

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 |

1. 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?