

## Revision

- 1 Yolisha Traders financial year end is February. Use the information below to answer the following questions.

## Information

Extract from the INCOME STATEMENT FOR THE YEAR ENDED 28/29 FEBRUARY

		20.9 R	20.8 R
Sales*		720 000	480 000
Cost of sales**		576 000	384 000

\*Credit sales constitute 40% of sales

\*\*Credit purchases constitute 50% of cost of sales

Extract from the BALANCE SHEET AT 28/29 FEBRUARY

		20.9	20.8
Trade and other receivables		36 000	42 000
Capital: Isha		100 000	100 000
Capital: Yoli		80 000	70 000
Current account: Isha		46 520	25 000
Current account: Yoli		36 520	20 000
Equity		263 040	215 000
Non-current liabilities		100 000	120 000
Trade and other payables		40 000	35 000

**GENERAL LEDGER OF YOLISHA TRADERS**  
**BALANCE SHEET ACCOUNTS SECTION**

Dr				CURRENT ACCOUNT: ISHA				B3		Cr	
20.9				20.8							
Feb	28	Drawings: Isha	GJ	21 000	Mar	1	Balance	b/d		25 000	
		Balance	c/d	46 520	20.9						
					Feb	28	Salary: Isha	GJ		25 000	
							Interest on capital	GJ		12 000	
							Partners bonus	GJ		3 000	
							Appropriation	GJ		2 520	
				67 520						67 520	
					20.9						
					Mar	1	Balance	b/d		46 520	

Dr				CURRENT ACCOUNT: YOLI				B3	Cr
20.9				20.8					
Feb	28	Drawings: Yoli	GJ	Mar	1	Balance	b/d		20 000
		Balance	c/d	20.9		Salary: Dolly	GJ		20 000
				Feb	28	Interest on capital	GJ		6 000
						Partners bonus	GJ		3 000
						Appropriation	GJ		2 520
									51 520
				20.9					
				Mar	1	Balance	b/d		36 520

## Required

Calculate and briefly comment on the following (round off to the one decimal):

- 1.1 Calculate the total earned by each partner
- 1.2 % returned on each partner
- 1.3 % return on partners' equity
- 1.4 The debt:equity ratio
- 1.5 Debtors Collection Period
- 1.6 Creditors Payment Period

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- 2 The given information appeared, inter alia, in the books of TaFa Traders on 28 February 20.9.

## Information

Figures obtained from: INCOME STATEMENT FOR YEAR ENDED 28 FEBRUARY 20.9

	R
Sales	680 000
Cost of sales	(450 000)
Other operating income	2 800
Total expenses	(157 800)

## BALANCE SHEET AT 28 FEBRUARY 20.9

	R
Partners' equity (28 February 20.8)	200 000
Partners' equity (28 February 20.9)	300 000
Non-current liabilities	160 000
Tangible assets	220 000
Financial assets	20 000
Inventories	120 000
Trade and other receivables	122 000
Cash and cash equivalent	24 000
Trade and other payables	76 000
Trading stock	114 000

## Required

Use the given information to calculate the following: (Round off to 2 decimal places)

- 2.1 Gross profit as a percentage of turnover.
- 2.2 Net profit as a percentage of turnover.
- 2.3 Return on partners' equity. Briefly comment on the results. Return on outside investment is 8%.
- 2.4 Liquidity ratios (current and acid test). Comment.
- 2.5 If you were a Bank Manager, would you be willing to lend money to TaFa Traders? Motivate briefly.

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- 3 The following information was extracted from the books of Dumalang Stores at the end of its financial years at the end of February.

## Information

Extract from the INCOME STATEMENTS FOR THE YEARS ENDED 28/29 FEBRUARY

	20.9 R	20.8 R
Sales	680 000	620 000
Cost of sales	425 000	387 500
Net profit for the year	66 500	54 800

Extracts from the BALANCE SHEETS AT ENDED 28/29 FEBRUARY

	20.9 R	20.8 R
Partnership equity	500 000	300 000
Current assets	87 600	75 790
Trading stock	45 860	39 110
Current liabilities (Trade creditors)	37 910	40 750

## Additional information

- Partner Duma's earnings for 20.9 amounted to R94 760
- Partner Langa's earnings for 20.9 amounted to R55 240
- Interest on investment at banking institutions range from 4% to 9%.

## Required

Answer the following questions. Show all your calculations. Answers must be rounded off to two decimal places.

- 3.1 Calculate the percentage mark-up on cost that is used by Dumalang Stores for 20.9 and 20.8.
- 3.2 Calculate the:
  - net profit percentage on sales for 20.9 and 20.8
  - gross profit percentage on sales for 20.9 and 20.8.

- 3.3 Comment on the profitability of Dumalang Stores. Calculate the return earned by each partner for 20.9.
- 3.4 Calculate the return on equity for 20.9.
- 3.5 Comment on the return on equity ratios.
- 3.6 Calculate the current ratio and acid test ratio for 20.9. Comment on these.  
The current ratio for 20.8 was 1.86 : 1  
The acid test ratio for 20.8 was 0.9 : 1.
- 3.7 How long will the inventory on hand on 28 February 20.9 last? Answer in days. The average inventory on hand for 20.8 was 32.4 days.
- 3.8 The debtors amount for 20.9 is R37 690 and for 20.8 was R32 410. Calculate the average debtors collection period for 20.9 if 50% of all sales are on credit.
- 3.9 Name two methods that a business could use to get its debtors to pay sooner.
- 3.10 Calculate the Creditors Payment Schedule for 20.9 if 80% of purchases is on credit.
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## Careers

### Credit Manager

#### Job description

A Credit Manager analyses detailed financial reports, interviews the representatives of the various companies, and reviews credit agency reports to determine the debt repayment records of such firms. When extending credit to individuals, credit managers rely on personal interviews, credit bureau and banks, together with trade reference checking. Many establish office procedure and supervise credit department employees. They may contact customers who do not repay their debts punctually and ultimately can refer such accounts to debt collection agencies or attorneys.

**What is satisfying about this job?** You will work more regular working hours and you will hold a responsible position without having to obtain advanced qualifications.

**What is challenging?** Dealing with individuals or companies who fail to pay their accounts could be challenging. The mental strain of dealing with figures all day and knowing that your decisions could cost your company money could lead to increasing your own stress levels.

**Training** A National Senior Certificate meeting diploma/degree requirements for diploma/degree course through various educational institutions such as universities of technology or universities.