 Province of the

EASTERN CAPE

EDUCATION

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

**HOME SCHOOLING SELF-STUDY**

**MARKING GUIDELINES**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **SUBJECT** | ACCOUNTING | | **GRADE** | | 10 | **DATE** |  | | | |
| **TOPIC** | BALANCE SHEET, NOTES & RATIOS | | | | | | **Term** | 2 | **Week** | 9 |
| **TIME ALLOCATION** | | 1 Week | | |  |  | | --- | --- | | **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. | **WEAR A MASK AND 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 requirements per activity | | |
| **RESOURCES** | **USE YOUR TEXTBOOK(S) & PREVIOUS ACTIVITIES** | | | | | | | | | |

**Activity 1**

**Willows Traders**

**Balance sheet as at 28 February 2020**

|  |  |  |
| --- | --- | --- |
| **Assets** | Note |  |
| **Non-current assets** |  | **√435 520** |
| Fixed assets/tangible assets | 3 | **√**431 340 |
| Financial assets |  |  |
| Fixed deposit : TT Bank [12 180- 8 000] |  | **√** 4 180 |
| **Current Assets** |  | **√64 540** |
| Inventories | 4 | **√**32 740 |
| Trade and other receivables | 5 | **√**21 410 |
| Cash and cash equivalents | 6 | **√**10 930 |
| **Total assets** |  | **√500 060** |
| Equity & liabilities |  |  |
| Owner’s equity | 7 | **√**231 360 |
| Non- current liabilities |  |  |
| Loan:TT Bank [200 000-20 000] |  | **√**180 000 |
| Current liabilities |  | **√**88 700 |
| Trade and other payables | 8 | **√**88 700 |
| **Total equity and liabilities** |  | **√500 060** |

Willows Traders

3. Notes to the financial statement for the year ending 28 February 2020

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fixed assets | Land and buildings | Shop  Equipment | Vehicles | Total |
| Cost | **√**272 000 | **√**23 740 | **√** 94 900 | **√**390 640 |
| Accumulated depreciation | 0 | **√** (2 400) | **√** (20 476) | **√** 22 876 |
| Carrying value on 28 February 2019 | **√272 000** | **√21 340** | **√74 424** | **√367 764** |
| **Movements** |  |  |  |  |
| Additions | 0 | **√**3 200 | **√** 64 000 | **√**67 200 |
| Depreciation | 0 | **√** (600) | **√** (3 024) | **√** (3 624) |
| Carrying value on 28 February 2020 | **√272 000** | **√23 940** | **√135 400** | **√431 340** |
| Cost | 272 000 | 26 940 | 158 900 | 457 840 |
| Accumulated depreciation on 28 February 2020 | 0 | (3000) | ( 23 500) | (26 500) |
|  |  |  |  |  |
| **4. Inventory** | | |  | |
| Consumable | | | **√32 740** | |
| Trading stock | | | **√**32 240 | |
| Consumable stores on hand | | | **√**500 | |

|  |  |
| --- | --- |
| **5. Trade and receivables** | **√21 410** |
| Debtors control | **√** 19 080 |
| Deposit for electricity | **√** 510 |
| Accrued income | **√** 1450 |
| Prepaid expense | **√** 370 |
| **6. Cash and cash equivalents** | **√ 10930** |
| Petty Cash | **√**950 |
| Cash Float | **√**1380 |
| Savings account at TT Bank | **√**600 |
| Current portion of fixed deposit | **√**8 000 |
|  |  |
| **7. Owner’s equity** |  |
| Capital balance on 28 February 2019 | **204 000** |
| Additional capital contributed /capital withdrawn | **√** 26 060 |
| Net profit for the year | **√** 26 000 |
| Drawings | **√** (24 700) |
| Capital balance on 28 February 2020 | **√231 360** |
|  |  |
| **8. Trade and other payables** | **√ 88 700** |
| Creditors control | **√**41 000 |
| Bank overdraft | **√** 4 500 |
| Pension fund | **√**2 500 |
| Medical aid fund | **√** 4 000 |
| Creditors for salaries | **√**14 500 |
| Current portion of loan | **√**20 000 |
| Accrued expense | **√** 1 200 |
| Deferred income | **√** 1 000 |
|  |  |

**Activity 2**

**Navix Traders**

**Balance sheet as at 28 February 2020**

|  |  |  |
| --- | --- | --- |
| **Assets** | Note |  |
| **Non-current assets** |  | **√1308 500** |
| Fixed/Tangible assets |  | **√**1 258 000 |
| **Financial assets** |  |  |
| Fixed deposit [80 500-30 000] |  | **√**50 500 |
| **Current Assets** |  | **√312 900** |
| Inventory |  | **√**166 050 |
| Trade and other receivables |  | **√**82 250 |
| Cash and cash equivalents |  | **√**64 600 |
| **Total assets** |  | **√1 621 400** |
|  |  |  |
| Equity and Liabilities |  |  |
| Owner’s equity |  | **√800 000** |
| **Non-current liabilities** |  |  |
| Loan from Mono Bank [610 000-66 000] |  | **√**544 000 |
| **Current liabilities** |  |  |
| Trade and other payables (balancing figure) |  | **√**277 400 |
| **Total equity and liabilities** |  | **√1 621 400** |

Navix Traders

Notes to the financial statement for the year ending 28 February 2020

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fixed assets | Land and buildings | Vehicles | Equipment | Total |
| Cost | 1 068 000 | 240 000 | 227 000 | 1 535 000 |
| Accumulated depreciation | 0 | **√** (93 000) | **√** (130 800) | **√** (223 800) |
| Carrying value on 28 February 2019 | **√**1 068 000 | **√**147 000 | **√**96 200 | **√**1 311 200 |
| Movements |  |  |  |  |
| Additions | 0 | 0 | 0 | 0 |
| Depreciation | 0 | **√** (30 000) | **√** (23 200) | **√** (53 200) |
| **Carrying value on 28 February 2020** | **√1 068 000** | **√117 000** | **√73 000** | **√1 258000** |
| Cost | 1 068 000 | 240 000 | 227 000 | 1 535000 |
| Accumulated depreciation on 28 February 2020 | 0 | (123 000) | (154 000) | (277 000) |

|  |  |
| --- | --- |
| **Inventory** | **√166050** |
| Trading stock | **√**164 300 |
| Consumables stores on hand | **√**1 750 |
|  |  |

|  |  |
| --- | --- |
| **Trade and receivables** | **√82 250** |
| Debtors control | **√**75 000 |
| Accrued income | **√**6 500 |
| Prepaid expense | 750 **√** |
|  |  |
| **Cash and cash equivalents** | **√64 600** |
| Bank | **√**31 300 |
| Cash Float | **√**3 300 |
| Current portion of fixed deposit | **√**30 000 |
|  |  |
| **Owner’s equity** |  |
| Capital balance on 28 February 2019 | **√**799 500 |
| Additional capital contributed /capital withdrawn | **√**100 000 |
| Net profit for the year | 145 000 |
| Drawings [240 000+4 500] | **√** (244 500) |
| Capital balance on 28 February 2020 | **√800 000** |

ACTIVITY 3

3.1 57 110 **√√** X 100 =31%**√**

184 000 1

Slight increase from the previous year. On a sale of R100, gross profit (before expenses) amounts to R31. **√**

3.2 57 110 **√** **√** X 100 =45%**√**

126 890 1

Increase of 5% from the previous year. Still below the target mark-up of 50%. The increase implies that the business has been trying harder to achieve their target mark-up. Improved stock control, discounts, security, etc. may help in the future. **√**

3.3 15 720 **√√** X 100 =8.5%**√**

184 000 1

Decreased considerably from 10% to 8.5%. This needs to be investigated. Possible causes: lower turnover, increased operating expenses, not achieving target mark-up, economic conditions etc.

3.4 55 390 **√√** X 100 =30.1%**√**

184 000 1

Increased by 3.1% in 2020. There is a need to exercise better control over expenses; turnover needs to be boosted; mark-up may need to be reviewed; etc. **√**

3.5 10 320 X 100 =5.6%**√**

184 000 **√√** 1

Decreased substantially from the previous year. On a sale of R100 net profit amounts to R5.60. The owner may not be pleased with this. The loan should be paid off or reduced. This will have a positive effect on profitability. **√**

Activity 4

4.1 20 000 **√** X 100 =10.8%**√**

(180 000+190 000) ÷2**√√** **√** 1

Return has decreased by 3.2% compared to last year. The 10.8% return must be compared to current interest rates offered on investments. **√**

Activity 5

5.1 Current ratio: 89 500: 25 000**√√** =3.6:1**√**

The business should be satisfying with the current ratio**√**

5.2 Acid test ratio: 89 500-75 000:25 000**√√√** =0.6:1**√**

Trading stock is the least liquid of the current assets. Trading stock sold may not realise sufficient cash to pay debts**√**

Activity 6

Total assets =320 000+160 000**√√**

=480 000

Owner’s equity =480 000-20 000**√√**

=460 000

Solvency ratio: =480 000:460 000**√√**

=1.04:1**√**

Total assets are higher than total liabilities. The business is solvent but solvency problems can be experienced in future. Some action which can be taken: Pay off the loan, the owner may invest more capital, pay off the current liabilities, etc. **√**

Activity 7

7.1 Gross profit % on sales:

226 400 **√√** X 100 =29,78%**√**

760 000 1

Decreased in 2020 from 35% to 29,78%. The business should investigate the possibility of stock losses. **√**

7.2 Gross profit % on cost of sales:

226 400**√√** X 100 =42.43%**√**

533 600 1

Decreased in 2020 from 47% to 42.43%. because the expected mark-up on cost of sales is 50%, business should investigate why it was not achieved. Possible reason: incorrect pricing, too many clearance sales, too liberal a policy regarding trade discount**√**.

7.3 Net profit on sales:

60 400 **√√** X 100 =7.90%**√**

760 000 1

Decreased in 2020 from 12% to 7.90%. More of the firm’s income is absorbed in expenses. Expenses must be controlled**√**

7.4 Operating profit on sales:

66 400 **√√** X 100 =8.74%**√**

760 000 1

Decreased in 2020 from 14% to 8.74%. more of the firm’s income is absorbed in expenses. Expenses must be controlled. Operating efficiency has declined**√**

7.5 Operating expenses on sales:

160 000**√√** X 100 =21.05%**√**

760 000 1

Increased in 2020 from 18% to 21,05%. More of the firm’s income is absorbed in expenses. There is no correlation between sales and expenses. Because of the poor control over expenses, operating efficiency has declined. **√**

7.6 Return on owner’s equity:

60 400 **√** X 100 = 26.38%**√**

(258 000+200 000) ÷2 **√√** 1

Owner will be satisfied because the return is above return on alternative investments (fixed deposits yield 8%p. a) **√**

7.7 Solvency ratio:

332 000:(37 500+36 000) **√√√**

=4.52:1**√**

Improved in 2020 (4.52:1 as opposed to 3.5:1). For every R1 of outside funding the firm has R4.52 of its own funds. Total assets exceed total liabilities. Firm is solvent. **√**

7.8 Current ratio

82 000:36 000**√√**

2.27 :1**√**

Improved in 2020 (2.27:1 as opposed to 1.8:1). For every R1 owing the firm has R2.27 available. Liquidity is satisfactory. **√**

7.9 Acid test ratio

(82 000-43 000) :36 000**√√**

1.08:1**√**

Deteriorated in 2020 (1.8:1 as opposed to 1.5:1). For every R1 owing, the firm gas R1.08 available. Liquidity position is satisfactory.√