

**ACCOUNTING GRADE 11 TEST 2**

**TEST 2 Ratio analysis & interpretation 32 marks; 27 minutes**

**REQUIRED:**

|  |  |  |
| --- | --- | --- |
| 2.1 | Calculate the missing amounts denoted by A to G | (10) |

|  |  |  |  |
| --- | --- | --- | --- |
|  | **YUGO** | **TUMI** | **TOTAL** |
| Partners salaries | 110 400 | 99 000 | 209 400 |
| Interest on capital | **A** | 24 000 |  |
| Bonus |  | **E** |  |
| Total primary distribution | **B** | **D** | **C** |
| Share in the remaining profit | **F** | **G** | 19 950 |
| Net profit for the year | **?** | **?** | 294 850 |

|  |  |  |  |
| --- | --- | --- | --- |
| 2.2 | Calculate the following financial indicators: | | |
|  | 2.2.1 | Debt/Equity ratio | (3) |
|  | 2.2.2 | Percentage return earned by Yugo (use the average equity) | (5) |
| 2.3 | Yugo feels that the business is in a sound liquidity position. Explain why you think he feels this way. Quote TWO financial indicators (with figures) to motivate your answer. | | (6) |
| 2.4 | Comment on the returns earned by each partner. Quote figures | | (4) |
| 2.5 | The business wants to extend the present business premise due to increase orders. The new extensions is estimated to cost R500 000. Suggest two different ways in which this project can be financed. Provide relevant figures. | | (4) |

**INFORMATION:**

1. **Information from the Balance Sheet on 28 February 20.7 (with comparative**

**figures):**

|  |  |  |
| --- | --- | --- |
|  | **FEBRYARY**  **20.7** | **FEBRUARY**  **20.6** |
| Fixed assets at carrying value | 881 380 | 771 300 |
| Investments (11% p.a.) | 300 000 | 300 000 |
| Current assets | 360 000 | 421 000 |
| **TOTAL ASSETS** | **1 541 380** | **1 492 300** |
| Owner’s Equity | 1 012 600 | 882 600 |
| Capital (see Note 1) | 950 000 | 900 000 |
| Current accounts | 62 600 | (17 400) |
| Non-current liabilities (12% p.a.) | 303 780 | 441 300 |
| Current liabilities | 225 000 | 168 400 |
| **TOTAL LIABILITIES** | **1 541 380** | **1 492 300** |

**NOTE 1: Capital**

|  |  |  |
| --- | --- | --- |
|  | **YUGO** | **TUMI** |
| Balance on 1 March 20.6 | 500 000 | 400 000 |
| Addiction / Withdrawals | 50 000 | 0 |
| Balance on 28 February 20.7 | 1. **000** | **400 000** |

1. **Current account balances:**

|  |  |  |
| --- | --- | --- |
|  | **YUGO** | **TUMI** |
| Opening balance (01:03:20.6) | (21 400) | 4 000 |
| Closing balance (28:02:20.7) | 19 800 | 42 800 |

1. The Net profit from the Income Statement is R294 850.
2. The profit after deducting the total primary distribution of the partners (remaining profit for final division) is R19 950
3. **Additional information:**

* Interest on capital is 6% p.a on capital balances. Take into account that **Yugo** increased his capital on 1 May 20.6.
* **Tumi** (who is the Sales Manager) is entitled to an annual bonus.
* Profit and losses are shared in the ratio of capital balances at the end of the year.

1. **Financial indicators for 20.7 (*with comparative figures*)**

|  |  |  |
| --- | --- | --- |
|  | **20.7** | **20.6** |
| Current ratio | 1.6: 1 | 2.5 :1 |
| Acid-test ratio | 1.1 :1 | 1.8: 1 |
| Debtors collection period | 31 days | 42 days |
| Creditors payment period | 76 days | 82 days |
| Debt/Equity ratio | ? | 0.5 :1 |
| Return on total capital employed | 25% | 22% |
| % return earned by Yugo | ? | 33% |
| % return earned by Tumi | 33% | 41% |

|  |  |
| --- | --- |
| **TOTAL** | **32** |