

**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)**

**HOME SCHOOLING SELF-STUDY QUESTIONS AND ANSWER BOOK**

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| **SUBJECT** | **ACCOUNTING** | **GRADE** | 11 | **DATE** | 19 May 2020 |
| **TOPIC** | **Analysis and interpretation of financial statements** | **Term 2** | | | |
| **TIME ALLOCATION** | **1 Hour** | **TIPS TO KEEP HEALTHY**  1. **WASH YOUR HANDS** thoroughly with soap and water for at least 20 seconds. Alternatively, use hand sanitizer with an alcohol content of at least 60%.  2. **PRACTICE SOCIAL DISTANCING** – keep a distance of 1m away from other people.  3. **PRACTISE GOOD RESPIRATORY HYGIENE**: cough or sneeze into your elbow or tissue and dispose of the tissue immediately after use.  4. **TRY NOT TO TOUCH YOUR FACE.** The virus can be transferred from your hands to your nose, mouth and eyes. It can then enter your body and make you sick.  5. **STAY AT HOME.** | | | |
| **INSTRUCTIONS** | **See Required** |

**ACTIVITY 2 RATIO & INTERPRETATION**

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| --- |
| The following information was extracted from the accounting records in *Spamandla Trading Store,*a general supply store, owned by partners B *Spamandla* and M.Mandla. Calculate each of the following and comment on calculation.  Comparative figures for 2018 have been provided in the brackets: |

|  |  |
| --- | --- |
| 1 | Gross profit on sales |
| 2 | Gross profit on cost of sales |
| 3 | Net profit on sales |
| 4 | Operating profit on sales |
| 5 | Operating expenses on sales |
| 6 | Solvency ratio (2.04:1) |
| 7 | Current ratio (2.84:1) |
| 8 | Acid test ratio (0.92:1) |
| 9 | Stock turnover rate (5.66 times a year) |
| 10 | Stock holding period (64.5 days) |
| 11 | Average debtors collection period (42 days) |
| 12 | Average creditors payment period (40 days) |

**Information**:

|  |  |
| --- | --- |
| Sales (60% on credit) | 1 478 000 |
| Cost of sales | 874 600 |
| Operating expenses | 257 400 |
| Interest on loans | 42 000 |
| Net profit for year | 304 000 |

**Extract of Income Statement for year ended 29 February 2019:**

**Extract of Balance Sheet as at 29 February 2019**

|  |  |  |
| --- | --- | --- |
|  | **Note** |  |
| Tangible assets |  | 683 000 |
| Financial assets |  | 40 000 |
| Current assets |  | 336 400 |
| Inventories | 1 | 220 000 |
| Trade and other receivables | 2 | 89 900 |
| Cash and cash equivalents |  | 26 500 |
| **TOTAL ASSETS** |  | **1 059 400** |
| Owner’s Equity |  | 700 000 |
| Capital |  | 660 000 |
| Current accounts |  | 40 000 |
| Non-current liabilities |  | 300 000 |
| Current liabilities |  | 59 400 |
| Trade and other payables | **3** | 59 400 |
| **TOTAL EQUITY AND LIABILITIES** |  | **1 059 400** |

**Notes to Balance Sheet:**

|  |  |  |
| --- | --- | --- |
|  |  | **2019** |
| 1. **INVENTORIES** |  |  |
| Trading stock |  | 212 000 |
| Consumable stores on hand |  | 8 000 |
| 1. **TRADE AND OTHER RECEIVABLES** |  |  |
| Trade debtors |  | 84 000 |
| Provision for bad debts |  | (2 200) |
| Income accrued |  | 7 900 |
| Prepaid expense |  | 200 |
| 1. **TRADE AND OTHER PAYABLES** |  |  |
| Trade creditors |  | 48 700 |
| Expenses accrued |  | 6 450 |
| Income received in advance |  | 4 250 |
|  |  |  |

**Comparative figures for 2018:**

|  |  |
| --- | --- |
| Trade debtors | 62 000 |
| Trade creditors | 57 000 |