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| **FINANCIAL MANAGEMENT 2A**  **ICE TASK 2** |

As the Financial Manager of TopClass Stores, you are busy preparing for a management meeting to discuss the results of TopClass Stores for the year ended 31 August 2021. The following is an extract from the Statement of Comprehensive Income for the year ended 31 August 2021.

**EXTRACT: STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2021**

|  |  |
| --- | --- |
| Sales | 900 000 |
| Gross Profit | 175 000 |

**STATEMENT OF FINANCIAL POSITION OF TOPCLASS STORES AS AT 31 AUGUST 2021**

|  |  |
| --- | --- |
|  | **31 AUGUST 2021** |
| **ASSETS** |  |
| **NON-CURRENT ASSETS** |  |
| Land and buildings  Plant and machinery | 3 750 000  450 000 |
| **CURRENT ASSETS** |  |
| Inventory  Trade Receivables  Cash and cash equivalents | 120 000  75 000  0 |
|  |  |
| **TOTAL ASSETS** | **4 395 000** |
|  |  |
| **OWNERS EQUITY AND LIABILITIES** |  |
|  |  |
| **OWNERS EQUITY** | 1 500 000 |
|  |  |
| **NON-CURRENT LIABILITIES** |  |
| Mortgage Loan: Fourth National Bank | 2 750 000 |
|  |  |
| **CURRENT LIABILITIES** |  |
| Trade Creditors  Bank Overdraft | 105 000  40 000 |
|  |  |
| **TOTAL EQUITY AND LIABILITIES** | **4 395 000** |

**Additional Information** :

1. The Net Profit Percentage (%) has been calculated correctly as 20% for the year ended 31 August 2021.
2. 25% of all sales are for cash.
3. There are 365 days in a year.
4. The following balances appeared in the Statement of Financial Position as at 31 August 2020.

* Trade Receivables R150 000
* Trading Inventory R135 000
* Owners’ Equity R1 000 000
* Trade Creditors R80 000

**REQUIRED:**

Calculate the following ratios for the year ended 31 August 2021.

Show all workings.

1. Solvency ratio (5)

1. Current ratio (3)
2. Average debtors collection period (6)
3. Inventory turnover rate (5)
4. Return on average owner’s equity (6)

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| **FINANCIAL MANAGEMENT 2A** |
| **ICE TASK 3** |

You have been employed as the financial manager of RPP Ltd. One of the points on the agenda for the upcoming board meeting is the forecasted performance of the business for the period January 2023 to April 2023. Also, the board would like to know the impact of the forecast on the cash flow for the same period.

Your predecessor had started the process and left you the following incomplete schedule.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **January 2023** | **February 2023** | **March 2023** | **April 2023** |
| **Abbreviate statement of comprehensive income:**  Sales  Cost of Sales  Gross Profit  Expenses paid in cash  Net Profit | R191 400  A  E  (R15 000)  I | R203 500  B  F  (R16 000)  J | R213 400  C  G  (R17 000)  K | R231 000  D  H  (R18 000)  L |
|  |  |  |  |  |
| **Bank Balance:**  Opening Balance  Movement during the month  Expenses paid in cash  Creditors settled in cash  Cash Sales for the month  Cash receipts from debtors  Closing Balance for the month | R195 320  AC  M  Q  U  Y  AD | AE  AF  N  R  V  Z  AG | AH  AI  O  S  W  AA  AJ | AK  AL  P  T  X  AB  AM |

**Additional Information:**

* The business trades at a constant mark-up on cost.
* 60% of sales are on credit.
* Debtors are collected as follows:
* 65% of outstanding amounts are collected during the second month following the month in which the sale took place. (60 days)
* 25% are collected during the third month following the month in which the sale took place. (90 days)
* 5% are collected during the fourth month following the month in which the sale took place. (120 days)
* 5% irrecoverable
* All purchases of inventory are on credit, and creditors are all paid in the month following the month during which the goods were acquired. (30 days)
* All inventory purchased during the month is sold within the same month.
* There are no stock losses.

**You gather the following historical data:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Actual Sales** | **Sept 2022** | **Oct 2022** | **Nov 2022** | **Dec 2022** |
| Total Sales  Cost of Sales  Gross profit | R159 500  (R119 625)  R39 875 | R167 200  (R125 400)  R41 800 | R177 100  (R132 825)  R44 275 | R187 000  R140 250)  R46 750 |

**REQUIRED:**

1. Calculate the budgeted cash receipts from debtors for the period January 2023 to April 2023.
2. Calculate the values of A to AM.

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| **FINANCIAL MANAGEMENT 2A** |
| **ICE TASK 4** |

Stainless Mixers Ltd supply compound to the steel pipe manufacturers. The company has two compound mixers, each with a 100% capacity (40 hours) of 20 tons per week. Due to load shedding, the current operating capacity is 75%. One ton of compound consists of 200kg of product A and 500 kg of product B. Ignore any wastage. Product A is purchased at R45/kg and product B at R25/kg. Each mixer requires two operators. Assume four weeks per month. All materials purchased are used in the mix of compound and all compound mixed is sold in the month it is mixed. The mixing plant takes up 70% of the total floor space.

The following is an extract of some of the transactions for the month.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Product Cost** | | | **Period Cost** | |
|  |  | **Direct**  **Material** | **Direct**  **Labour** | **Manufacturing**  **Overheads** | **Admin**  **Cost** | **Marketing/**  **Distribution/**  **Selling Cost** |
| 1 | Purchase the  required quantity  of product A for  the month. |  |  |  |  |  |
| 2 | Purchase the  required quantity  of product B for  the month. |  |  |  |  |  |
| 3 | The mixer operators earn R1500 per week. |  |  |  |  |  |
| 4 | The storeman’s salary is R4000 per month. |  |  |  |  |  |
| 5 | Depreciation per mixer per annum amounts to R60 000. |  |  |  |  |  |
| 6 | Rates and Taxes amount to R10 000 per month. Apportion the cost according to floor space. |  |  |  |  |  |
| 7 | Each mixer requires 1 litre of oil per  10- hour operation. Oil costs R150 per litre. |  |  |  |  |  |
| 8 | The accountant earns R8 000 per month. |  |  |  |  |  |
| 9 | Distribution costs amount to R120 per 10- ton delivered. |  |  |  |  |  |
| 10 | The foreman’s salary amounts to R2200 per week. |  |  |  |  |  |

**REQUIRED:**

1. Calculate the total number of tons mixed per month.
2. Complete the above table by using monthly cost figures.

Clearly indicate the type of cost for each transaction (ie. fill in the correct value in the appropriate column).

Show all workings