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Department:  
Basic Education  
**REPUBLIC OF SOUTH AFRICA**

## **NATIONAL SENIOR CERTIFICATE**

**GRADE 12**

**ACCOUNTING**

**FEBRUARY/MARCH 2016**

**MARKS: 300**

**TIME: 3 hours**

**This question paper consists of 20 pages and a 16-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 earn part-marks.
4. You may use a non-programmable calculator.
5. You may use a dark pencil or blue/black ink to answer the questions.
6. Where applicable, show all calculations to ONE decimal point.
7. Write neatly and legibly.

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

<b>QUESTION 1: 30 marks; 15 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Creditors' Reconciliation and Internal Control	<b>Financial accounting</b> Reconciling a Creditors' Account to a statement <b>Managing resources</b> Internal control and internal audit

<b>QUESTION 2: 50 marks; 25 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Manufacturing	<b>Managerial accounting</b> Production Cost Statement Break-even point <b>Managing resources</b> Ethical behaviour

<b>QUESTION 3: 40 marks; 25 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
VAT and Inventory Valuation	<b>Financial accounting</b> VAT concepts and calculations <b>Managing resources</b> Specific identification and weighted average methods

<b>QUESTION 4: 65 marks; 40 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Income Statement, Note to the Balance Sheet and Audit Report	<b>Financial accounting</b> GAAP principles Income Statement Trade and other receivables Audit report

<b>QUESTION 5: 65 marks; 40 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Cash Flow Statement, Analysis and Interpretation of Financial Statements	<b>Financial accounting</b> Cash Flow Statement Analysis and interpretation of financial information Notes to the Balance Sheet <b>Managing resources</b> Asset disposal

<b>QUESTION 6: 50 marks; 35 minutes</b>	
<b>Topic of the question:</b>	<b>This question integrates:</b>
Budgets	<b>Managerial accounting</b> Analyse and interpret a Cash Budget <b>Managing resources</b> Internal control and internal audit

**QUESTION 1: CREDITORS' RECONCILIATION AND INTERNAL CONTROL**  
**(30 marks; 15 minutes)**

Machu Traders buys goods on credit from Pikor Suppliers. The business received a statement for April 2015 from the creditor.

**REQUIRED:**

- 1.1 Explain how the Creditors' Reconciliation Statement can assist the business in terms of their internal control measures. State TWO points. (4)
- 1.2 Calculate the correct balance of Pikor Suppliers in the Creditors' Ledger Account of Machu Traders. Show the changes to the figure R116 400. (12)
- 1.3 Prepare a Creditors' Reconciliation Statement for Pikor Suppliers on 30 April 2015. (10)
- 1.4 The owner of Machu Traders is not completely satisfied with the service and quality of goods received from Pikor Suppliers. Suggest TWO factors he should consider before changing suppliers. (4)

**INFORMATION:**

**A. Creditors' Ledger of Machu Traders**

PIKOR SUPPLIERS (CL4)					
Date			Debit	Credit	Balance
2015 April	01	Balance			44 220
	08	Invoice 153		54 000	98 220
	10	Cheque 1449	22 500		75 720
	12	Debit note 746	5 760		69 960
	15	Invoice 111		27 300	97 260
	17	Invoice 214		91 500	188 760
	21	Invoice 273		20 250	209 010
	24	Debit note 966		5 400	214 410
	27	Journal voucher 490	3 600		210 810
	31	Cheque 2346	93 000		117 810
		Discount	1 410		116 400

**B. Statement received on 30 April 2015:**

<b>PIKOR SUPPLIERS</b> <b>PO Box 249, Sabie, 8234. Tel: 013 748 0703</b>					
<b>Machu Traders</b> <b>PO Box 313</b> <b>Graskop, 8250</b>			<b>Date: 25 April 2015</b> <b>Credit limit: R100 000</b> <b>Payment terms: 50 days</b> <b>Interest on overdue accounts: 6%</b>		
DATE			DEBIT	CREDIT	AMOUNT
2015 April	01	Account rendered			44 220
	05	Interest	780		45 000
	08	Invoice 153	54 000		99 000
	10	Receipt 491		22 500	76 500
		Discount		480	76 020
	12	Credit note 511		6 570	69 450
	17	Invoice 214	91 500		160 950
	19	Receipt 654		84 000	76 950
	21	Invoice 273	50 250		127 200
	24	Credit note 632		5 400	121 800

**C. Additional Information:**

1. The discount of R480 received from Pikor Suppliers on 10 April 2015 was omitted erroneously in the books of Machu Traders.
2. Invoice 111 was reflected erroneously in the account of Pikor Suppliers in the Creditors' Ledger of Machu Traders. It refers to merchandise purchased from another supplier, Lethu Suppliers.
3. Pikor Suppliers made an error in the recording of invoice 273 on the statement.
4. Goods returned on 12 April 2015 were recorded correctly in the statement from Pikor Suppliers. The entry in the books of Machu Traders is incorrect.
5. Receipt 654 was shown erroneously in the statement from Pikor Suppliers. This transaction does not relate to Machu Traders and will be rectified on the next statement.
6. Pikor Suppliers also purchases goods on credit from Machu Traders. Refer to Journal Voucher 490. Machu Traders has transferred a debit balance from the Debtors' Ledger. This entry has not been recorded by Pikor Suppliers.
7. The transaction on 24 April 2015 is in respect of merchandise returned to Pikor Suppliers.
8. The statement shows transactions up to 25 April 2015.

**QUESTION 2: MANUFACTURING****(50 marks; 25 minutes)****2.1 CONCEPTS**

Indicate whether the following statements are TRUE or FALSE. Write only 'true' or 'false' next to the question number (2.1.1–2.1.3) in the ANSWER BOOK.

- 2.1.1 Commission on sales will be classified as an administration cost. (1)
- 2.1.2 Advertising is part of factory overhead costs. (1)
- 2.1.3 Carriage on raw materials purchased increases the cost of raw materials issued for production. (1)

**2.2 STAR WHEELS MANUFACTURERS**

You are provided with information relating to Star Wheels Manufacturers for the year ended 31 December 2015. The business manufactures one type of bicycle.

**REQUIRED:**

- 2.2.1 Prepare the following notes to the Production Cost Statement:
- Direct labour cost (9)
  - Factory overhead cost (13)
- 2.2.2 Prepare the Production Cost Statement. (10)

**INFORMATION:****A. Stock balances:**

	<b>31 December 2015</b>	<b>1 January 2015</b>
Raw materials stock		
Work-in-process stock	?	R160 000
Finished goods stock	R95 000	R110 000
Indirect factory materials	R15 100	R13 200

**B. Employees in the production process:**

Number of employees	14 employees
Basic <b>monthly</b> salary of each employee	R7 000
Total overtime hours <b>per employee</b> for the year	144 hours
Overtime rate per hour	R65

**Employment benefits:**

- All employees in the production process work the same number of overtime hours.
- UIF deductions from the basic salary are 1%. The employer contributes an additional 1% of the **basic** salary to UIF.

- C. The factory foreman is entitled to an annual salary of R156 000 (including UIF and pension benefits).
- D. Accounts appearing in the General Ledger on 31 December 2015:

Water and electricity	R104 000
Rent expense	R115 200
Insurance	R71 400

- 10% of the water and electricity was used by the administration office. The factory used the rest.
- Rent is divided between the different sections according to floor space:

	<b>Total</b>	<b>Factory</b>	<b>Administration</b>	<b>Sales</b>
Floor space	1 500 m <sup>2</sup>	600 m <sup>2</sup>	400 m <sup>2</sup>	500 m <sup>2</sup>

- Insurance of R2 800 is still outstanding for December 2015. Insurance is divided in a ratio of 3 : 2 : 2 between the factory, administration and sales departments.
- E. Indirect materials of R38 400 were bought for the factory during the financial year.
- F. The following figures were calculated for the financial year:
- Depreciation on factory equipment, R277 220
  - Direct (raw) materials issued for manufacturing, R2 100 000
- G. Details from the Income Statement for the year:

Sales of finished goods	R6 200 000
Cost of sales of finished goods	R4 015 000

**2.3 NUTRITIOUS EATS**

This business produces and sells one type of breakfast cereal. The sole owner is Craig Manning. The financial year-end is 31 October.

**REQUIRED:**

- 2.3.1 Calculate the break-even point for the year ended 31 October 2015. (4)
- 2.3.2 Should the business be satisfied with the number of units that they produced and sold during the current financial year? Explain. Quote figures. (3)
- 2.3.3 Give TWO possible reasons for the increase in the direct material cost per unit in the current financial year. (4)
- 2.3.4 Craig suggests that, in order to improve financial results in the new financial year, the quantity of cereal per box must be reduced by 10% and the selling price must remain the same. Give TWO valid reasons why he should not do this. (4)

**INFORMATION:**

The following information was taken from the accounting records:

	31 October 2015		31 October 2014	
	Total	Per unit	Total	Per unit
Sales	R1 792 000	R28,00	R1 794 000	R23,00
Variable costs	R1 024 000	R16,00	R975 000	R12,50
Fixed costs	R736 000	R11,50	R630 000	R8,08
Direct material cost	R656 000	R10,25	R592 800	R7,60
Break-even point	?		60 000 units	
Number of units produced and sold	64 000 units		78 000 units	

**QUESTION 3: VAT AND INVENTORY VALUATION****(40 marks; 25 minutes)****3.1 VAT CONCEPTS**

Change the underlined parts in the following sentences to make the statements TRUE. Write the answer next to the question number (3.1.1–3.1.3) in the ANSWER BOOK.

3.1.1 Input VAT is VAT charged to customers. (1)

3.1.2 VAT is payable to the South African Reserve Bank. (1)

3.1.3 VAT is charged at 14% on fruits and vegetables. (1)

**3.2 VAT CALCULATIONS**

Wandile Traders is a VAT registered business. The standard rate of VAT is 14%.

**REQUIRED:**

Calculate the correct amount of VAT the business has to pay. Show ALL workings. (12)

**INFORMATION:**

The bookkeeper, Felix, prepared the VAT Control Account for the tax period ended 31 May 2015 and arrived at a VAT payable amount of **R43 820**.

However, the internal auditor has identified the following errors and omissions which must still be brought into account to calculate the correct VAT payable amount:

<b>A.</b>	Sales invoices omitted from the Debtors' Journal, including VAT	R10 830
<b>B.</b>	Damaged goods returned to suppliers, excluding VAT	18 600
<b>C.</b>	VAT on sundry business expenses omitted	6 818
<b>D.</b>	VAT on discounts received from suppliers	756
<b>E.</b>	VAT on bad debts recovered	112
<b>F.</b>	VAT on bad debts was recorded on the wrong side of the VAT Control Account	92

### 3.3 INVENTORY VALUATION

Bamjee Stores sells two types of men's watches:

- Johx, imported from Germany
- Kwatz, locally manufactured

The financial year ended on 31 August 2015.

#### REQUIRED:

3.3.1 Calculate the following in respect of Johx watches on 31 August 2015:

- (a) Closing stock (5)
- (b) Cost of sales (4)
- (c) Average stock-holding period (in days) (4)

3.3.2 Calculate the following values (in rands) in respect of Kwatz watches on 31 August 2015:

- (a) Closing stock (7)
- (b) Sales (3)

3.3.3 Explain why the business uses different methods to value each type of watch. State ONE valid point. (2)

#### INFORMATION:

- A.**
- The business uses the following methods to value the stock of watches:
    - Johx – specific identification
    - Kwatz – weighted average
  - No watches were stolen or lost during the financial year.
- B.** Information relating to Johx watches:

	UNITS	UNIT PRICE	TOTAL AMOUNT	UNITS SOLD	TOTAL SALES
Opening stock	12	R6 500	R78 000	11	R125 125
Purchases:	<b>35</b>		<b>R252 000</b>		
September 2014	15	R6 800	R102 000	10	R119 000
January 2015	12	R7 300	R87 600	10	R127 750
April 2015	8	R7 800	R62 400	5	R68 250
	<b>47</b>		<b>R330 000</b>	<b>36</b>	<b>R440 125</b>

- The cost price of Johx watches includes transport costs and customs duties.
- These watches are sold at a mark-up of 75% on cost.

**C.** Information relating to Kwatz watches:

	UNITS	UNIT PRICE	TOTAL AMOUNT
Opening stock	95	R340	R32 300
Purchases:	<b>675</b>		<b>R259 900</b>
September 2014	320	R375	R120 000
January 2015	210	R390	R81 900
April 2015	145	R400	R58 000

- Kwatz watches are sold at a fixed selling price of R520 each.
- Cost to transport Kwatz watches from local suppliers amounted to R11 950 for the financial year and is not included in the figures above.
- There were 92 Kwatz watches in stock on 31 August 2015.

**QUESTION 4: INCOME STATEMENT, NOTE TO THE BALANCE SHEET AND  
AUDIT REPORT**  
**(65 marks; 40 minutes)**

You are provided with information relating to Musica Limited for the year ended 31 December 2015.

**REQUIRED:**

- 4.1 Prepare the Income Statement. (50)
- 4.2 Prepare the Note to the Balance Sheet for Trade and Other Receivables. (10)

**INFORMATION:**

**Extract from Pre-adjustment Trial Balance on 31 December 2015:**

<b>Balance Sheet Accounts Section</b>	<b>Debit</b>	<b>Credit</b>
Ordinary share capital		3 000 000
Retained income (1 January 2015)		628 000
Loan from Paris Bank		540 800
Debtors' control	125 000	
Creditors' control		96 200
Provision for bad debts		7 150
Trading stock	376 000	
SARS: Income tax	315 000	
<b>Nominal Accounts Section</b>		
Sales		8 412 000
Cost of sales	4 595 000	
Debtors' allowances	112 000	
Sundry expenses	257 400	
Bank charges	41 905	
Audit fees	75 600	
Packing materials	15 400	
Repairs and maintenance	107 500	
Commission income		64 140
Directors' fees	736 000	
Salaries and wages	1 020 000	
Employer's contributions	156 000	
Interest on current bank account		3 000
Bad debts	17 600	
Rent income		87 720
Dividends on ordinary shares	360 000	

**Adjustments and additional information:**

- A.** Provide for R278 200 depreciation for the financial year.
- B.** On 27 December 2015 P Maine, a debtor, returned merchandise. A credit note for R1 600 was issued to her. (The cost price was R900.) No entries were made for the return of the merchandise. These items were returned to stock.
- C.** The insolvent estate of a debtor, J Jabaroo, paid out 45 cents in the rand and made a direct deposit of R2 025 on 31 December 2015. The outstanding balance must be written off. No entries were made to record the direct deposit and the amount written off.
- D.** The provision for bad debts must be increased to R8 000.
- E.** The stock count on 31 December 2015 revealed:
- Trading stock R369 100
  - Packing material R2 400
- F.** The company has two directors. Each director receives the same monthly remuneration. One of the directors did not receive his directors' fee for December 2015.
- G.** Interest on the loan from Paris Bank has not been entered yet. Interest is capitalised. The loan statement received from Paris Bank reflected the following:

Balance on 1 January 2015	R601 600
Repayments made during the year	R100 800
Balance on 31 December 2015	R540 800

- H.** There was no change in the monthly rent during the financial year. The tenant paid R6 000 for repairs to the premises. As Musica Limited is responsible for all repairs, the tenant deducted this amount from the rent, which he paid for November 2015. The repairs have not been recorded, and the rent for December 2015 has not been received yet.
- I.** An employee was left out of the Salaries Journal. His details are:

Net salary	R12 150
Deductions	R6 350
Employer's contributions	R5 050

- J.** Income tax for the year was correctly calculated at R300 300.

### 4.3 AUDIT REPORT

You are provided with an extract from the independent audit report of Sumba Ltd.

**EXTRACT FROM THE AUDIT REPORT OF SUMBA LTD.**

We found that internal control procedures were not adhered to and documentation did not exist for a significant portion of the transactions tested.

Because of the significance of the matter described in the previous paragraph, we have not been able to obtain sufficient audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements for the year ended 28 February 2014.

**REQUIRED:**

- 4.3.1 The audit report is an example of a/an (qualified/unqualified/disclaimer of opinion) audit report. (1)
- 4.3.2 Who is the audit report addressed to? Give a reason for your answer. (2)
- 4.3.3 Explain why it is likely that this audit report will have a negative effect on the value of the shares of this company on the JSE. (2)

**QUESTION 5: CASH FLOW STATEMENT, ANALYSIS AND INTERPRETATION  
OF FINANCIAL STATEMENTS (65 marks; 40 minutes)**

You are provided with information for the financial year ended 28 February 2016, taken from the books of Chuta Ltd, a listed public company.

- 5.1 **Refer to Information C.**  
Prepare the Asset Disposal Account in respect of equipment sold on 31 August 2015. (9)
- 5.2 **Refer to Information C.**  
Calculate the amounts indicated by (a) to (c). (12)
- 5.3 Calculate the following figures which will appear in the Cash Flow Statement for the year ended 28 February 2016: (Show ALL workings.)
- 5.3.1 Income tax paid (5)
- 5.3.2 Net change in cash and cash equivalents (4)
- 5.4 Prepare the section of the cash effects on financing activities of the Cash Flow Statement for the year ended 28 February 2016. (7)
- 5.5 Calculate the following financial indicators for the financial year ended 28 February 2016: (Round off your calculation to ONE decimal point or the nearest cent, where applicable.)
- 5.5.1 Net asset value per share (3)
- 5.5.2 Return on average shareholders' equity (5)
- 5.5.3 Debt-equity ratio (3)
- 5.6 **Refer to Information F.**
- 5.6.1 The directors are not satisfied with the liquidity position. Quote and explain THREE relevant financial indicators (with figures) to support this statement. (6)
- 5.6.2 The directors decided to increase the loan during the current financial year. Explain why this was a good decision. Quote and explain TWO financial indicators (with figures) in your answer. (8)
- 5.6.3 The directors were pleased with the price that the company paid to buy back the 40 000 shares. Give a suitable reason why the directors felt that way. Quote relevant financial indicators (with figures) to support your answer. (3)

**INFORMATION:****A. Extract from the Income Statement for the year ended 28 February 2016:**

Sales	R2 800 000
Net profit before tax	1 240 000
Income tax	?
Net profit after tax	892 800

**B. Extract from the Balance Sheet on 28 February 2016:**

	2016	2015
<b>Fixed assets (carrying value)</b>	?	?
<b>Fixed deposit: FS Bank</b>	<b>1 450 000</b>	<b>1 200 000</b>
<b>Current assets</b>	<b>1 944 280</b>	<b>1 010 000</b>
Inventory	975 700	345 000
Debtors and other receivables	419 000	629 600
SARS (Income tax)	0	17 400
Cash and cash equivalents	549 580	18 000
<b>Shareholders' equity</b>	<b>5 950 800</b>	<b>4 345 000</b>
Share capital	5 402 000	4 200 000
Retained income	548 800	145 000
<b>Mortgage loan: TKO Bank</b>	<b>1 950 000</b>	<b>400 000</b>
<b>Current liabilities</b>	<b>587 200</b>	<b>555 000</b>
Creditors and other payables	437 800	165 000
Accrued expenses	8 700	5 000
SARS (Income tax)	35 700	0
Shareholders for dividends	105 000	275 000
Bank overdraft	0	110 000

**C. Fixed Assets**

(i)		<b>Land and Buildings</b>	<b>Vehicles</b>	<b>Equipment</b>
	<b>Carrying value at the beginning of the year</b>	2 000 000		<b>(b)</b>
	Cost	2 000 000		900 000
	Accumulated depreciation	0		(470 000)
	<b>Movements:</b>			
	Additions	<b>(a)</b>		150 000
	Disposals	0		
	Depreciation	0		<b>(c)</b>
	<b>Carrying value at the end of the year</b>	3 900 000		
	Cost	3 900 000		930 000
	Accumulated depreciation	0		

**(ii) Equipment**

- An old printer, bought for R120 000, was sold for cash on 31 August 2015 at carrying value. Accumulated depreciation on this printer was R38 400 on 1 March 2015.
- A new printer was bought for R150 000 on 1 September 2015.
- Depreciation on equipment is written off at 20% p.a. according to the diminishing-balance method.

**D. Share Capital**

- Authorised share capital is 3 000 000 ordinary shares.
- In 2012, 1 200 000 ordinary shares had been issued at R3,50 per share.
- On 1 November 2015, 300 000 ordinary shares were issued at R4,50 each.
- On 28 February 2016, 40 000 shares were repurchased at R0,60 more than the average price per share.

**E. Dividends**

The directors declared a final dividend of 7 cents per share. The shares bought back on 28 February 2016 also qualify for the final dividends.

**F. Financial Indicators on 28 February:**

	<b>2016</b>	<b>2015</b>
Net profit after tax on sales	31,9%	24,5%
Current ratio	3,3 : 1	1,8 : 1
Debtors' collection period	36 days	28 days
Creditors' payment period	45 days	80 days
Acid-test ratio	1,7 : 1	1,2 : 1
Rate of stock turnover	3 times	5 times
Return on shareholders' equity	?	17,5%
Return on total capital employed	24,2%	21,2%
Debt-equity ratio	?	0,09 : 1
Interest rate on loans	10,5%	10,5%
Net asset value per share	?	362 cents
Market value per share	505 cents	480 cents

**QUESTION 6: BUDGETS****(50 marks; 35 minutes)****6.1 KOBUS HARDWARE**

You are provided with information relating to Kobus Hardware, owned by Kobus Groenewald.

**REQUIRED:**

- 6.1.1 Calculate the missing amounts indicated by **(a)** to **(e)** in the Cash Budget for March and April 2016. (17)
- 6.1.2 Complete the Debtors' Collection Schedule for April 2016. (8)
- 6.1.3 Calculate the percentage increase in sundry expenses. (4)
- 6.1.4 The Cash Budget for March and April 2016 indicates that this business will face serious financial difficulties. Identify TWO items to support this statement. Quote relevant figures. (4)
- 6.1.5 **Refer to Information K.**  
Explain why each of the items reflects a problem for the business. State TWO points in EACH case. (4 x 2) (8)

**INFORMATION**

<b>A.</b>	<b>An extract from the Cash Budget</b>		<b>MARCH 2016</b>	<b>APRIL 2016</b>
	<b>CASH RECEIPTS</b>			
	Cash sales		<b>(a)</b>	237 600
	Cash from debtors		144 400	?
	Rent income		3 000	<b>(c)</b>
	Loan: Bull Bank		-	180 000
	Commission income		26 600	28 000
	<b>CASH PAYMENTS</b>			
	Cash purchases of trading stock		<b>(b)</b>	257 500
	Payments to creditors for stock		32 350	28 250
	Salaries and wages		61 240	61 240
	Loan instalment		-	<b>(d)</b>
	Interest on loan		-	<b>(e)</b>
	Insurance		2 260	2 260
	Drawings		18 000	18 000
	Delivery expenses		30 000	30 000
	Sundry expenses		87 600	89 790
	<b>Cash surplus/(deficit)</b>			
	Bank: Opening balance			
	Bank: Closing balance		(75 300)	(44 900)

- B.** The business has only one supplier. Commission of 7% of total sales is receivable in the month following the sales.
- C.** Cash sales amount to 60% of total sales.
- D.** Total sales for February 2016 were R380 000.
- E.** 10% of the trading stock is bought on credit. Creditors are paid in full in the month following the month of purchase.
- F.** Collection from debtors:
- 45% settle accounts in the month of sales and receive 5% discount.
  - 50% settle accounts in the following month.
  - Provision is made for 5% bad debts.
- G.** A tenant rented a storage room in our building. He moved in on 15 March 2016 and was required to pay only half the rent amount. He was informed that rent increases by 5,5% on 1 April each year.
- H.** Sundry expenses are expected to increase by a fixed percentage each month.
- I.** The loan, at 10,5% p.a. interest, will be taken out on 1 April 2016.
- The loan will be repaid in 24 equal monthly instalments commencing on 30 April 2016.
  - Interest on the loan is also payable at the end of each month commencing on 30 April 2016. Interest is not capitalised.
- J.** The bank has granted Kobus an overdraft facility of R40 000.
- K.** Kobus is concerned about the following items, which were under/over budget for February 2016:

Item	Budgeted	Actual	Under/over budget
Collection from debtors	174 200	61 800	Under
Payments to creditors	39 400	15 600	Under
Insurance	2 260	0	Under
Drawings	18 000	52 000	Over

**6.2 MANAGEMENT OF FIXED ASSETS**

You are the internal auditor for Kobus Hardware. Kobus is concerned that he is spending too much on delivering goods to customers. He has provided you with figures for a typical month, February 2016.

**REQUIRED:**

Identify ONE problem regarding each vehicle/driver. Quote figures to support your answers. Give Kobus ONE point of advice for EACH problem identified.

(9)

**INFORMATION:**

- A.** Kobus has three delivery vehicles and employs three drivers to transport goods to his customers free of charge. The drivers are expected to work five days per week. There are four weeks in February.
- B.** Some customers live close by while others live further away. None of the customers live more than 20 km from the shop (i.e. maximum 40 km round trip).
- C.** Information from the accounting records for February 2016:

	<b>Vehicle 1</b>	<b>Vehicle 2</b>	<b>Vehicle 3</b>
Name of driver	Leroy	Fred	Bheki
Date of purchase	1 Mar. 2014	2 Feb. 2012	1 May 2007
Carrying value	R270 000	R102 000	R1
Number of days driver worked	12	20	20
Salary of driver per month	R8 000	R5 000	R5 000
Number of deliveries made	48	80	120
Average number of trips per day	4	4	6
Kilometres travelled	1 300	4 600	3 000
Average number of kilometres per trip	27	58	25
Petrol (litres) used	59	209	214
Kilometres per litre	22	22	14
Petrol costs (R11,31 per litre)	R668	R2 365	R2 424
Petrol costs per km	R0,51	R0,51	R0,81

50

**TOTAL: 300**