



# ACCOUNTING

SCHOOL-BASED  
ASSESSMENT  
EXEMPLARS – CAPS

GRADE 12

LEARNER GUIDE



**basic education**

Department:  
Basic Education  
REPUBLIC OF SOUTH AFRICA





**ACCOUNTING**

**SCHOOL-BASED ASSESSMENT  
EXEMPLARS – CAPS**

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## INTRODUCTION: NOTE TO ALL GRADE 12 ACCOUNTING LEARNERS

You are provided with a book containing four assessment tasks. These are intended to assist you in your Grade 12 studies of Accounting and in preparing you for the National Senior Certificate (NSC) examinations in Accounting.

The tasks reflect:

- Selected Grade 12 Accounting topics, namely subject content and knowledge
- The various thinking skills (cognitive levels) that questions demand, namely remembering, understanding, applying, analysing, evaluating and creating and creative problem-solving
- The various degrees of challenge that can be found in all Accounting tasks, namely easy, medium and difficult

You should be aware that the final Grade 12 mark is calculated from the year-end NSC examination that you will write (out of 300 marks) plus school-based assessment (out of 100 marks). The curriculum stipulates the following SEVEN formal tasks that comprise school-based assessment in Accounting:

### SCHOOL-BASED ASSESSMENT TASKS: NCS AND CAPS

Term	Details	Marks	Converted to:
1 <sup>st</sup> term	Report	50 marks	10 marks
	Test	100 marks	20 marks
2 <sup>nd</sup> term	Project	50 marks	20 marks
	Mid-year examination	300 marks	20 marks
3 <sup>rd</sup> term	Case study	50 marks	10 marks
	Trial examination	300 marks	20 marks
			<b>100 marks</b>

The tasks provided in this BOOK are examples of:

- A first term report (Companies and internal control)
- A second term test (Income statement and balance sheet) #
- A second term project (Published financial statements of a company)
- A third term case study (Cash budget)

Your teacher will provide you with a 1<sup>st</sup> term test, 2<sup>nd</sup> term examination and 3<sup>rd</sup> term trial examination, as well as other formative class tasks to assist you in your development of Accounting subject knowledge. You are also advised to use past NSC examination papers to obtain valuable practice in all topics relevant to your curriculum, but please refer to your teacher for changes that need to be made to the past papers (with regard to shares of companies) if you are writing the NSC papers in 2014 or later.

**NOTE TO TEACHERS:** This task is relevant to Grade 12 learners from 2014 (i.e. relevant to CAPS). This task comprises two parts. You may adapt the material to take the needs of your class group into account. For example, you may require them to do Part A on their own and Part B in class. Or you may require the class to do only Part B as a formal report and undertake Part A as an extension task in class on a weekly basis. If you choose to adapt the material in any way, you should ensure that the task comprises 50 marks as per CAPS.

**ACCOUNTING GRADE 12: TASK A**

**FIRST TERM ASSESSMENT TASK**

**REPORT ON COMPANIES**

**QUESTION PAPER**

**50 marks**

**THIS TASK CONSISTS OF TWO PARTS:**

**PART A** Report on a public company listed on the JSE. (26)

**PART B** Internal auditor's report on procedures and internal controls in a public company (24)

**50**



**PART A Report on a public company listed on the JSE****26 marks**

For this task you will need to use the page in the Business Report in a morning newspaper which lists the public companies that are traded on the Johannesburg Securities Exchange (JSE). You will need access to this resource on a weekly basis for a period of 5 weeks.

A rich aunt has earmarked R200 000 of her funds for investment purposes. She wants to buy shares of a public company listed on the JSE. She requires your advice. Choose a company that is well-known to you from the share page to complete the following report.

**NOTE TO TEACHER:** Each learner must choose a different company.

**REQUIRED**

Prepare a one-page report on the company you have chosen.

**PREPARATION AND RESEARCH FOR YOUR REPORT**

- On the starting date of this task, calculate the maximum number of shares that your aunt can buy for R200 000 in the company that you have chosen. Ensure that she buys shares in lots of 100, that is, 100, 200, 300, etc. Also calculate how much cash she will have left on this date after the purchase of shares. She will place this in a savings account (ignore interest).
- For a period of five weeks, make a note of the share price on the same day each week. Calculate the value of her investment portfolio each week, that is, the value of the shares and the cash.
- Find out other interesting information about the company you have chosen, e.g. products sold or services provided, community service or sponsorship activities of the company, the size of the company, where it is situated, details of the directors or the CEO, the amount earned by the CEO, or any other news about the company or its history.

**THE REPORT MUST INCLUDE THE FOLLOWING:**

- Draw up a table and plot a graph of the company's share price.
- Draw up a table and plot a graph of the value of your aunt's investment portfolio in respect of the investment in the shares and the cash that she has on hand. Do not consider the interest she will earn on her savings account.
- Further interesting information on the company.
- Recommendation on further investment in this company, with reasons. (Should you aunt consider buying more shares in this company, or should she consider an alternative investment?)

**PART B Internal auditor's report on a public company****24 marks**

You have been appointed as the internal auditor of Exotic Clothing Ltd, a new public company which is about to be established. All stock will be bought on credit. They will sell for cash and they will allow customers to buy on credit. It is expected that there will be approximately 1 000 shareholders. The CEO has asked you to prepare a report on certain procedures that should be put in place in the company.

The company currently has four employees in the Accounting department. The CEO is thinking of appointing Tom to manage fixed assets, Maisy to control trading stock, Bheki to control debtors (accounts receivable) and Shamila to control cash resources.

**Your report should include:**

1. Procedures to establish the company
2. The records that should be kept on each shareholder, together with the reasons why these are necessary
3. The procedures that should be put in place to ensure that good internal control is exercised over:
  - Fixed assets
  - Trading stock
  - Accounts receivable (debtors)
  - Cash collected

**TOTAL**  
**50 marks**

## ACCOUNTING GRADE 12: TASK A

### FIRST TERM ASSESSMENT TASK:

#### REPORT ON COMPANIES

#### ANSWER BOOK

#### THIS TASK CONSISTS OF TWO PARTS:

**PART A** Report on a public company listed on the JSE.

**PART B** Internal auditor's report on procedures and internal controls in a public company.

<b>Name of learner</b>	
<b>School</b>	
<b>Class</b>	

	MAXIMUM	MARKS ACHIEVED
<b>Part A</b>	<b>26</b>	
<b>Part B</b>	<b>24</b>	
<b>TOTAL</b>	<b>50</b>	

**PART A: REPORT ON INVESTMENT PORTFOLIO OF \_\_\_\_\_**  
 (name of aunt)

1.

Name of company:	
Category on the share page	
Starting date of the investment in shares	
Share price on this date	
Number of shares purchased (in lots of 100)	
Total value of shares purchased	
Cash on hand	
Total value of investment portfolio	<b>R200 000</b>

4

2.

	Share price	Number of shares bought	Total value of shares	Cash on hand	Total value of investment
<b>Week 1</b>					
<b>Week 2</b>					
<b>Week 3</b>					
<b>Week 4</b>					
<b>Week 5</b>					

5

3. **Graph of share price each week:**

4

4. **Graph of value of investment portfolio each week:**

4

5. **Further information on the company:**

5

6. **Recommendation on further investment in this company, with reasons:**

4

26

**PART B**

**Internal auditor's report on procedures to be implemented for Exotic Clothing Ltd**

1. **Procedures to establish the company:**

4

2. **Records that should be kept on each shareholder, together with reasons:**

4

3. **Internal control procedures for fixed assets:**

4

4. Internal control procedures for trading stock:

4

5. Internal control procedures for accounts receivable (debtors):

4

6. Internal control procedures for cash collected:

4

24

Signed: \_\_\_\_\_ (Internal Auditor)

Date: \_\_\_\_\_

**IMPORTANT NOTE TO TEACHERS:** The test includes entries relating to the new CAPS curriculum to be implemented in 2014, with regard to shares of no par value and the repurchase of shares. The test was adapted from a previous Grade 12 paper (QUESTION 4 of the 2009 NSC backup paper).

**ACCOUNTING GRADE 12: TASK B**  
**2014 CAPS VERSION**  
**FIRST TERM TEST**  
**FINANCIAL STATEMENTS OF A COMPANY**  
**QUESTION PAPER**  
**100 marks; 60 minutes**

QP Task B

**FINANCIAL STATEMENTS OF A COMPANY****(100 marks; 60 minutes)**

You are provided with figures from the Pre-Adjustment Trial Balance of **Simphiwe Limited**. They buy and sell uniforms and also repair uniforms for their customers, for which they charge a fee. These fees are credited to the Fee Income Account in the General Ledger.

By the end of the previous financial year, 30 September 2011, the company had issued 400 000 ordinary shares. These shares were all issued at different times and at different issue prices. Many of the existing shareholders had also bought shares on the JSE at prices negotiated with the sellers of those shares. The company also issued 100 000 new shares on 1 March 2013.

**REQUIRED**

1. Refer to Information 10 below.

Calculate the profit or loss on the disposal of the computer. Show workings. You may prepare an Asset Disposal Account to identify the figure. (8)

2. Income Statement for the year ended 30 September 2012. (64)

3. The following notes to the financial statements:

3.1 Ordinary share capital (13)

3.2 Retained income (15)



**INFORMATION****SIMPHIWE LTD****PRE-ADJUSTMENT TRIAL BALANCE ON 30 SEPTEMBER 2012**

	<b>DEBIT</b>	<b>CREDIT</b>
<b>Balance Sheet Accounts Section</b>	<b>R</b>	<b>R</b>
Ordinary share capital (500 000 shares)		4 410 000
Retained income (1 October 2011)		812 650
Loan from Stay Bank		270 000
Land and buildings at cost	4 884 000	
Vehicles at cost	660 000	
Equipment at cost	570 000	
Accumulated depreciation on vehicles (1 Oct 2011)		123 000
Accumulated depreciation on equipment (1 Oct 2011)		111 000
Debtors' control	109 800	
Creditors' control		53 880
Trading stock	1 398 600	
Bank	940 500	
Petty cash	6 600	
SARS – Income tax	390 500	
Provision for bad debts		4 320

<b>Nominal Accounts Section</b>	<b>R</b>	<b>R</b>
Sales		8 160 000
Cost of sales	3 930 000	
Debtors' allowances	18 600	
Salaries and wages	486 000	
Discount allowed	2 710	
Fee income		314 250
Rent income		168 000
Insurance	33 000	
Sundry expenses	117 750	
Directors' fees	870 000	
Audit fees	161 100	
Consumable stores	75 600	
Interest income		7 500
Dividends on ordinary shares (interim)	264 000	

**ADJUSTMENTS AND ADDITIONAL INFORMATION**

- Prepaid expenses in respect of sundry expenses at the year-end, R9 600, have not been taken into account.
- On 30 September 2012, R1 700 was received from A Ethic, whose account had previously been written off as irrecoverable. The amount was entered in the Debtors' Control column in the Cash Journal.
- The provision for bad debts must be adjusted to R5 410.
- There were two directors at the beginning of the accounting period. Directors' fees have been paid for the first half of the accounting period. On 1 April 2012, a third director was appointed. All three directors earn the same monthly fee. Provide for the outstanding fees owed to the directors.
- Rent has been received for 14 months.
- The following credit note was left out of the Debtors' Allowances Journal for September in error. The mark-up on goods sold was 50% on cost.

SIMPHIWE LTD		CREDIT NOTE 4533	
		28 Sept 2012	
<b>Credit:</b> Supaclean Ltd			
PO Box 340, Westmead, 3610		<b>Unit price</b>	<b>Total</b>
48	Uniforms returned	R600	R28 800
	Reduction on fee charged for repair of uniforms		R 2 250
			R31 050

- The loan statement from Stay Bank showed the following:

Balance at beginning of financial year	R450 000
Repayments during the year	R234 000
Interest capitalised	R ?
Balance at end of financial year	R270 000

- A physical stock count on 30 September 2012 showed the following on hand:
  - Consumable stores on hand, R3 600
  - Stock of uniforms on hand, R1 440 000
- The depreciation rate on vehicles is 20% p.a. on the diminishing-balance method. A new vehicle was bought on 1 May 2012 for R165 000 and properly recorded.

10. Depreciation on equipment is calculated at 10% p.a. on cost price. Note that an item of equipment was taken over by one of the directors, Ivor Steele, on 30 June 2012 for personal use for R2 400 cash. The relevant page from the Fixed Assets Register is provided below. No entries have been made in respect of the disposal of this asset.

FIXED ASSETS REGISTER		Page 12	
Item: VYE Computer		Ledger Account: Equipment	
Date Purchased: 1 April 2006		Cost Price: R66 000	
Depreciation Policy: 10% p.a. on cost price			
Date	Depreciation calculations	Current depreciation	Accumulated depreciation
30 Sep 2009	$R66\ 000 \times 10\% \times 6/12$	R3 300	R3 300
30 Sep 2010	$R66\ 000 \times 10\% \times 12/12$	R6 600	R9 900
30 Sep 2011	$R66\ 000 \times 10\% \times 12/12$	R6 600	R16 500
30 June 2012	?	R ?	R ?

11. Income tax is levied at 30% of net income before tax.
12. Details of authorised and issued share capital:
- Authorised: 600 000 ordinary shares of no par value
  - Issued up to 30 September 2011: 400 000 ordinary shares
  - New issue on 1 April 2012: 100 000 shares at an issue price of R9,50 each. These shares did not qualify for interim dividends.
13. Dividends:
- Interim dividends paid on 31 March 2012, 66 cents per share
  - Final dividends declared on 30 September 2012, 82 cents per share
14. Repurchase of shares: The directors approved the repurchase of 70 000 shares from several shareholders at a repurchase price of R11,20 per share. A direct transfer of funds was made from the bank account to the shareholders on 30 September 2012, but has not yet been recorded. The shares repurchased qualify for final dividends during the current financial period.

**ACCOUNTING GRADE 12: TASK B**  
**2014 CAPS VERSION**  
**FIRST TERM TEST**  
**FINANCIAL STATEMENTS OF A COMPANY**  
**ANSWER BOOK**

<b>Name of learner</b>	
<b>School</b>	
<b>Class</b>	

	<b>MAXIMUM</b>	<b>MARKS ACHIEVED</b>
<b>Part 1</b>	<b>8</b>	
<b>Part 2</b>	<b>64</b>	
<b>Part 3.1</b>	<b>13</b>	
<b>Part 3.2</b>	<b>15</b>	
<b>TOTAL</b>	<b>100</b>	

1. Calculate the profit or loss on the disposal of the computer.

**WORKINGS:**

**ANSWER:**

8



3. NOTES TO THE FINANCIAL STATEMENTS

3.1

<b>ORDINARY SHARE CAPITAL</b>	
<b>Authorised:</b>	
<b>Issued:</b>	

13

3.2

<b>RETAINED INCOME</b>	
Balance at beginning of year	
Add:	
Less:	
Less:	
Balance at end of year	

15

100

**NOTE TO TEACHERS:** This task is relevant to Grade 12 learners from 2014 (i.e. relevant to CAPS). You may adapt the material to cater for more than 50 marks, but you should ensure that the final mark is converted to 50 marks as per CAPS. Teachers may allow learners to refer to textbooks in completing this task.

**ALSO REFER TO THE SOURCE MATERIAL FOR THIS TASK  
(PAGES 25-31)**

**ACCOUNTING GRADE 12: TASK C**

**SECOND TERM PROJECT  
PUBLISHED FINANCIAL STATEMENTS OF A COMPANY**

**QUESTION PAPER AND ANSWER BOOK  
(COMBINED)**

**50 marks; 90 minutes**

<b>Name of learner</b>	
<b>School</b>	
<b>Class</b>	

<b>MARKS ACHIEVED</b>
<b>50</b>

**FAMOUS BRANDS LIMITED**

**REQUIRED**

Study the information provided. Answer the questions which follow. As this task is intended as a project, you may use your textbook as a resource.

**You are also provided with the following financial indicators for the 2011 financial year:**

Current ratio = 1,4 : 1

Acid-test ratio = 1,1 : 1

Dividend pay-out rate = 64%

Debt-equity  
ratio = 0,2 : 1

Net asset value per  
share = R7,44

% return on shareholders' equity = 33,9%

EPS = 242 cents

DPS = 155 cents



1. General information

1.1 Refer to page 1 of the source material for the icons of the well-known brands that comprise Famous Brands Ltd. Name FOUR of these brands and describe the product or service in which each brand specialises.

	Brand	Description of speciality product or service
1.		
2.		
3.		
4.		

2

1.2 Give the names of the persons who fill the following positions: Chairman of the Board of Directors, Chief Executive Officer, Group Financial Director and Company Secretary. Briefly explain the work done by each of them.

Position	Name	Work done
Chairman		
CEO		
Group financial director		
Company secretary		

3

1.3 Who are the independent auditors of Famous Brands Limited, and how much were they paid for their services? Their report is not provided in this summary, but there is a reference to it in Note 3. Briefly explain what this audit report would contain.

Independent auditors	
Audit fees paid	
Details of audit report	

3

1.4 How many directors does the company have, how many of them are executive directors and how many of them are non-executive directors? Briefly explain the difference in the roles of these two types of director.

Number of directors	Total =	Executive =	Non-executive =
Difference in roles			

3

2. Why did the directors decide to show the graphs of the Earnings per Share and Total Revenue at the top of the page? Briefly explain what these graphs reflect about the company for the past five years.

2

3. Refer to the commentary by the directors, particularly the Overview and the Financial results. What did the directors say about the changing habits of their customers, and how did the directors respond to these changes?

Briefly explain the major challenges that the company has faced in the current financial year.

The Operational Review states that the company was involved in three main areas: Franchising, Manufacturing and Logistics. Explain what is meant by each of these activities, with specific reference to the work that the company does.

Franchising	
Manufacturing	
Logistics	

The company does not operate only in South Africa. Provide evidence from the information to prove this point.

6

4. Identify the following figures from the financial statements. Also state where you found each figure, i.e. in the Income Statement (IS), Balance Sheet (BS) or Cash Flow Statement (CFS).

	Where found IS, BS or CFS	Amount in rand
Gross profit		
Operating profit		
Net profit before tax		
Taxation expense		
Taxation paid		
Amount owed to SARS at year-end		
Dividends paid		
Expansion of fixed assets		
Replacement of fixed assets		
Fixed assets at year-end		
Repayment of loans		
Current portion of loans		
Long-term portion of loans		
Stock on hand		

4

5. Refer to Page 1 of the source material for the highlighted indicators. Provide workings for the following calculations:

% increase in revenue

% increase in operating profit

% increase in headline earnings per share (use basic HEPS)

% increase in dividends per share

4

6. Calculate the following financial indicators for 2012. Refer to the end of the Income Statement for the number of shares.

	Workings	Answer
Current ratio		
Acid-test ratio		
Headline earnings per share (use weighted average number of shares)		
% return on average equity		
Net asset value per share (use number of issued shares)		
Debt/equity ratio		
% return on average capital employed		

4

7. Comment on the liquidity position of the company. Quote TWO financial indicators to support your opinion.

3

8. Comment on whether the company tends to retain or distribute its profits. Provide evidence to support your opinion. Briefly explain how this could affect the share price on the JSE.

3

9. Comment on the gearing of the company. Should the company repay loans or take out more loans? Provide evidence to support your opinion.

3

10. In February 2012 the share price of the company on the JSE was R53,00. The price increased to R79,00 in February 2013. Comment on whether or not you feel the company's shares are fairly valued. Provide evidence to support your opinion.

3

11. **Should the shareholders be satisfied with the percentage return, earnings and dividends for the 2012 financial year? Explain. Provide evidence to support your opinion.**

4

12. **What do the directors say about the prospects for the future? Would this influence you in buying shares in Famous Brands Limited?**

3

**TOTAL: 50 marks**

**SOURCE MATERIAL FOR TASK C**

**SECOND TERM PROJECT**

**Refer to the attached extract from the published annual report of  
FAMOUS BRANDS LIMITED.**

**6 pages to follow  
(p 26–31)**

# famous | brands LIMITED


 **R2 156m**  
Revenue up 15%  
to R2 156 million

 **200c**  
Dividends per share up 29%  
to 200 cents

 **R413m**  
Operating profit up 15%  
to R413 million

 **R452m**  
Cash generated before  
changes in working capital  
up 15% to R452 million

 **278c**  
Headline earnings per share  
up 15% to 278 cents

 **10%**  
Net borrowings to equity  
improved to 10%

**STEERS**

**WIMPY**

**O'Hagan's**

**tashas**

**DEBONAIRS PIZZA**  
everybody 100%

**BLACKSTEER**  
the home of shiso

**braziliancafé**  
good to go

**SUNNY**

**LONGHORN**

**Juicy Lucy**

**VOVO**  
tELO

**house of coffees**

**KEG**  
RESTAURANTS  
& PUBS

**MUGG & BEAN**

**BALTIMORE**

**TRUFruit**

**fish**  
SUNSHINE

**milky**  
Full of Flavour

**BEAVERS GUILD**

**GR MUNDO**  
Home Spiced Chicken

**AQUA**  
MINT

## Directors and administration:

### Non-executive:

P Halamandaris (*Chairman*), JL Halamandres, P Halamandaris (*Jnr*), HR Levin, CH Boulle, BL Sibiyi

### Executive:

KA Hedderwick (*Chief Executive Officer*), T Halamandaris (*Executive Deputy Chairman*), SJ Aldridge (*Group Financial Director*)

### Registered office:

478 James Crescent, Halfway House 1685, PO Box 2884, Halfway House 1685

### Email:

investorrelations@famousbrands.co.za

### Transfer secretaries:

Link Market Services (Pty) Ltd, (Registration number 2000/007239/07), Rennie House, 19 Ameshoff Street, Braamfontein 2001, PO Box 4844, Johannesburg 2000

### Sponsor:

The Standard Bank of South Africa Limited  
(Registration number 1969/017128/06), 3 Simmonds Street, Johannesburg 2001

## Declaration of ordinary dividend

Notice is hereby given that a final dividend No. 35 of 120 cents (2011: 85 cents) per ordinary share payable out of income has been declared in respect of the 2012 financial year. This will bring the total cash dividends to 200 cents per share for the 2012 financial year, an increase of 29% when compared to total dividends of 155 cents in 2011.

The salient dates for the payment of the final dividend are detailed below:

Last day to trade cum-dividend	Friday, 6 July 2012
Shares commence trading ex-dividend	Monday, 9 July 2012
Record date	Friday, 13 July 2012
Payment of dividend	Monday, 16 July 2012

Share certificates may not be dematerialised or rematerialised between Monday, 9 July 2012 and Friday, 13 July 2012 both dates inclusive.

In terms of the new Dividends Tax effective 1 April 2012, the following additional information is disclosed:

- The local dividend tax rate is 15% before utilisation of Secondary Tax on Companies (STC) credits.
- STC credits available amount to 1,13543 cents per share.
- There are no further STC credits to carry forward. The net local dividend amount is 102,17031 cents per share for shareholders liable to pay the new Dividends Tax and 120 cents per share for shareholders exempt from paying the new Dividends Tax as at declaration date.
- The issued share capital of Famous Brands as at declaration date is 96 192 435 ordinary shares; and
- Famous Brands' tax reference number is 9208085846.

By order of the board

**J G Pyle**

Company Secretary

Midrand

18 May 2012





## Commentary

### Overview

Despite talk of early signs of economic recovery in the country, the period under review remained challenging for retailers. Pessimistic consumer sentiment prevailed in an environment featuring continued high levels of unemployment and indebtedness, limited real wage increases, and consumer spend pressured by rising power and fuel costs and widespread food inflation.

In this broad economic context, the food services sector experienced a range of discernible new trends, most apparent of which was unprecedented fragmentation, reflected by aggressive price cutting and promotional activities; divergence by established brands from traditional core menu offerings; entry into unrelated categories; and portion size re-engineering. Additional pressure was exerted by traditional retailers attempting to gain market share from conventional convenience-centred food services operators. Significantly, whilst the number of consumers increased across the food services category, the frequency of visits declined by 10% to their lowest level in twelve years, and in line with 2005.

Notwithstanding these testing conditions, Famous Brands has delivered creditable results for the year ended 29 February 2012, achieved through intensified focus and improvements in the front and back ends of the business.

### Financial results

Following a phase of intense acquisitive growth in the past two years, the Group undertook to focus on consolidating and integrating its new businesses, a programme which has been concluded and is reflected in the improvements in revenue and profitability of the Franchising and Supply Chain divisions.

Group revenue and operating profit grew by 15% to R2,16 billion (2011: R1,88 billion) and R413 million (2011: R358 million) respectively. The operating margin remained steady at the record level of 19,1% achieved in the prior comparative period.

Net interest paid decreased 29% to R11 million (2011: R15 million) due to reduced net borrowings arising from sustained strong cash flows and the prevailing low interest rate environment.

The Group's tax rate increased to 33,3% (2011: 32,8%) in the reporting period due mainly to the impact of the increased capital gains tax rate on deferred tax balances. This was significantly offset by prior year tax adjustments.

Headline earnings per share and earnings per share both increased by 15% to 278 cents per share.

Cash generated from operations before changes in working capital increased by 15% to R452 million (2011: R392 million). After changes in working capital, cash generated from operations amounted to a healthy R399 million (2011: R397 million). Tax payments of R132 million were 6% up on the prior year. Capital expenditure of R88 million was incurred and comprised mainly R31 million for the acquisition of the Milky Lane and Juicy Lucy trademarks on 1 March 2011 as well as Supply Chain expansion activities. These included R18 million for the chicken fillet plant in the Manufacturing Division and R6 million for a new Logistics depot in Nelspruit which commenced deliveries in April 2012. After payment of R159 million (2011: R128 million) in dividends, cash flows were sufficient to pay down net borrowings by R19 million (2011: R58 million). The low level of borrowings, net of cash and bank balances, of R82 million (2011: R101 million) represents a mere 10% of equity, (2011: 14%), affording ample scope to grow the business organically or by acquisition.

### Operational reviews

#### FRANCHISING DIVISION – LOCAL

The Local Franchising division, which comprises operations in South Africa and 15 African countries, reported a satisfactory performance in an extremely competitive environment. In South Africa system-wide sales across the brand portfolio increased by 8%, while like-on-like sales grew 5%; the Group's African market improved system-wide and like-on-like sales by 21% and 7% respectively. Combined revenue for the South African and African operations increased 14% to R440 million (2011: R386 million), whilst operating profit in this division rose 13% to R265 million (2011: R235 million). The operating profit margin was 60,2% compared with 60,9% in the prior year, slightly lower, effectively a function of investing in newly acquired and developing brands in advance of royalty collections.

The Group surpassed its 2 000 restaurant milestone, opening a total of 146 new restaurants during the year (2011: 111), 113 of them in South Africa and the balance of 33 in Africa; the latter achievement is a reflection of Famous Brands' success in gaining traction in the region. In addition, 99 restaurants were revamped (2011: 81), 92 of them in South Africa and the balance in Africa.

Once again the Group's brands were acknowledged by loyal consumers via the annual consumer survey, Leisure Options, achieving a clean sweep of awards across all major categories in which the Group's brands compete.

## FRANCHISING DIVISION – INTERNATIONAL

The results delivered by the International Franchise division, comprising Wimpy United Kingdom, are a reflection of the dire trading conditions experienced in that country. Revenue in Sterling declined 19%, and in Rand terms by 13% to R82 million (2011: R95 million). Operating profit decreased 30% to R8 million (2011: R11 million). This division makes a nominal contribution to Group revenue and operating profit, namely 3,8% and 1,8% respectively.

## SUPPLY CHAIN

The Supply Chain division, comprising the Group's Manufacturing and Logistics operations delivered another gratifying performance. Consolidated revenue grew by 17% whilst operating profit rose 21%. Increased volumes and tight management of costs ensured that the operating margin improved to 8,7% from 8,4% notwithstanding the Group's deliberate strategy in the first half of the year to absorb margin pressure created by rampant beef price increases.

### • Manufacturing

This division increased revenue by 13% to R747 million (2011: R664 million). Operating profit rose 13% to R88 million (2011: R78 million), resulting in a margin of 11,7% (2011: 11,7%).

The following projects were concluded during the period and contributed to this business unit's strong performance:

- Full commissioning of a chicken fillet plant which commenced supplying product to the franchise network with effect from November 2011;
- Take-on of the soft serve component for Milky Lane.

### • Logistics

This division reported a 20% increase in revenue to R1,52 billion (2011: R1,26 billion). Operating profit rose 37% to R53 million (2011: R38 million), producing a record margin of 3,5% (2011: 3,1%).

This stellar result was derived from attaining critical mass in line items handled, which increased by 43% during the period, and productivity improvements in the Owner Driver programme.

## Corporate action

The Group extended its Theatre of Foods portfolio with the creation of a new business, Creative Coffee Franchise Systems (Pty) Ltd (Creative Coffees). With effect from 1 May 2011, the trademarks and franchise agreements of the House of Coffees and Juicy Lucy brands were moved into Creative Coffees and merged with the business of Kairuz Holdings (Pty) Ltd, a company specialising in servicing the retail and food offerings in the private hospital industry. Famous Brands retains a 61% controlling shareholding in the new company.

## Directorate

Shareholders are advised that Christopher Hardy Boule was appointed as an alternate non-executive director to Hymie Reuvin Levin, with effect from 1 December 2011. He will also serve as Chairman of the social and ethics committee and as a member of the audit committee.

## Dividend

In respect of the new Dividends Tax, shareholders are advised that the final dividend has been increased to 120 cents (2011: 85 cents) and thus ensures that shareholders are in an improved cash position notwithstanding the introduction of this tax. The dividend cover for the financial year has been reduced to 1,4 times, which is considered sustainable given Famous Brands' strong cash generating ability. In considering future dividend declarations, the board will be guided by the Group's cash requirements according to future cash flow forecasts.

## Prospects

Consumer disposable income will remain pressured by escalating electricity tariffs, fuel costs and general food inflation. The bulk of consumers in payment arrears are middle-class earners, the traditional target market for food services operators. To entice them to resume previous levels of spending will demand intensified innovation, particularly should interest rates increase and economic uncertainty persist.

Despite the negative effect which these factors will have on the industry, the Group's all-encompassing business model, exceptional personnel and best-in-class leisure brands position Famous Brands for continued growth.

In this regard, the Group will undertake a range of initiatives in the period ahead aimed at unlocking further value for shareholders. This will include centralising the Group's procurement function enabling Famous Brands to become an even lower cost producer; extending the Group's presence in market segments where it currently has no representation, including identifying new joint venture partnerships; and continuing to explore opportunities to leverage the synergies afforded by Famous Brands' supply chain.

On behalf of the board

**P Halamandaris**  
Non-executive Chairman

**K A Hedderwick**  
Chief Executive Officer

## NOTES:

**1. Basis of preparation**

These condensed annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board and its successor, the South African Companies Act No. 71 of 2008 and the Listings Requirements of the JSE Limited. These condensed results were prepared under the supervision of Mr SJ Aldridge CA(SA), in his capacity as Group Financial Director.

**2. Accounting policies**


The accounting policies applied by the Group are consistent with those applied in the comparative financial periods, except for the adoption of improved, revised or new standards and interpretations. The aggregate effect of these changes in respect of the year ended 28 February 2011 is R nil.

**3. Auditors**


These financial statements have been audited by RSM Betty & Dickson (Johannesburg) and their unqualified audit opinion is available for inspection at the company's registered office.

	<b>29 February 2012 R000</b>	28 February 2011 R000
<b>4. Operating profit</b>		
The following have been accounted for in operating profit:		
– Amortisation of intangible assets	<b>1 795</b>	1 631
– Auditors' remuneration	<b>3 053</b>	3 462
– Depreciation of property, plant and equipment	<b>27 241</b>	24 402
– Foreign exchange losses	<b>298</b>	245
– Operating lease charges on immovable property net of recoveries from sub-leases	<b>42 508</b>	27 145
– Operating lease charges on movable property	<b>2 102</b>	1 930
– (Profit)/loss on sale of property, plant, equipment and restaurants	<b>(1 203)</b>	337
– Transfer of share-based payment reserve	<b>9 378</b>	7 339
<b>5. Capital commitments</b>		
Capital expenditure approved not contracted	<b>35 328</b>	43 968


## Condensed consolidated statement of cash flow

	<b>29 February 2012 R000</b>	28 February 2011 R000
		
<b>Cash generated before changes in working capital</b>	<b>451 636</b>	392 133
(Increase)/decrease in inventories	<b>(44 430)</b>	4 592
Increase in receivables	<b>(15 690)</b>	(23 039)
Increase in payables	<b>7 194</b>	23 243
<b>Cash generated by operations</b>	<b>398 710</b>	396 929
Net interest paid	<b>(10 652)</b>	(14 934)
Taxation paid	<b>(131 719)</b>	(123 895)
<b>Net cash flow from operating activities</b>	<b>256 339</b>	258 100
Dividends paid	<b>(159 165)</b>	(127 817)
<b>Net cash retained from operating activities</b>	<b>97 174</b>	130 283
Acquisition of businesses including intangibles	<b>(30 896)</b>	(43 800)
Expansion capital expenditure:		
Property, plant and equipment	<b>(45 793)</b>	(15 794)
Intangible assets	<b>(1 030)</b>	(3 893)
Replacement capital expenditure on property, plant and equipment	<b>(9 776)</b>	(25 546)
Proceeds from disposal of property, plant and equipment	<b>3 263</b>	1 818
<b>Cash flow from investing activities</b>	<b>(84 232)</b>	(87 215)
Movement in share capital and reserves	<b>5 657</b>	15 245
Decrease in interest-bearing borrowings	<b>(65 634)</b>	(67 399)
<b>Cash flow from financing activities</b>	<b>(59 977)</b>	(52 154)
Change in cash and cash equivalents	<b>(47 035)</b>	(9 086)
Foreign currency effect	<b>1 218</b>	963
Cash and cash equivalents at beginning of year	<b>86 397</b>	94 520
<b>Cash and cash equivalents at end of year</b>	<b>40 580</b>	86 397


## Condensed consolidated statement of comprehensive income

	29 February 2012 R000	28 February 2011 R000	% change
<b>Revenue</b>	<b>2 155 615</b>	1 878 036	15
Gross profit	<b>922 967</b>	813 152	14
Selling and administrative expenses	<b>(510 311)</b>	(454 699)	
<b>Operating profit</b>	<b>412 656</b>	358 453	15
Net interest paid	<b>(10 652)</b>	(14 934)	
<b>Profit before taxation</b>	<b>402 004</b>	343 519	17
Taxation	<b>(133 950)</b>	(112 520)	
<b>Profit for the year</b>	<b>268 054</b>	230 999	16
Foreign currency translation differences	<b>7 837</b>	(5 182)	
Total comprehensive income for the year	<b>275 891</b>	225 817	
<b>Profit attributable to:</b>			
Equity holders of Famous Brands Limited	<b>266 811</b>	230 260	16
Non-controlling interests	<b>1 243</b>	739	
<b>Total comprehensive income attributable to:</b>			
Equity holders of Famous Brands Limited	<b>274 648</b>	225 078	
Non-controlling interests	<b>1 243</b>	739	
<b>Reconciliation to headline earnings for the year</b>			
Earnings attributable to equity holders of Famous Brands Limited	<b>266 811</b>	230 260	16
Loss on sale of company-owned restaurants	<b>455</b>	406	
Loss/(profit) on disposal of property, plant and equipment	<b>172</b>	(164)	
<b>Headline earnings for the year</b>	<b>267 438</b>	230 502	16
<b>Earnings per share – cents</b>			
– basic	<b>278</b>	242	15
– diluted	<b>272</b>	237	15
<b>Headline earnings per share – cents</b>			
– basic	<b>278</b>	242	15
– diluted	<b>272</b>	237	15
<b>Dividends to shareholders – cents</b>			
– interim: dividend declared	<b>80</b>	70	14
– final: dividend declared	<b>120</b>	85	41
<b>Total dividends for the year</b>	<b>200</b>	155	29
<b>Ordinary shares</b>			
– in issue	<b>96 192 435</b>	95 817 435	
– weighted average	<b>96 102 435</b>	95 245 418	
– diluted weighted average	<b>99 937 435</b>	98 905 257	


## Condensed consolidated segmental information – business unit and geographical

	29 February 2012 R000	28 February 2011 R000	% change
<b>Revenue</b>			
Franchising	<b>439 946</b>	386 015	14
Supply chain	<b>1 613 907</b>	1 382 778	17
Manufacturing	<b>747 244</b>	663 812	
Logistics	<b>1 516 375</b>	1 262 325	
Eliminations	<b>(649 712)</b>	(543 359)	
Corporate	<b>19 829</b>	14 577	
South Africa	<b>2 073 682</b>	1 783 370	16
Franchising (UK)	<b>81 933</b>	94 666	(13)
<b>Total</b>	<b>2 155 615</b>	1 878 036	15
<b>Operating profit</b>			
Franchising	<b>264 685</b>	234 971	13
Supply chain	<b>140 508</b>	116 233	21
Manufacturing	<b>87 784</b>	77 788	
Logistics	<b>52 724</b>	38 445	
Corporate	<b>(40)</b>	(3 489)	
South Africa	<b>405 153</b>	347 715	17
Franchising (UK)	<b>7 503</b>	10 738	(30)
<b>Total</b>	<b>412 656</b>	358 453	15

## Condensed consolidated statement of changes in equity

	<b>29 February 2012 R 000</b>	28 February 2011 R000
		
<b>Balance at beginning of year</b>	<b>708 594</b>	583 926
Group comprehensive income for the year	<b>274 648</b>	225 078
Group dividends to shareholders	<b>(158 565)</b>	(127 629)
Equity settled share-based payments	<b>9 378</b>	7 339
Movement in share capital and reserves	<b>5 657</b>	15 245
Increase in non-controlling interests	<b>658</b>	4 635
<b>Total equity</b>	<b>840 370</b>	708 594

## Condensed consolidated statement of financial position

	<b>29 February 2012 R000</b>	28 February 2011 R000
		
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>859 304</b>	793 323
Property, plant and equipment	<b>155 739</b>	130 847
Intangible assets	<b>694 977</b>	659 668
Deferred taxation	<b>8 588</b>	2 808
<b>Current assets</b>	<b>361 865</b>	345 989
Inventories	<b>119 987</b>	75 552
Taxation	<b>1 386</b>	1 468
Trade and other receivables	<b>199 912</b>	182 572
Cash and cash equivalents	<b>40 580</b>	86 397
<b>Total assets</b>	<b>1 221 169</b>	1 139 312
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of Famous Brands Limited</b>	<b>834 792</b>	703 674
Non-controlling interests	<b>5 578</b>	4 920
<b>Total equity</b>	<b>840 370</b>	708 594
<b>Non-current liabilities</b>	<b>106 624</b>	177 032
Interest-bearing borrowings	<b>52 216</b>	122 011
Deferred taxation and lease liabilities	<b>54 408</b>	55 021
<b>Current liabilities</b>	<b>274 175</b>	253 686
Trade and other payables	<b>191 523</b>	180 631
Short-term portion of interest-bearing borrowings	<b>69 936</b>	65 775
Taxation	<b>12 716</b>	7 280
<b>Total liabilities</b>	<b>380 799</b>	430 718
<b>Total equity and liabilities</b>	<b>1 221 169</b>	1 139 312

**NOTE TO TEACHERS:** This task is relevant to Grade 12 from 2014 (i.e. relevant to CAPS). Teachers may choose to increase the marks on specific items and mark the case study out of 75 or 100 marks, as long as the final weighting is as per CAPS.

## ACCOUNTING GRADE 12: TASK D

### THIRD TERM ASSESSMENT TASK CASE STUDY: CASH BUDGET AND DEBTORS

#### QUESTION PAPER

**50 marks; 60 minutes**

#### Preamble

Nikke Stores is a retail business that sells sporting goods. The business was originally owned by Bennie Becker. The financial year ends on 31 December each year. As Bennie's wife, Mary, had studied Accounting at school, he asked her to prepare a Cash Budget for the business and to enter the actual figures each month.

In February 2013, you are provided with this Cash Budget, which also reflects actual figures.

The business had a bank overdraft of R325 400 on 1 December 2012.

In order to solve the overdraft problem, Bennie Becker decided to admit Mark Mtini as a new business partner on 28 December 2012. This was not anticipated when Mary drew up the Cash Budget at the beginning of December. The partnership agreement stated that Mtini's capital contribution comprised a transfer of cash, R250 000, and a new delivery vehicle valued at R180 000.

#### REQUIRED

1. Bennie Bekker feels that his wife made two mistakes in compiling the budget. He says that she incorrectly left out the following:
  - The monthly depreciation of R4 800 per month
  - The new delivery vehicle, valued at R240 000, provided as capital by Mtini

What would you say to Bennie regarding the mistakes he thinks his wife made? (2)
2. Complete the Debtors' Collection Schedule for December 2012 and January 2013. (4)
3. Calculate the following for January 2013:
  - Percentage increase in the budgeted salaries and wages (2)
  - Percentage decrease in the amount budgeted for commission income (2)
4. The R9 000 per month is the monthly repayment on the purchase of the existing vehicle. This was bought several months ago for R196 000. At the time of purchase, a deposit of R46 000 was paid. Instalments are paid over 24 months. Calculate the total finance charges incurred in the purchase of this vehicle. (2)

5. Bennie's son, Bart, used the business vehicle to attend his matric farewell party and was involved in an accident. The insurance company refused to repair the vehicle as Bart was not listed as a designated driver and the vehicle was not being used for business purposes. Bennie authorised payment for the repairs to the damaged vehicle and charged this to Vehicle Expenses. The business has over-budgeted on normal vehicle expenses and spends 75% of the budgeted amount.
- What effect did the damage caused by Bart have on the budget? (2)
  - Mtini has become aware of this. What is he likely to say to Bennie? State TWO points. (2)
6. Refer to the Rent in the Cash Budget. A rent increase of 10% takes effect on 1 January 2013. The actual rent received in December was as per the budget.
- Calculate the rent income for December 2012. (2)
  - Provide a suitable explanation for the actual amount of rent collected in January 2013 being different from the budgeted amount. (1)
7. Payments to creditors:
- Calculate the budgeted amount to be paid to creditors in January 2013. (2)
  - Mtini feels that the business need not buy any goods for cash, and that all goods should be bought on credit. In your opinion, will this improve the business Cash Budget? Explain. (2)
8. Bennie Bekker decided to repay the existing loan from Alpha Lenders in full on 31 December 2012 as the interest rate was very high. The interest of 15% p.a. on this loan was not capitalised. He then decided to take out a new loan with Minty Bank on 1 January 2013. Interest is capitalised on this loan and according to the agreement a monthly amount of R4 000 is to be paid to Minty Bank on the 25<sup>th</sup> day of each month.
- Explain the difference between interest capitalised and interest not capitalised. (1)
  - Calculate the amount of the loan to be repaid on 31 December 2012. (2)
9. Use the Cash Budget to identify the missing figures, totals and balances designated A-D. You are NOT required to identify the other missing figures. (4)
10. Mtini is worried that the business is not controlling the debtors properly. He asks you for a short report. Include the following in your report:
- Calculation of average debtors' collection period (in days) (2)
  - The percentage of debtors who are complying with the credit terms (as indicated in the Debtors Age Analysis) (2)
  - A brief comment on the above two calculations (1)
  - Details of the main mistakes that the business is making with regard to debtors. Also provide the names of specific debtors to illustrate these main problems and suggest a solution for each mistake. (6)
11. Consider the actual and budgeted figures for Advertising, Telephone and Insurance. (Note that Mtini has not drawn any funds as yet.) Comment on each item, and offer ONE point of advice in each case. (6)
12. Bennie has made two significant decisions by taking out a new loan and admitting a partner to the business. What would you say to Bennie about these decisions and the effect on the cash flow of the business? (3)

## INFORMATION

1.

**Cash Budget for two months ending 31 January 2013**  
(actual figures in shaded columns):

	December 2012		January 2013	
	BUDGET	ACTUAL	BUDGET	ACTUAL
<b>Receipts</b>				
Cash sales	480 000	452 000	330 000	208 000
Receipts from debtors	?	189 980	?	222 685
Commission income	24 000	?	20 400	12 000
Loan from Minty Bank	0	0	0	120 000
Rent income	?	?	15 950	31 900
Capital from M Mtini	0	250 000	0	0
<b>Total receipts</b>	<b>778 798</b>	<b>926 480</b>	<b>?</b>	<b>594 585</b>
<b>Payments</b>				
Cash purchases	222 500	245 750	155 000	110 380
Payments to creditors	181 800	162 000	?	184 000
Telephone	2 800	4 500	2 800	4 200
Repayment on existing vehicle	9 000	9 000	9 000	9 000
Vehicle expenses	8 000	6 400	8 000	37 500
Salaries and wages	68 000	82 800	72 080	72 080
Advertising	5 000	5 000	5 000	5 000
Sundry operating expenses	23 380	19 400	17 300	17 320
Insurance	22 000	16 000	22 000	16 000
Drawings by Bennie Bekker	25 000	25 000	25 000	35 000
Interest on overdraft	4 020	?	?	0
Interest on loan	500	500	500	0
Repayment of loans	0	?	0	4 000
<b>Total payments</b>	<b>572 000</b>	<b>620 370</b>	<b>516 930</b>	<b>494 480</b>
Cash surplus/shortfall	206 498	306 110	?	100 105
Bank (Opening balance)	(325 400)	(325 400)	A	C
<b>Bank (Closing balance)</b>	<b>?</b>	<b>(19 290)</b>	<b>B</b>	<b>D</b>



2. **Purchases and sales of trading stock**

Stock is replaced on a monthly basis.

50% of stock is usually purchased on credit.

Creditors are paid in the month after the purchases, to take advantage of a 10% discount.

Goods are sold at a constant mark-up of 80% on cost.

The budget is worked out on the following total sales figures:

October 2012	November 2012	December 2012	January 2013
R603 00	R727 200	R801 000	R558 000

Credit sales constitute 40% of the total sales.

3. **Expected collections from debtors:**

Debtors are told that they are expected to pay in the current month or in the month following the sales transaction month. However, the budget is compiled as follows:

10% is collected in the transaction month. A discount of 5% is allowed for any payment received in the transaction month.

50% is collected in the month after the transaction month.

35% is collected in the second month after the month of sale.

4. **Debtors Age Analysis on 31 December 2012**

DEBTORS	CREDIT LIMIT	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL
M Minaj	45 000				49 100	49 100
U Usher	85 000			7 800	40 680	48 480
B Beiber	30 000				24 000	24 000
B Britney	100 000	49 125	45 240	9 050	25 865	129 280
J Jemson	12 000		6 500			6 500
W West	50 000				22 000	22 000
D Drake	120 000	29 800	39 000	24 000	26 680	119 480
H Hannah	25 000			31 100	9 300	40 400
W Wayne	45 000		4 350	23 270	8 740	36 360
Other debtors		?	?	?	?	?
		<b>R156 725</b>	<b>R234 250</b>	<b>R172 500</b>	<b>R201 300</b>	<b>R764 775</b>
		90 days	60 days	30 days	Current	
Percentage		%	%	%	%	100%

5. **Actual figures from financial statements for year ended 31 December 2012:**

	For the year	
Total sales	R4 600 000	
Cash sales	R2 200 000	
Credit sales	R2 400 000	
	<b>1 January 2012</b>	<b>31 December 2012</b>
Trade debtors	R295 225	R764 775

**TOTAL: 50**

**ACCOUNTING GRADE 12: TASK D****THIRD TERM ASSESSMENT TASK****CASE STUDY: CASH BUDGET AND DEBTORS****ANSWER BOOK**

<b>Name of learner</b>	
<b>School</b>	
<b>Class</b>	

<b>MARKS ACHIEVED</b>
<b>50</b>

1. **What would you say to Bennie about the mistakes that he says his wife made in compiling the budget with regard to the depreciation and the contribution of a new delivery vehicle?**

2

2. **Debtors' Collection Schedule for December 2012 and January 2013**

MONTH	CREDIT SALES	DECEMBER 2012	JANUARY 2013
October			
November			
December			
January			
<b>Cash from debtors</b>			

4

3. **Calculate % increase in budgeted salaries and wages in January 2013.**

**Calculate % decrease in amount budgeted for commission income in January 2013.**

4

4. **Calculate total finance charges incurred in the purchase of the vehicle.**

2

5. **Effect on the budget:**

**TWO points that Mtini would mention to Bekker:**

4

6. **Calculation of rent income for December 2012:**

**Suitable explanation:**

3

7. **Calculate the budgeted payments to creditors in January 2013.**

**Mtini feels that the business need not buy any goods for cash, and that all goods should be bought on credit. In your opinion, will this improve the business Cash Budget? Explain.**

4

8. **Explain the difference between interest capitalised and interest not capitalised.**

**Calculate the amount of the loan repaid on 31 December 2012.**

3

9. **Use the Cash Budget to identify the missing figures, totals and balances designated A–D. You are NOT required to identify other missing figures.**

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
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4

10. Calculation of average debtors' collection period (in days):

2

Calculation of % of debtors who are complying with the credit terms (as indicated in the Debtors Age Analysis):

2

Brief comment on the above two calculations:

1

Details of the main mistakes that the business is making with regard to debtors. Also provide the names of specific debtors to illustrate these main problems and suggest a solution for each mistake.

MISTAKES	DEFAULTING DEBTORS	SOLUTION

6

11. Consider the actual and budgeted figures for Advertising, Telephone and Advertising. (Note that Mtini has not drawn any funds as yet.) Comment on each item, and offer ONE point of advice in each case.

	COMMENT	ADVICE
Advertising		
Telephone		
Insurance		

6

12. **Bennie has made two significant decisions by taking out a new loan and admitting a partner to the business. What would you say to Bennie about these decisions and the effect on the cash flow of the business?**

3

50



