

SOLUTIONS TO HOMEWORK: SESSION 11: CONSOLIDATION**QUESTION 1**

1.1.1 $R25\ 500 / 3 = R8\ 500$ ✓✓

OR

$R34\ 000 / 4 = R8\ 500$

(2)

1.1.2 $272 / 3\ 400 \times 100 = 8\%$ ✓✓

(2)

1.1.3 ✓ ✓ ✓ ✓
 $3\ 315 / 468\ 000 \times 12 \times 100 = 8,5\%$

(4)

1.1.4 $24\ 600 / 60 = R410$ ✓✓

Calculation of number of additional square metres she will rent from 1 May 2010:

$30\ 750 / 410 = 75$ OR $60 \times 30\ 750 / 24\ 600 = 75$ sq metres

Increase = $75 - 60 = 15$ sq metres ✓✓

(4)**1.2****Comment on telephone:***Good answer = 2 marks; Satisfactory =1; Incorrect =0**Expected response: ✓✓:*

- A** The telephone costs have exceeded projections by R1 950. These have not been well controlled and measures must be implemented to rectify this.
Alternative correct and valid responses acceptable.

Comment on water & electricity:*Good answer = 2 marks; Satisfactory =1; Incorrect =0**Expected response: ✓✓*

- B** The water & electricity costs are R1 100 under the projections. These have been well controlled especially considering the increase in electricity tariffs (and the increase in the number of customers).
Alternative correct and valid responses acceptable.

Comment on fee income & consumable stores:

Excellent answer = 3 marks; Good answer = 2 marks; Satisfactory = 1; Incorrect = 0
 Expected response: ✓✓✓

- C** There was a good increase in fee income (+14%) which indicates that the business is popular with its customers. The consumables stores (e.g. shampoos, conditioners) increased slightly (+5%) but not in the same proportion as the fees received.

Alternative correct and valid responses acceptable.

Comment on sale of hair products, cost of sales & gross profit:

Excellent answer = 3 marks; Good answer = 2 marks; Satisfactory = 1; Incorrect = 0
 Expected response: ✓✓✓

- D** There was a good increase in sales (+R24 500 / +28%) which was caused by the decrease in the mark-up % (from 75% to 60%). The increased sales volume on the lower mark-up resulted in an increase in the gross profit (+R4 500 / +12%). It appears that this was a good strategy.

Alternative correct and valid responses acceptable.

(10)

1.3.1 ✓ ✓ ✓ ✓
 $7\ 100 / 0,2 \times 12 = R426\ 000$

(4)

1.3.2 **ASSET DISPOSAL**

| | | | | | | |
|----------------|-------------------------------------|--------------|----------------|--|-----------|-------------|
| 2010 July 1 | Equipment ✓ | ✓ 164 000 | 2010 July 1 | Acc depr on equipment ✓ (153750✓ + 8 200✓) | ✓ 161 950 | (10) |
| | Profit on disposal of asset ✓ | ☑ 20 950 | | Creditors control ✓ | ✓ 23 000 | |
| | | 184 950 | | | 184 950 | |

- 1.3.3 Interest on loan: ✓
 15% of R379 000 = R4 737,50 pm – negative effect ✓✓
 Depreciation: ✓
 15% R402 000/12 less R2 050 = R2 975 pm – negative effect ✓✓
 Maintenance: ✓
 R3 500 pm – positive effect ✓

(8)

1.3.4 Advantage: ✓

Saving on rent / Earn capital gains on property values

Disadvantage: ✓

Repairs and maintenance to be paid /

She will need a bond to finance this option (high repayments)

(2)**1.3.5 Explain, quoting specific information from the question.**

(See Additional information 5 on previous page.)

Excellent answer = 4-5 marks; Good answer = 2-3 marks; Satisfactory =1;

Incorrect =0

Expected response:

✓✓

It was responsible of her to replace the old equipment. The new equipment will attract customers, will make working conditions better and will involve less maintenance.

✓✓✓

With regard to the vehicles, it was irresponsible of her to purchase an expensive new car, especially as the customers travel to the business. Also, this meant that the fixed deposit was used to finance the expensive car. This money could have been used to finance the equipment without high interest charges.

Alternative correct and valid responses acceptable.

(5)**1.4** *Excellent answer = 4 marks; Good answer = 2-3 marks; Satisfactory =1;*

Incorrect =0

Expected response:

✓✓✓✓

Her projections show that she expects to earn an average of R66 549 pm from this business, approximately R798 564 pa.

She is losing out on interest on her savings – approximately R68 000 pa or R5 667 pm (based on interest rate 8,5% pa)

She is befitting by more than R700 000 pa, which means she has probably made the right decision.

Alternative correct and valid responses acceptable.

(4)**TOTAL MARKS: 55**