up reasonably well as first quarter results are generally impacted by factors relating to public and school holidays but he was concerned about the discounts that had to be given to generate these sales.

'*That's going to hurt us at some point*' Jim said. '*Just a pity we could not get into some national magazines this quarter to promote the store offers. I'm sure that would have helped us exceed the budgets you set. I guess we will just have to spend that advertising money in the next quarter*' Jim said. '*I still think we are running our wages and salaries a bit high. The industry benchmark for wages and salaries is close to 11% of sales*'

Jim went on to explain, '*One of our contingency plans in a slowing economy is to reduce our exposure to debt by applying our profits to the repayment of the long term debt. This will help reduce the interest burden on the business and take some pressure off the diminishing profits. It would also be of interest to determine the impact that our debtors has on the cash flow of the business from 2012/13.*'

You are a beneficiary of the company's profit bonus scheme that is based on the profitability of the company's financial reports which you are required to prepare. You also prepare the departmental reports that form the basis of the performance review of the managers. You are the manager of the finance/administration and prepare this department's report as well.

You met that afternoon with Celina and she provided you with the following report on the actual results for the quarter ended 30 September 2013.

Houzit Pty Ltd	
Actual Results	**Qtr 1**
Revenue	
Sales	3,371,200
– Cost Of Goods Sold	1,955,296
Gross Profit	1,415,904
Gross Profit %	42%
Expenses	
– Accounting Fees	2,500
– Interest Expense	28,150
– Bank Charges	380
– Depreciation	42,500
– Insurance	3,348
– Store Supplies	790
– Advertising	150,000