Explain TWO financial indicators with figures to support this opinion. (4)

INFORMATION:

The following financial indicators were calculated:

INDICATORS	31 December 2018	31 December 2017
% gross profit on cost of sales	56%	47%
% operating expenses on sales	18%	23%
Return on shareholders' equity	20%	9,5%
Return on capital employed	26%	16%
Debt/equity ratio	0,06 : 1	0,28 : 1
Earnings per share	50 cents	42 cents
Dividends per share	28 cents	42 cents
Net asset value per share	648 cents	525 cents
Interest rate on loan	18%	13%
Interest rate on investment	7%	6%
Issue price of new shares	873 cents	798 cents
Market value per share on JSE	763 cents	853 cents

QUESTION 6: CASH BUDGETS**(30 marks; 20 minutes)**

You are provided with an incomplete Cash Budget of Jackson Traders for the period 1 July 2019 to 31 August 2019. The business is owned by Terry Jackson.

REQUIRED:

Examine the Cash Budget and answer the following questions:

6.1 Complete the Debtors' Collection Schedule for August 2019 (6)

6.2 Calculate the missing amounts indicated by (i) to (iv) on the Cash Budget (11)

6.3 **Refer to Information A and E.**

The workers are dissatisfied with the increase they will be receiving in August 2019. They have also indicated that they will embark on strike action in October 2019 if the owner does not address their concerns.

Give ONE reason (with figures) that the owner could use to justify the increase he granted to the workers in August 2019. (4)

6.4 **Refer to Information A and G.**

The owner requires your comment regarding the new vehicle.

Apart from the deposit and the monthly instalment of R6 250, explain how the next Cash Budget will be affected. State THREE points. (3)

6.5 **Refer to Information H.**

At the end of August 2019 the following figures were identified. The owner has asked that you explain to him why the budgeted and actual amounts of certain items differ significantly.

Comment on the control of the following items in September 2019. Provide ONE point of advice to Terry in respect of each item.

6.5.1 Advertising (3)

6.5.2 Packing materials (3)

INFORMATION:**A. Extract from the Cash Budget for the two months ending 31 August 2019:**

Receipts	JULY	AUGUST
Cash sales of merchandise	64 800	50 400
Collection from debtors	46 440	
Rent income	7 500	8 250
Additional capital to be contributed		100 000
Commission income		
TOTAL RECEIPTS		
Payments		
Cash purchase of trading stock	18 000	(i)
Payments to creditors	(ii)	51 300
Salary: Bookkeeper	18 000	19 800
Salary: Five workers	32 000	32 960
Telephone	3 500	3 750
Packing materials	5 860	4 000
Advertising	18 000	12 000
Insurance	(iii)	2 904
Delivery costs (payable to MJ Deliveries)	10 800	8 400
Other operating expenses		
Drawings	25 000	25 000
TOTAL PAYMENTS		
Cash surplus/deficit	(22 600)	
Bank balance at the beginning of the month	(10 200)	(iv)
Bank balance at the end of the month		(120 000)

B. Sales, cost of sales and debtors' collection:

(a)	SALES		COST OF SALES	
	R		R	
	Budgeted	Actual	Budgeted	Actual
May	105 000	78 000	70 000	52 000
June	123 000	89 100	82 000	60 000
July	108 000		72 000	
August	84 000		?	

(b) 60% of the total sales are for cash.

(c) Credit sales are collected as follows:

- 20% collected in the month of sale to receive a 5% discount
- 70% collected in the first month following the sale
- 8% collected in the second month following the sale
- The balance is written off in the third month following the month of sale.

C. Delivery costs

- All goods sold are delivered to customers free of charge.
- The delivery costs are budgeted at 10% of sales.

D. Stock levels and payments to creditors

- The business uses a mark-up of 50% on cost.
- The business maintains a fixed-base stock by replacing stock on a monthly basis.
- 75% of the total purchases are on credit.
- Creditors are paid in the month following the month of purchase to take advantage of a 5% discount.

E. Salaries

- The workers will receive an increase of 3% in August 2019.
- The bookkeeper will also receive an increase in August 2019.

F. Insurance

- The insurance premium is paid at the end of each month.
- The monthly premium will increase by 10% on 1 August 2019.

G. Details relating to delivery expenses and the new vehicle

The owner thinks that in order to improve his cash flow, he should rather purchase a delivery vehicle in September 2019 and discontinue using MJ Deliveries for this service.

Mr Jackson would have to pay a 10% deposit through the business. His father has agreed to provide interest-free finance for the balance of the cost. He would have to repay his father R6 250 per month over 36 months.

H. Budgeted and actual amounts at the end of September 2019.

	Budgeted	Actual	Variance
Sales	R80 000	R72 000	(R8 000)
Packing materials	R4 000	R7 200	R3 200
Advertising	R12 000	R5 000	(R7 000)

30

TOTAL: 300