Name

QUESTION 6: BUDGETING **(30 marks; 20 minutes)**

You are provided with information relating to Cimpiwe Clothing Shop.

REQUIRED:

6.1 **Refer to Information A.**

Identify TWO items in the Cash Budget that will not appear in a Projected Income Statement. (2)

6.2 Calculate the missing amounts indicated by **(i)** to **(iii)** in the Cash Budget for June and July 2019. (7)

6.3 Calculate the total purchases for April 2019. (2)

6.4 Complete the Debtors' Collection Schedule for July 2019. (8)

6.5 **Refer to Information F.**

6.5.1 Comment on the following:

- Effect of the advertising on sales (3)
- Payment to creditors (2)

6.5.2 Sales strategy:

- Identify TWO strategies (except advertising) that the business used to achieve sales targets for May 2019. Quote figures. (4)
- Explain whether these were good strategies, or not. Provide ONE point with figures. (2)

INFORMATION:

A. Extract from the Cash Budget

	JUNE 2019	JULY 2019
CASH RECEIPTS		
Cash sales	186 000	285 000
Cash from debtors	533 430	?
Rent income	**(i)**	9 180
Interest on fixed deposit	1 800	2 200
CASH PAYMENTS		
Salaries and wages	73 400	73 400
Fixed deposit: Protea Bank	0	**(ii)**
Cash purchases of trading stock	?	**(iii)**
Payment to creditors	192 000	?
Insurance	3 250	3 250
Drawings	21 600	21 600
Sundry expenses	96 360	98 700

LIVEWORKSHEETS

B. Cash sales are 25% of total sales.

Collections from debtors:

- 30% in the month of sales less 5% discount
- 65% in the following month
- Provision is made for 5% bad debts.

C. Budgeted purchases of trading stock:

April	?
May	R484 000
June	R496 000
July	R760 000

- 40% of trading stock is bought on credit.
- Creditors are paid two months after the transaction month.

D. Rent increased by 8% in July 2019.

E. The business has a fixed deposit of R360 000. An additional amount is budgeted to be invested on 1 July 2019. Interest (not capitalised) at 6% p.a. is receivable at the end of each month.

F. Cimpiwe is concerned about the following items for May 2019:

	BUDGETED (R)	ACTUAL (R)	VARIANCE (R)
Cash sales	172 000	140 000	– 32 000
Credit sales	516 000	552 000	+ 36 000
Collection from debtors	475 000	380 000	– 95 000
Advertising	36 000	64 800	+ 28 800
Payments to creditors	180 000	105 000	– 75 000
Delivery expenses	0	19 000	– 19 000
Packing materials	3 000	2 500	– 500

LIVEWORKSHEETS

QUESTION 6

6.1 Identify **TWO** items in the Cash Budget that will not appear in a Projected Income Statement.

6.2 (i) Calculate: Rent income, June 2019

Workings	Answer

(ii) Calculate: Fixed deposit: Protea Bank, July 2019

Workings	Answer

(iii) Calculate: Cash purchases of trading stock, July 2019

Workings	Answer

LIVEWORKSHEETS

6.3 Calculate the total purchases for April 2019.

Workings	Answer

6.4 **DEBTORS' COLLECTION SCHEDULE**

	CREDIT SALES	JUNE	JULY
MAY	576 000	374 400	
JUNE		159 030	
JULY	855 000		
TOTAL		533 430	

6.5.1 Comment on the following (provide figures):

Effect of the advertising on sales
Payment to creditors

LIVEWORKSHEETS

6.5.2	Identify TWO strategies (except advertising) that the business used to achieve sales targets for May 2019. Quote figures.
	Explain whether these were good strategies, or not. Provide ONE point with figures.

LIVEWORKSHEETS