

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

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

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| **SUBJECT** | **ACCOUNTING** | **GRADE** | 11 | **DATE** | 20 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 3 ANALYSIS AND INTERPRETATION (50 marks; 30 minutes)**

|  |  |  |  |
| --- | --- | --- | --- |
| **3.1** | Complete each of the following statements by supplying the missing word/s.  Note: Do not re-write the sentences. Write only the missing words. | | **(10)** |
|  | **3.1.1** | Gross profit on … is calculated to verify the mark-up. | |
|  | **3.1.2** | A drop in percentage between gross profit on turnover and operating profit on turnover is mainly caused by … | |
|  | **3.1.3** | Solvency is equal to … | |
|  | **3.1.4** | A fixed deposit that matures on the last day of the financial year will show an improvement in the … ratio. | |
|  | **3.1.5** | The continuous inventory system requires physical stock-taking to determine … | |
| **3.2** | You are provided with information relating to Bassa Rens Traders for the year ended 28 February 2018. The partners are A. Bassadien and C. Rensburg. | | |

**1. Financial indicators calculated for the past two years.**

|  |  |  |
| --- | --- | --- |
|  | **2018** | **2017** |
| % Mark up on cost | 75% | 75% |
| % Gross profit on sales | 45% | 45% |
| % Operating expenses on sales | 47.2% | 30% |
| % Operating profit on sales | 18% | 22% |
| % Net profit on sales | 15% | 17.5% |
| Solvency ratio | 2:1 | 1:1 |
| Debt/equity ratio | 1.3:1 | 0.9:1 |
| Current ratio | 2.1:1 | 2.1.1 |
| Acid-test ratio | 1.2:1 | 1.2.1 |
| Stock turnover rate | 7 times | 5 times |
| % Return on average equity | ? | 37.5% |
| % Return earned by Rensburg | 25.5% | 30% |
| % Return earned by Bassadien | 20.53% | 24.9% |
| % Net profit withdrawn by partners | ? | 45% |
| Debtors’ collection period | 55 days | 65 days |
| Creditors’ payment period | 50 days | 40 days |

**2. Figures from the Financial Statement**

|  |  |  |
| --- | --- | --- |
|  | **2018** | **2017** |
| **Capital** | **3 560 000** | **2 960 000** |
| C. Rensburg | 1 800 000 | 1 200 000 |
| A. Bassadien | 1 760 000 | 1 760 000 |
| **Current Account** | **790 000** | **660 000** |
| C. Rensburg | 420 000 | 360 000 |
| A. Bassadien | 370 000 | 300 000 |
| **Total Partners’ equity** | **4 350 000** | **3 620 000** |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Rensburg** | **Bassadien** | **Total** |
| Earnings per partner 2018 |  |  |  |
| Partners’ Salaries | 390 000 | 290 000 | 680 000 |
| Interest on Capital | 115 000 | 85 000 | 200 000 |
| Share of remaining profit | 55 000 | 55 000 | 110 000 |
|  | **560 000** | **430 000** | **990 000** |
|  |  |  |  |
| Drawings | 210 000 | 175 000 | 385 000 |

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| --- | --- | --- |
| 3.2 | Should the partners be satisfied with the stock turnover rate? Explain by quoting the financial indicators for both years to support your answer. | (3) |
| 3.3 | Comment on the Debtors’ Collection period and the Creditors’ payment period. | (3) |
| 3.4 | In your opinion, has the business been able to control its operating expenses well in 2018? Quote figures from both years to support your answer. | (4) |
| 3.5 | Supply reasons for the difference between the percentage operating expenses on sales and the percentage net profit on sales. | (2) |
| 3.6 | Calculate the percentage return earned by the business on average equity for 2018. | (5) |
| 3.7 | The percentage return earned by Bassadien on her average equity is 20.53%. Provide a calculation to prove that this calculation is correct. | (5) |
| 3.8 | Comment on the percentage return earned by Bassadien. Quote a financial indicator for both years to support your answer. | (4) |
| 3.9 | Comment on the debt/equity ratio. Quote a financial indicator for both years to support your answer. | (3) |
| 3.10 | What percentage of the net income did the partners withdraw from the business in 2018? | (3) |
| 3.11 | Comment on the profitability of the business. Quote THREE financial indicators and figures to support your answer. | (8) |