

Control of fixed assets

Marks: 50

Read the following case study and answer the questions that follow in a report format.

Longhaul Carriers, owned by Jimmy Mavela, is a transport company that transports goods daily from Durban harbour to Johannesburg City. He started operating on 1 March 2018 with one truck, but later expanded and bought more trucks. He now owns three heavy-duty trucks and employs three drivers who work either day or night shifts. Jimmy's business is doing very well but he is concerned that not all of the trucks are profitable.

Consider the following information from his fixed asset register when you answer the questions.

FIXED ASSET REGISTER OF LONGHAUL CARRIERS				Truck 1
Description: Layland				
Date of purchase: 1 March 2018				
Purchased from: Maxim Heavy-Duty Trucks				
Cost: R180 000				
Depreciation: 20% on cost				
Date	Depreciation	Accumulated depreciation	Carrying value	
28 February 2019	R36 000	R36 000	R144 000	
29 February 2020	36 000	72 000	108 000	
28 February 2021	36 000	108 000	72 000	
28 February 2022	36 000	144 000	36 000	

FIXED ASSET REGISTER OF LONGHAUL CARRIERS				Truck 2
Description: Bedford				
Date of purchase: 1 September 2018				
Purchased from: Fordright Motors				
Cost: R220 000				
Depreciation: 20% on cost				
Date	Depreciation	Accumulated depreciation	Carrying value	
28 February 2019	R22 000	R22 000	R198 000	
29 February 2020	44 000	66 000	154 000	
28 February 2021	44 000	110 000	110 000	
28 February 2022	44 000	154 000	66 000	

TANGIBLE ASSET REGISTER OF LONGHAUL CARRIERS			Truck 3
Description: Scania			
Date of purchase: 1 July 2020			
Purchased from: Benzhigh Trucking			
Cost: R300 000			
Depreciation: 20% on cost			
Date	Depreciation	Accumulated depreciation	Carrying value
28 February 2021	R40 000	R40 000	R260 000
28 February 2022	60 000	100 000	200 000

Additional information

	Truck 1	Truck 2	Truck 3
Name of driver	Sibusizwe	Mike	Xholani
Average number of round trips made per week	4	7	6
Average number of hours each round trip takes	15	10	13
Drivers remuneration per round trip	R500	R450	R550
Income earned per round trip	R3 500	R4 250	R3 150
Average fuel and maintenance costs per round trip	R1 000	R1 650	R1 300
Fuel and maintenance costs per kilometre	R1,67	R2,75	R2,17

- The drivers carry a full load of goods to Johannesburg but return empty to Durban. Are the drivers receiving a fair remuneration (wage) for work done? Motivate by using calculations.

	Truck 1	Truck 2	Truck 3
Name of Driver	Sibusizwe	Mike	Xholani
Remuneration x numbers of trips			
Total remunerations			
Rate per hour			

2. Is Jimmy being fair towards his drivers with regards to number of hours worked and are they receiving a fair remuneration? Motivate by using calculations.

(Find out what the required number of hours is as laid down by the Department of Labour in the Basic Conditions of Employment Act.)

	Truck 1	Truck 2	Truck 3
Name of Driver	Sibusizwe	Mike	Xholani
Average number of round trips made per week			
Average number of hours each round trip takes			
Number of hours per week			

3. What can Jimmy do to maximise the earning potential on each trip?

4. Consider the information above. Jimmy wants to know which truck is least profitable. Compile a report on the three trucks, quoting amounts in your report. Advise Jimmy as to which truck is least profitable and make recommendations on how to improve this.

Truck 1:

Truck 2:

Truck 3:

5. What advice would you give Jimmy so that he can maintain effective control over his trucks in the future?