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|  Province of theEASTERN CAPEEDUCATION**DIRECTORATE SENIOR CURRICULUM MANAGEMENT (SEN-FET)****HOME SCHOOLING SELF-STUDY** **MARKING GUIDELINE**

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| **SUBJECT** | ACCOUNTING | **GRADE** | 11 | **DATE** |  |
| **TOPIC** | Analysis and Interpretation of Financial statements: Revision of Grade 10 | **Term**  | 2 | **Week** | 5 |

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| **WORKSHEET 1** |  |
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| **GRADE** | 11 | **TERM**  | 2 | **WEEK** | 5 |

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| **ACTIVITY 1** |  |  |  |  |
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| 1. **Calculate the following financial indicators**
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| * 1. **Gross profit on sales**

 230 000 x 100 680 000 1 = 33.8% |
| **1.2 Gross profit on cost of sales**230 000 x 100450 000 1= 51.1% |
| **1.3 Net profit on sales**75 000 x 100 680 000 1  = 11% |
| * 1. **Operating expenses on turnover**

157 800 x 100680 000 1= 23.2% |
|  **1.5 Return on owners’ equity (use average equity)** 75 000 x 100½ (200 000 + 300 000) 1 = 30% |
|  **1.6 Current ratio**( 150 000 + 122 000 + 24 000 ) : 76 000= 296 000 : 76 000= 3.9 : 1  |
|  **1.7 Acid test ratio** ( 122 000 + 24 000) : 76 000= 1.9 : 1 |

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| 1. **Comment on the mark-up percentage achieved. Bear in mind that the business aims at a mark-up of 60% on cost.**
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| * The target mark-up of 60% was not met – mark-up achieved is 51.1%
* The business should consider rethinking the pricing policy, e.g increase the selling price.
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| 1. **Comment on the percentage earned by the owner.**
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| * The owner should be satisfied with the return of 30% because it is higher than the return on alternative investments like fixed deposit which earn ± 6%.
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| 1. **Comment on the current and acid-test ratios.**
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| * The business can easily be able to meet it’s short term obligations.
* For each and every rand it has to pay there is R3.89 available with inventory included and R1.92 available without inventory.
* The business can even consider investing available fund elsewhere where it’s going to be more profitable.
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| 1. **What is the amount of the owner’s drawings for the year? Bear in mind that he contributed a car valued at R56 800 as additional capital.**
 |
| Balance at beginning of the year 200 000Net profit 75 000Additional Capital 56 800 331 800Balance at end of the year (300 000)Drawings 31 800 |

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| **WORKSHEET 2** |  |
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| **GRADE** | 11 | **TERM**  | 2 | **WEEK** | 5 |

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| **ACTIVITY 2** |  |  |  |  |
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| **2.1 Calculate the percentage mark-up obtained by the business.** |
| 350 000 X 100500 000= 70% |

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| **2.2 Provide TWO reasons for the difference in the mark-up percentages.** **(See Information C)**  |
| Any two * Discounts were offered to bulk buyers.
* Goods were discounted during clearance sales.
* Mark-up could have been calculated incorrectly.
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| **2.3 Calculate the percentage gross profit on sales.** |
| 350 000 X 100850 000= 41,2% |

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| **2.4 Calculate the percentage net profit on sales.** |
| 119 000 X 100850 000= 14% |

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| **2.5 List ONE reason for the decrease in percentage in your calculations in**  **Questions 2.3 and 2.4**  |
| Operating expenses |

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| **2.6 Calculate the return on average owner’s equity.** |
|  119 000 X 100(350 000 + 450 000) / 2 400 000 = 29,8% |

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| **2.7 Should the owner be satisfied with his percentage return?** **Explain quoting financial indicators to support your answer.** |
| Yes* Better than investments at banks. Banks offer a maximum of 8%.
* Improvement in the return from 23% in 2019 to 29,8% in 2020.
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| **2.8 Calculate the current ratio for 2020.** |
| 92 000 + 24 200 + 6 800 : 41 000 123 000 : 41 000 3 : 1  |

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| **2.9 Calculate the acid test ratio for 2020.** |
| 24 200 + 6 800 : 41 000 31 000 : 41 000 0,8 : 1  |

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| **2.10 Explain why trading stock is excluded in the calculation for the acid test** **ratio.** |
| * Acid test ratio is calculated to determine the ability of the business to settle its short-term debts quickly.
* Trading stock cannot be sold quickly in the short-term. Therefore, it is excluded.
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| **WORKSHEET 3** |  |
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| **GRADE** | 11 | **TERM**  | 2 | **WEEK** | 5 |

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| **ACTIVITY 3** |  |  |  |  |
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| **3.1 Calculate the following financial indicators for the year ended**  **29 February 2020:** |
| * **Gross profit percentage on Cost of Sales**

846 000 X 1001 554 000= 54.4% |
| * **Return on Owner’s Equity**

318 380 X 100½ (604 000 + 665 200)= 50.2% |
| * **Solvency ratio**

(300 000 + 400 000 + 648 400) : (460 000 + 259 200) 1 348 400 719 200 1.9 : 1 |
| * **Current ratio**

684 400 : 259 200  2.6: 1  |
| * **Acid-test ratio**

(648 400 – 518 400) : 259 200 130 0000,5 : 1 |

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| **3.2 Is the degree of solvency of the business satisfactory? Explain quoting**  **figures.** |
| YesThe solvency ratio increased from 1.6 : 1 to 1.9 : 1This means that for every R1 owing in debts the business has assets to the value of R1.90.The business will be able to meet its liabilities in case of insolvency. |

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| **3.3 Explain if the increase in the gross profit percentage was a good strategy.**  **Quote figures**  |
| The gross profit percentage increased from 39.2% to 54.4%.The sales increased from R1 860 000 to R2 400 000, which is an increase of 29%.The gross profit increased from R420 000 to R846 000, which is an increase of 101% |

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| **3.4 Return on Owner’s Equity**  |
| * **Comment on the return on Owner’s Equity**

It increased by 33.7% from 16.5% to 50.2%* **The owner is offered a maximum return on Investment of 8% by his financial Institution. Advise him about the offer.**

Do not accept the offer8% is very little as compared to 50.2% return on owners’ equity.ORAccept the offer8% offered on investment os more than alternative investments |

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| **3.5 Should the owner be satisfied with the profitability of the business? Explain**  **by quoting TWO relevant financial indicators.**  |
| Yes% gross profit on sales increased from 32.6% to 55.3%% operating profit on sales increased from 16.5% to 25.3%% net profit on sales increased from 13.6% to 23.3% |

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| **3.6 Comment on the liquidity of the business by quoting TWO relevant financial**  **indicators.**  |
| Current ratio decreased from 3.1 : 1 to 2.6 : 1Acid test ratio decreased from 1.3 : 1 to 0.5 : 1The business has too much stock on hand at the end of the period. |

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| **WORKSHEET 4** |  |
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| **GRADE** | 11 | **TERM**  | 2 | **WEEK** | 5 |

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| **ACTIVITY 4** |  |  |  |  |
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| **4.1 Calculate the balance of the Capital account on 30 June 2019. The owner**  **contributed an additional R300 000 towards his capital during the year.**  |
| Opening balance 496 000Additional contribution 300 000Net profit 185 600Drawings (118 400)Closing balance 863 200 |

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| **4.2 Calculate the following financial indicators:** |
| * **Mark-up % achieved**

 336 0001 312 000 – 976 000 X 100976 000= 34.4% |
| * **% Net profit on turnover**

185 600 X 1001 312 000= 14.1% |
| * **Current ratio**

599 840 : 265 6002.3 : 1 |
| * **Acid test ratio**

 246 304599 840 – 353 536 : 265 6000.9 : 1 |

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| * **% Return on average owners’ equity earned**

 185 600 X 100½ (496 000 + 863 200) 679 600  185 600 X 100679 600= 27.3% |

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| **4.3 Should the owner be satisfied with the mark-up % achieved?**  **Explain quoting figures.**  |
| NoThe owner did not achieve the targeted mark-up of 50%. They only achieved 34.4%. |

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|  **4.4 In 2018 the owner earned 30% on his investment in this business.**  |
| * **Provide one reason why the owner should be satisfied with the return he received on his investment in 2019.**

Even though the return on investment has declined from 30% in 2018 to 27.3% in 2019, it is still above the return on other investments like fixed deposit. |
| * **Provide one reason why the owner would not be satisfied with the return on his investment in 2019.**

The return declined from 30% in 2018 to 27.3% in 2019. |

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| **WORKSHEET 5** |  |
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| **GRADE** | 11 | **TERM**  | 2 | **WEEK** | 5 |

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| **CLASS TEST** |  |  |  |  |
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| 1.1.1 | Profitability ✓  |
| 1.1.2 | Return on investment ✓ |
| 1.1.3 | Solvency ✓  |
| 1.1.4 | Liquidity ✓  |

**1.2 Calculate the following ratios for 2020 and comment.**

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| **1.2.1 Current ratio** |
| 46 500✓ + 33 000 +✓ 2 500 ✓ : 26 000✓ + 24 000✓ 82 000 50 000 1,6 : 1 **🗹** (one part correct, must be x : 1) |

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| **1.2.2 Acid test ratio** |
| 82 000 – 46 500✓ : 50 000✓ 35 5000,7 : 1**🗹** (one part correct, must be x : 1) |

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| **1.2.3 Compare these results with those of 2019 and comment on the liquidity of**  **the business** |
| Current ratio decreased from 2 : 1 to 1,6 : 1✓ Acid test ratio decreased from 1,5 : 1 to 0,7 : 1✓ The liquidity of the business is deteriorating and the business might find it difficult to pay short term liabilities ✓✓ |
| **1.2.4 Calculate the percentage return on average owner’s equity.** |
|   90 000 ✓ X 100 ½ ✓ (400 000✓+ (400 000 + 90 000 – 70 000) ✓)  420 000  = 21.4%✓**🗹**  |

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| **1.2.5 Should the owner be satisfied with this return? Motivate your answer.** |
| Yes✓  The return is more than what other safe investments yield✓✓ |

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