SUGGESTED SOLUTION:

1) Business Risks

1. ***System is not well documented.***

   When a system lacks current documentation additional audit work is required to document what should be happening as well as what is occurring.

2. ***New employee with limited knowledge.***

   In addition to a lack of documentation, the new employee in the area lacks knowledge of the development of the system. This will make documentation difficult and increase the possibility that future documentation will be incomplete.

3. ***Extensive modification of original system.***

   When an original system has been modified risks of insufficient controls, interface problems, and change controls occur. These risks are increased because of the lack of documentation concerning the modifications.

4. ***Manual preparation and entry of data.***

   Manual preparation and entry of data increases the likelihood of error. Machine-readable documents would limit the need to manually input information, reducing error and increasing the efficiency of the operation.

5. ***System interface with other billing departments***.

   The interface with other billing departments increases the possibility of error processing of information and the risk of invalid transactions entering the system.

6. ***System interface with cash receiving departments.***

   The interface with cash receiving departments increases the possibility of error processing of information and the risk of invalid transactions entering the system.

7. ***Improper disposition of transaction suspense files.***

   Errors or unacceptable transactions are gathered in transaction suspense files; incorrect deletion of such transactions is a common source of error. Controls are needed to assure timely and accurate treatment of these transactions.

1 mark per identified area

1 mark for appropriate motivation

Maximum: 12 marks

2.	September cash sales..	R 7,400 ½ mark
	September collections on account:	
	July sales: R20,000 × 18%..	3,600 1 mark
	August sales: R30,000 × 70%..	21,000 1 mark
	September sales: R40,000 × 10%..	4,000 1 mark
	Total cash collections	R36,000 ½ mark
	Payments to suppliers:	
	August purchases (accounts payable)..	R16,000 ½ mark
	September purchases: R25,000 × 20%..	5,000 1 mark
	Total cash payments..	R21,000 ½ mark

6 marks

3.	Yebo Goga Cash Budget For the Month of September			
	Cash balance, September 1..		2 marks	R 9,000
	Add cash receipts:			
	Collections from customers..		1 mark	36,000
	Total cash available before current financing............................		1 mark	45,000
	Less disbursements:			
	Payments to suppliers for inventory	R21,000 (3)	3 marks	
	Selling and administrative expenses	9,000	1 mark	
	Equipment purchases...	18,000	1 mark	
	Dividends paid..	3,000	1 mark	
	Total disbursements		1 mark	51,000
	Excess (deficiency) of cash available over disbursements		1 mark	(6,000)
	Financing:			
	Borrowings		1 mark	11,000
	Repayments...		1 mark	0
	Interest		1 mark	0
	Total financing		1 mark	11,000
	Cash balance, September 30..		1 mark	R 5,000

*R13,000 – R4,000 = R9,000.

17 marks

No, although this is clearly one of the purposes of the cash budget. The principal purpose is to provide information on probable cash needs *during* the budget period, so that bank loans and other sources of financing can be anticipated and arranged well in advance of the actual time of need.