

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

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

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| **SUBJECT** | **ACCOUNTING** | **GRADE** | 11 | **DATE** | 21 May 2020 |
| **TOPIC** | **Analysis and interpretation of financial statements** | **Term 2** | | | |
| **TIME ALLOCATION** | **30** | **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 4 RATIOS & INTERPRETATION**

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| You are provided with information relating to two dress shops in the same area. They are equally efficient, as reflected by the operating profit of R180 000 which each shop earns. You have the opportunity of becoming a one-third partner in each of these businesses. You have to choose one only. |

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|  | **AA Attire** | **GG Garbs** |
| Owner’s equity at beginning of year | 330 000 | 600 000 |
| Owner’s equity at end of year | 450 000 | 810 000 |
| Operating income for the year | 180 000 | 180 000 |
| Interest expense | 49 500 | 9 900 |
| Net profit for the year | 130 500 | 171 100 |
| Non-current liabilities | 450 000 | 90 000 |
| Interest rate on loans | 11% | 11% |

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| **Required:** |  |
| 4.1 | Which business earns the better net profit? What is the reason for this, bearing in mind that they are both efficient businesses? |
| 4.2 | Calculate the debt: equity for each business. |
| 4.3 | Calculate the percentage return earned by each business. |
| 4.4 | Which business would you choose to join as a one-third partner? Remember that you will have the contribute one-third of the equity (capital). State reason for your decision. |