



Surname & names: _____

Student number: _____ Date: 27 June 2016

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

PART A: Working Capital Management (US 119331).

Question 1: Working capital cycle and average investment in working capital **5 marks**

Calculate the working capital cycle (days) and the average investment in working capital (Rand), assuming 365 days per year for Notsorich Local Municipality. The Municipality has R2 850 000 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 50 days and average payment period 40 days.

Working Capital Cycle days: **60** _____

Average investment in inventory: **R195 205,48** _____

Average investment in accounts receivable: **R390 410,96** _____

Average value of accounts payable: **R78 082,19** _____

AVERAGE INVESTMENT IN WORKING CAPITAL: **R507 534,25** _____

Question 2: Ratio analysis and interpretation **8 marks**

Analyse and interpret the Current and Acid Test 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	0,53	0,708
Acid test ratio	0,52	0,694
Interpret current & acid test ratios: Poor, but slightly improving Still poor in current year		
Annual debtors collection rate	101,082%	
Evaluate annual debtors collection rate: Good, above the norm		

Test Number: 37				STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013						
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013				Budget						
				2012	2013	Revenue		Note	2013	2012
ASSETS										
Net Assets and Liabilities						Revenue from non-exchange transactions				
Current Assets	Note	2013	2012						2013	2012
Inventory		R 1 843 585	R 1 827 190	R 109 992 571	R 118 818 070	Property rates			R 58 251 783	R 54 409 678
Non-current assets held for sale		R 2 950 077	R 558 469	R 5 655 566	R 5 780 556	Fines			R 11 100 631	R 6 685 257
Trade receivables from exchange transactions		R 18 298 962	R 19 874 310	R 630 156	R 641 025	Licences and permits			R 671 744	R 485 842
Trade receivables from non-exchange transactions		R 22 815 130	R 25 402 392	R 2 810 381	R 2 885 884	Income from agency services			R 3 395 624	R 3 038 278
VAT receivable		R 0	R 7 135 166	R 172 313 267	R 158 597 041	Government grants and subsidies			R 163 462 885	R 171 387 159
Bank, cash and cash equivalents		R 52 095 003	R 44 009 120			Revenue from exchange transactions				
Operating lease assets		R 604 862	R 553 682	R 309 947 948	R 348 166 966	Service charges			R 324 319 876	R 292 037 476
Current portion of long-term receivables		R 4 109	R 4 109	R 8 183 251	R 9 355 200	Rental of facilities and equipment			R 8 041 555	R 8 934 883
				R 8 787 500	R 6 983 750	Interest earned - external investments			R 6 894 430	R 8 356 940
				R 2 500 275	R 3 129 275	Interest earned - outstanding receivables			R 2 047 161	R 2 416 458
Non-current Assets		R 1 430 308 776	R 1 399 489 066	R 6 283 451	R 10 088 318	Other income			R 8 618 107	R 7 067 180
Property, plant and equipment		R 1 316 489 424	R 1 277 608 589	R 2 659 375	R 2 312 500	Gains on disposal of property, plant and equipment			R 0	R 1 540 123
Intangible assets		R 783 683	R 814 516			Total Revenue			R 586 803 796	R 556 359 275
Investment property		R 93 714 060	R 101 740 241	R 629 763 740	R 666 758 586	Expenditure				
Heritage assets		R 19 269 773	R 19 269 773	R 209 536 950	R 224 496 536	Employee related costs			R 230 178 307	R 201 294 192
Long-term receivables		R 51 835	R 55 946	R 10 322 642	R 11 256 855	Remuneration of councillors			R 10 721 728	R 9 976 724
Total Assets		R 1 528 920 504	R 1 498 853 503	R 6 092 365	R 7 143 863	Bad debts			R 14 118 911	R 6 733 468
				R 2 205 579	R 2 253 485	Collection costs			R 566 847	R 1 444 862
LIABILITIES				R 38 099 624	R 41 025 262	Depreciation and amortisation			R 46 786 512	R 40 908 662
Current Liabilities		R 139 357 441	R 187 639 582	R 28 929 243	R 28 710 256	Repairs and maintenance			R 26 355 787	R 25 498 569
Consumer deposits		R 7 520 396	R 7 525 654	R 17 615 318	R 20 381 603	Interest paid			R 21 405 298	R 19 160 723
Provisions		R 11 169 699	R 21 810 136	R 130 121 535	R 147 140 182	Bulk purchases			R 145 277 369	R 128 978 996
Creditors		R 63 566 386	R 111 676 150	R 0	R 0	Loss on disposal of property, plant and equipment			R 4 619 647	R 802 303
Unspent conditional grants and receipts		R 4 058 065	R 6 570 883			Loss on revaluation of investment property			R 8 026 181	
Operating lease liabilities		R 85 544	R 41 126	R 7 837 063	R 9 495 125	Contracted services			R 9 525 962	R 7 483 629
VAT payable		R 2 181 441	R 0	R 169 204 716	R 160 507 297	General expenses			R 122 791 197	R 141 216 492
Current portion of long-term liabilities		R 50 775 909	R 40 015 634	R 619 965 035	R 652 410 464	Total Expenditure			R 640 373 745	R 583 498 619
				R 9 798 705	R 14 348 121	Surplus / (deficit) for the year			-R 53 569 948	-R 27 139 344
Non-current Liabilities		R 314 825 847	R 229 267 871							
Long-term liabilities		R 176 613 272	R 110 346 374							
Retirement benefit liabilities		R 93 025 324	R 78 184 883							
Non-current provisions		R 41 376 106	R 37 074 853							
Trust fund		R 3 811 146	R 3 661 761							
Total Liabilities		R 454 183 288	R 416 907 453							
Total Assets and Liabilities		R 1 074 737 216	R 1 081 946 050							
NET ASSETS		R 1 170 519 136	R 1 165 837 297							
Statutory funds		R 51 009	R 123 892							
Accumulated surplus		R 1 170 468 126	R 1 165 713 404							
Total Net Assets		R 1 074 737 216	R 1 081 946 050							

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

3 marks

Notsorich Local Municipality has just procured goods from one of its suppliers to a value of R210 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): **37,245%** _____

Total interest on short term funding if discount is taken: **R1 465,97** _____

Total amount payable, all costs considered: **R207 265,97** _____

Question 4: Preparation of inventory ledger account

4 marks

Notsorich Local Municipality provided the following inventory records. Prepare the inventory ledger account using the **weighted average method**. Use the template below.

15 July	Receipt	370 units at R74.00 each						
25 July	Issued	300 units						
15 August	Receipt	370 units at R81.00 each						
20 August	Issued	300 units						
15 September	Receipt	370 units at R85.00 each						
Inventory Answer								
Receipt				Issued				
Date	Quantity	Per Unit	Amount	Date	Quantity	Per Unit	Amount	
15/7	370	74	27 380	25/7	300	74	22 200	
15/8	370	81	29 970	20/8	300	79,89	23 967	
15/9	370	85	31 450					
				Balance	510	83.59	42.633	
	1110	88 800		1110	88 800			