PoA Case study: Budgets — 50 marks

Learner's Book page 420, Exercise Book page 258

Guidelines on how to implement this activity

- Learners must complete the case study individually.
- The teacher must read the questions and rubric to the learners and ensure that they have a clear understanding of the requirements of the case study.
- Once learners completed the case study, it must be handed to the teacher.
- The teacher must then use the provided rubric to mark each learner's response.
- The teacher must provide feedback to each learner after marking the learner's case study response.

1 Current ratio = Current assets : Current liabilities

(R85 000 + R30 000 + R31 000) : (R29 091 + R50 000)

R146 000 : R79 091

1,86 : 1

Acid-test ratio = Current assets – inventories : current liabilities

(R146 000 - R85 000) : R79 091

R61 000 : R79 091

0,77 : 1

$$\text{Period of inventory on hand (in days)} = \frac{\text{Average inventory}}{\text{Cost of sales}} \times \frac{365 \text{ days}}{1}$$

$$= \frac{\tfrac{1}{2}(\text{R}75\ 000 + \text{R}85\ 000)}{\text{R}384\ 000} \times \frac{365 \text{ days}}{1}$$

$$= \frac{\text{R}80\ 000}{\text{R}384\ 000} \times \frac{365 \text{ days}}{1}$$

= 76,04 days

$$\text{Average payment period by debtors (in days)} = \frac{\text{Average inventory}}{\text{Cost of sales}} \times \frac{365 \text{ days}}{1}$$

$$= \frac{\tfrac{1}{2}(\text{R}38\ 000 + \text{R}33\ 000)}{\text{R}288\ 000} \times \frac{365 \text{ days}}{1}$$

$$= \frac{\text{R}80\ 000}{\text{R}384\ 000} \times \frac{365 \text{ days}}{1}$$

= 43,09 days

$$\text{Average creditors payment period (in days)} = \frac{\text{Average creditors}}{\text{Cost of sales}} \times \frac{365 \text{ days}}{1}$$

$$= \frac{\tfrac{1}{2}(\text{R}39\ 091 + \text{R}29\ 091)}{\text{R}288\ 000} \times \frac{365 \text{ days}}{1}$$

$$= \frac{\text{R}34\ 091}{\text{R}384\ 000} \times \frac{365 \text{ days}}{1}$$

= 32,4 days

* all inventory is purchased on credit