

Monyetla Project – Accounting Gr 11

Lesson 3: Analysis and Interpretation of Financial Statements

QUESTION 1: SWEET AND SPICY

(25 marks, 20 minutes)

ANALYSIS AND INTERPRETATION

1.1	The acid test ratio for 2018 is 1,3 : 1. Calculate the missing Inventory figure for 2018.	4
1.2	Calculate the rate of stock turnover for the year. Use the Inventory amount calculated in question 4.1. Cost of sales for 2018 is R720 000.	4
1.3	“Sweet and Spicy” deals in all kinds of spices, condiments and flavourings for cooking. Comment on the rate of stock turnover.	4

1.4	Calculate the return on average owner's equity for 2018. Is it satisfactory?	6
1.5	Calculate the debt/equity ratio for 2018. Is it satisfactory?	5
1.6	According to the partnership agreement share Sucrose and Curry the remaining profits equally. Explain why the distribution of the net profit between them is not equal.	2

TOTAL MARKS		25
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Lesson 3: Analysis and Interpretation of Financial Statements**QUESTION 2: KATZ & RABINOWITZ****(14 marks, 12 minutes)****RATIO CALCULATIONS AND ANALYSIS**

2.1	Calculate the current ratio on 30 June 2019.	3
2.2	Calculate the amount that will appear next to inventory in the Balance Sheet on 30 June 2019, if the Acid test ratio on this date is 0,75 : 1.	4
2.3	Calculate the actual mark-up achieved on 30 June 2019.	3
2.4	Give TWO possible reasons why the operated below the intended mark-up of 40%.	4

TOTAL MARKS		14
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Lesson 3: Analysis and Interpretation of Financial Statements**QUESTION 3: NZ TRADERS****(22 marks, 18 minutes)****ANALYSIS AND INTERPRETATION**

3.1.1	Calculate the percentage net profit on sales	3
3.1.2	Calculate the current ratio	3
3.1.3	Calculate the debt/equity ratio	3
3.1.4	Calculate the percentage return earned by Nkosi on his average equity	4
3.2	Use the acid-test ratio to calculate the amount of trading stock on hand on 28 February 2017.	5

3.3	Will partners Nkosi and Zama be satisfied with their returns in 2017? Give a reason for your answer.	4
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TOTAL MARKS		22
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Lesson 3: Analysis and Interpretation of Financial Statements**QUESTION 4: PETER AND PAULA****(53 marks, 43 minutes)****4.1 GAAP CONCEPTS****[10]**

4.1.1	
4.1.2	
4.1.3	
4.1.4	
4.1.5	

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4.2 ANALYSIS AND INTERPRETATION**[43]**

4.2.1	Calculate the mark-up % achieved by the business.	3
4.2.2	Should the owners be happy with the mark-up achieved? Why? Give 2 reasons that could account for the difference.	6
4.2.3	Calculate the cash and cash equivalents figure if the acid test ratio is 1,6 : 1.	4

4.2.4	Calculate the current ratio.	4
4.2.5	Calculate the stock holding period, debtor's collection period and creditor's payment period in days – use averages in your calculations.	9
4.2.6	Is the business exercising good liquidity control? Use your calculations in question 4.2.5 to answer the question.	7
4.2.7	Calculate the ratio of the final profit sharing between the partners.	2
4.2.8	Calculate the return on average owner's equity earned by the business.	5

4.2.9	Do you think the partners should be happy with this return? Motivate your answer.	3
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TOTAL MARKS		53
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