

Zoom In Accounting Grade 11

Financial analysis

The ratios and financial indicators for a partnership are similar to those used for a sole trader. We can deduce the same from them.

However, each partner may want to determine the specific return he or she received on his or her investment.

The return ratio:

$$\frac{\text{Total earning of a partner}}{\text{Average partners' equity}} \times \frac{100}{1} = \%$$

ACTIVITY 1

Required:

Use the information provided below to draw up the following accounts in the General Ledger of TimTam Trading, a partnership between Timothy and Tammy, on 30 April 2021:

- + Capital: Tim
- + Capital: Tammy
- + Current account: Tim
- + Current account: Tammy
- + Drawings: Tim
- + Drawings: Tammy
- + Salary: Tim
- + Salary: Tammy
- + Interest on capital
- + Appropriation account

Information:

The following balances appeared in the books of TimTam Trading on 1 May 2020:

Capital: Tim	R300 000	Capital: Tammy	R400 000
Current account: Tim	R41 000	Current account: Tammy	R13 000 (unfavourable)
Drawings: Tim	R106 000	Drawings: Tammy	R71 000

Adjustments and additional information:

1. Net profit for the year amounted to R386 000.
2. Tim increased his capital by depositing a cheque for R50 000 on 1 May 2020.
3. Tammy decreased her capital by R80 000 on 1 January 2021.
4. Tammy withdrew stock to the value of R7 000 and R4 000 cash on 27 April 2021. This has not yet been recorded.
5. The partnership agreement stipulates the following:
 - + Partners are entitled to annual salaries as follows: Tim, R75 000 and Tammy, R80 000.
 - + Interest on capital is calculated at 10% p.a. on capital balances at the beginning of the year.
 - + The remaining profit or loss must be shared equally between Tammy and Tim.