



Surname & names: \_\_\_\_\_

Student number: \_\_\_\_\_ Date: 12 June 2017

OPEN BOOK: Answer in spaces provided. You may do calculations on your own scrap paper.

**PART A: Working Capital Management (US 119331 – 35 marks)**

**Question 1: Working capital cycle and average investment in working capital 10 marks**

Calculate Working Capital Cycle (days); Average Investment in Inventory; Average Investment in Accounts Receivable; Average Value of Accounts Payable and the Average Investment in Working Capital (Rand), assuming 365 days per year for Notsorich Local Municipality. Working capital cycle days, average investment in inventory and average investment in accounts receivable are provided. The Municipality has R4 400 000 revenue per year, costs of services amount to 50% of total revenue, purchases for goods to use during service delivery amounts to 50% of costs of services. The average age of inventory is 50 days; average collection period is 60 days and average payment period 40 days.

Working Capital Cycle days: \_\_\_\_\_

Average investment in inventory: \_\_\_\_\_

Average investment in accounts receivable: \_\_\_\_\_

Average value of accounts payable: \_\_\_\_\_

AVERAGE INVESTMENT IN WORKING CAPITAL: \_\_\_\_\_

**Question 2: Ratio analysis and interpretation 16 marks**

Analyse and interpret the Current and Acid Test and Turnover of Accounts Receivable ratios for the previous and current year and Annual Debtors Collection Rate for the current year of the municipal statements provided below.

Ratio	2012	2013
Current ratio		
Acid test ratio		
Interpret current & acid test ratios:		
Turnover of accounts receivable		
Interpret turnover of accounts receivable ratios:		
Annual debtors collection rate		

## US 119331 Generic Financial Statements

Test Number:	44		
<b>STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013</b>			
<b>ASSETS</b>			
<b>Net Assets and Liabilities</b>	<b>Note</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets</b>		<b>R 368 403 228</b>	<b>R 346 071 567</b>
Inventory		R 2 192 372	R 2 172 874
Non-current assets held for sale		R 3 508 200	R 664 125
Trade receivables from exchange transactions		R 87 043 710	R 94 537 256
Trade receivables from non-exchange transactions		R 27 131 506	R 30 208 250
VAT receivable		R 0	R 8 485 062
Bank, cash and cash equivalents		R 247 803 259	R 209 340 681
Operating lease assets		R 719 296	R 658 433
Current portion of long-term receivables		R 4 887	R 4 887
<b>Non-current Assets</b>		<b>R 1 700 907 733</b>	<b>R 1 664 257 268</b>
Property, plant and equipment		R 1 565 554 991	R 1 519 318 323
Intangible assets		R 931 948	R 968 613
Investment property		R 111 443 747	R 120 988 395
Heritage assets		R 22 915 406	R 22 915 406
Long-term receivables		R 61 641	R 66 531
<b>Total Assets</b>		<b>R 2 069 310 961</b>	<b>R 2 010 328 834</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>R 135 531 281</b>	<b>R 199 345 883</b>
Consumer deposits		R 8 943 173	R 8 949 427
Provisions		R 13 282 885	R 25 936 378
Creditors		R 75 592 459	R 132 804 070
Unspent conditional grants and receipts		R 4 825 807	R 7 814 023
Operating lease liabilities		R 101 728	R 48 906
VAT payable		R 2 594 147	R 0
Current portion of long-term liabilities		R 30 191 081	R 23 793 080
<b>Non-current Liabilities</b>		<b>R 374 387 494</b>	<b>R 272 642 873</b>
Long-term liabilities		R 210 026 594	R 131 222 715
Retirement benefit liabilities		R 110 624 709	R 92 976 617
Non-current provisions		R 49 204 018	R 44 089 015
Trust fund		R 4 532 173	R 4 354 526
<b>Total Liabilities</b>		<b>R 509 918 775</b>	<b>R 471 988 756</b>
<b>Total Assets and Liabilities</b>		<b>R 1 559 392 186</b>	<b>R 1 538 340 078</b>
<b>NET ASSETS</b>		<b>R 1 391 968 702</b>	<b>R 1 386 401 110</b>
Statutory funds		R 60 660	R 147 331
Accumulated surplus		R 1 391 908 042	R 1 386 253 778
<b>Total Net Assets</b>		<b>R 1 559 392 186</b>	<b>R 1 538 340 078</b>

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013					
Budget			Note	Actual	
2012	2013	Revenue		2013	2012
		<b>Revenue from non-exchange transactions</b>			
R 130 801 976	R 141 297 164	Property rates		R 277 089 560	R 258 813 605
R 6 725 538	R 6 874 175	Fines		R 13 200 751	R 7 950 036
R 749 375	R 762 300	Licences and permits		R 798 831	R 577 759
R 3 342 075	R 3 431 863	Income from agency services		R 4 038 040	R 3 613 088
R 204 913 074	R 188 601 886	Government grants and subsidies		R 194 388 296	R 203 811 757
		<b>Revenue from exchange transactions</b>			
R 368 586 749	R 414 036 392	Service charges		R 385 677 691	R 347 287 809
R 9 731 433	R 11 125 103	Rental of facilities and equipment		R 9 562 930	R 10 625 266
R 10 450 000	R 8 305 000	Interest earned - external investments		R 8 198 781	R 9 937 983
R 2 973 300	R 3 721 300	Interest earned - outstanding receivables		R 2 434 462	R 2 873 626
R 7 472 212	R 11 996 919	Other income		R 10 248 560	R 8 404 215
R 3 162 500	R 2 750 000	Gains on disposal of property, plant and equipment		R 0	R 1 831 497
<b>R 748 908 232</b>	<b>R 792 902 102</b>	<b>Total Revenue</b>		<b>R 905 637 901</b>	<b>R 855 726 638</b>
		<b>Expenditure</b>			
R 249 179 076	R 266 968 853	Employee related costs		R 273 725 554	R 239 376 877
R 12 275 574	R 13 386 530	Remuneration of councillors		R 12 750 163	R 11 864 212
R 7 244 974	R 8 495 405	Bad debts		R 16 790 056	R 8 007 368
R 2 622 851	R 2 679 820	Collection costs		R 674 088	R 1 718 214
R 45 307 661	R 48 786 799	Depreciation and amortisation		R 55 638 014	R 48 648 138
R 34 402 343	R 34 141 927	Repairs and maintenance		R 31 342 017	R 30 322 622
R 20 947 946	R 24 237 582	Interest paid		R 12 727 474	R 11 392 862
R 154 739 123	R 174 977 514	Bulk purchases		R 172 762 277	R 153 380 428
R 0	R 0	Loss on disposal of property, plant and equipment		R 5 493 634	R 954 091
		Loss on revaluation of investment property		R 9 544 648	
R 9 319 750	R 11 291 500	Contracted services		R 11 328 171	R 8 899 451
R 201 216 419	R 190 873 543	General expenses		R 146 021 964	R 167 933 125
<b>R 737 255 717</b>	<b>R 775 839 471</b>	<b>Total Expenditure</b>		<b>R 748 798 060</b>	<b>R 682 497 387</b>
<b>R 11 652 515</b>	<b>R 17 062 631</b>	<b>Surplus / (deficit) for the year</b>		<b>R 156 839 841</b>	<b>R 173 229 251</b>

**Please note the following differences from the examples in the Learner Guide:** The Generic Statement of Financial Position differs as follows from the examples in the Learner Guide: (1) There is no "overdraft" item. (2) In order to derive "consumer debtors", "trade receivables from exchange transactions" and "trade receivables from non-exchange transactions" (both under "current assets") must be added together. (3) There are no longer "call investment deposits" as separate item, these are already included with "bank, cash and cash equivalents" (under "current assets"). The Generic Statement of Financial Performance refers to "interest earned - outstanding receivables" whereas "interest earned outstanding debtors" has been used in the Learner Guide examples.

### Question 3: Cost to give up discount

9 marks

Notsorich Local Municipality has just procured goods from one of its suppliers to a value of R440 000 and was offered 2/10 net 30 EOM. Short term funding by means of a bank overdraft will cost the municipality 13 per cent. Assume 365 days in the year. Calculate cost to give up the discount and what the amount payable will be, all costs, interest on short term funding included, considered.

Cost to give up discount (Percentage): \_\_\_\_\_

Total interest on short term funding if discount is taken: \_\_\_\_\_

Total amount payable, all costs considered: \_\_\_\_\_

## PART B: Cost Management (US 119341 – 35 marks)

### Question 1: Activity Based Costing

15 marks

The Chief Financial Officer (CFO) of the XYZ municipality wants to implement Activity Based Costing (ABC) in the municipality. He has decided to implement it only in the Refuse Department at first. The CFO was able to provide you with the following overhead costs that are incurred in a month:

OVERHEAD COSTS (per month)	ADMINISTRATIVE	PART OF THE REMOVAL PROCESS
Employee-related expenses	R 1 850	R 3 500
Repairs & maintenance	R 1 950	R 18 000
Printing & stationery	R 750	R 1 700
Vehicle running costs	R 2 100	R 30 000
Consumables & small equipment	R 1 250	R 450

After some research, it was determined that the following activity measures apply to the Refuse Department's overhead costs:

OVERHEAD COSTS (per month)	ACTIVITY MEASURE	EXPECTED ACTIVITY (per month)
Employee-related expenses	Number of employees	210 employees
Repairs & maintenance	Kilometers travelled	15 000 km
Printing & stationery	Number of consumers	1 800 consumers
Vehicle running costs	Kilometers travelled	15 000 km
Consumables & small equipment	Number of consumers	1 800 consumers

1. Calculate activity rates for the different types of overhead costs that are incurred. Use the template below.

OVERHEAD COSTS (per month)	Activity Rate
Employee-related expenses	
Repairs & maintenance	
Printing & stationery	
Vehicle running costs	
Consumables & small equipment	

Other information provided by the CFO: Each consumer makes use of **eight** employees.

2. Calculate the overhead cost for the municipality to serve the following consumer. Use the template below.

The cost of a consumer is influenced by the distance of the suburb from the municipal vehicle lot and the land-fill site. Total kilometers per month (ABC Construction): **55 km**

<b>Costs per month (ABC Construction)</b>	<b>Costs</b>
Employee-related expenses	
Repairs & maintenance	
Printing & stationery	
Vehicle running costs	
Consumables & small equipment	
<b>TOTAL COSTS</b>	

**Question 2: Marginal Costing**

**10 marks**

The ABC Municipality plans to deliver a new refuse removal service. The following revenue and cost relationships are expected:

<b>Unit data</b>	
Revenue (per service)	<b>R 170</b>
Variable costs (per service)	<b>R 55</b>
<b>Fixed costs</b>	<b>R 450 000</b>

- a) Calculate the breakeven point (services) and the breakeven point (rand) if 20 000 services are sold. Explain the meaning of breakeven point (services) and breakeven point (rand). Use the space below.

b) Calculate the margin of safety percentage if 20 000 services are sold and explain the meaning of the calculated margin of safety percentage. Use the space below.

**Question 3: Marginal Costing****10 marks**

The ABC Municipality operates a holiday resort. The lodge at the resort has 92 rooms that are let for R 550 per night regardless of the number of people occupying the room. The variable cost per occupied room is R 110 per room per night (A room night represents one room occupied for one night). The average number of guests per room per night is 2.5. On average each guest spends R 145 per night in the lodge restaurant. The restaurant contribution to sales ratio is 41%. The total fixed costs per month for 2016: R 250 000

The revenue from the room rentals for August 2016 is R 330 000. Prepare a statement showing the number of room nights rented, sales revenue and contribution from both room rental and from the restaurant, overall surplus/deficit for August 2016.

	<b>August</b>
Number of rooms rented	
Income: Rooms	R 330 000
Income: Restaurant	
<b>Total Income</b>	
Contribution: Room rentals	
Contribution: Restaurant	
<b>Total Contribution</b>	
Fixed Costs	R 250 000
Surplus/Deficit	

Calculate the number of room nights per month that would have needed to be let in order to breakeven each month in 2016.

## PART C: Data and Information Management (US 119352 – 30 marks)

### Question 1: Managing Public Data

15 marks

- 1.1 Discuss how ICT controls and ICT policies should have prevented problems in the example below:  
*When a virus hit the ABC municipality, the information systems in the municipality was swamped with ten thousand I LOVE YOU messages, resulting in email disruptions. The ICT support team needed five days to remove the virus from the computers.*

Use the space below:

- 1.2 Define **program change control** and discuss the importance of program change control.

Use the space below:



1.3 List and discuss the controls that must be in place to ensure **ICT Service Continuity**.

**Use the space below:**

**Question 2: Information Systems**

**15 marks**

2.1 Discuss the reasons why institutions implement **knowledge management systems** in the workplace.

**Use the space below:**

**2.2 Classify each of the following systems as an information system type. Motivate your answer.**

2.2.1 A system that permits creation/management/sharing of formatted documents

2.2.2 A voter registration system

2.2.3 A system used by the human resources department to capture and process personnel information

2.2.4 A system used for performance management

2.2.5 A system that provides a manager with demand reports regarding the procurement of specific products

**END OF PAPER**