Topic 2: Partnerships

Activity 1

General Ledger of Timtam Trading											
BALANCE SHEET SECTION											
Dr.	1	•	1		CA	PITAL:	ГІМ	1	1	ſ	Cr.
						2020 May	1	Balance	b/d	300 000	00
							1	Bank	CRJ	50 000	00
										350 000	00
CAPITAL: TAMMY											
2021 Jan.	1	Bank	CPJ	80 000	00	2020 May	1	Balance	b/d	400 000	00
2021 Apr.	30	Balance	c/d	320 000	00						
				400 000	00					400 000	00
						2021 May	1	Balance	b/d	320 000	00
CURRENT ACCOUNT: TIM											
2021 Apr.	30	Drawings: Tim	GJ	106 000	00	2020 May	1	Balance	b/d	41 000	00
	30	Balance	c/d	120 500	00	2021 Apr.	30	Salary: Tim	GJ	75 000	00
							30	Interest on capital	GJ	30 000	00
							30	Appropriation account	GJ	80 500	00
				226 500	00					226 500	00
						2021 May	1	Balance	b/d	120 500	00
				CURRE	ENT /	ACCOU	NT: TA	AMMY			
2020 May	1	Balance	b/d	13 000	00	2021 Apr.	30	Salary: Tammy	GJ	80 000	00
2021 Apr.	30	Drawings: Tammy	GJ	82 000	00		30	Interest on capital	GJ	40 000	00
	30	Balance	c/d	118 500	00		30	Appropriation account	GJ	80 500	00
				200 500	00					200 500	00
						2021 May	1	Balance	b/d	118 500	00
	DRAWINGS: TIM										
2020 May	1	Balance	b/d	106 000	00	2021 Apr.	30	Current account: Tim	GJ	106 000	00

2020 May	1	Balance	b/d	71 000	00	2021 Apr.	30	Current account: Tammy	GJ	82 000	00
2021 Apr.	27	Bank	CPJ	4 000	00						
	27	Trading stock	GJ	7 000	00						
				82 000	00					82 000	00
				FINAL	. ACC	COUNTS	S SEC	ΓΙΟΝ			
Dr.					SA	LARY: 1	IM				Cr.
2021 Apr.	30	Current account: Tim	GJ	75 000	00	2021 Apr.	30	Appropriation account	GJ	75 000	00
					SAL	ARY: TA	ММХ				
2021 Apr.	30	Current account: Tammy	GJ	80 000	00	2021 Apr.	30	Appropriation account	GJ	80 000	00
				INT	ERE	ST ON C		AL			
2021 Apr.	30	Current account: Tim	GJ	30 000	00	2021 Apr.	30	Appropriation account	GJ	70 000	00
		Current account: Tammy	GJ	40 000	00						
				70 000	00					70 000	00
				APPR	OPR	IATION	ACCO	UNT			
2021 Apr.	30	Salary: Tim	GJ	75 000	00	2021 Apr.	30	Profit and loss	GJ	386 000	00
		Salary: Tammy	GJ	80 000	00						
		Interest on capital	GJ	70 000	00						
		Current account: Tim	GJ	80 500	00						
		Current account: Tammy	GJ	80 500	00						
				386 000	00					386 000	00

DRAWINGS: TAMMY

General Ledger of JJ Stores BALANCE SHEET SECTION												
Dr.	Dr. CAPITAL: JAMES Cr.											
						2016 Oct.	1	Balance	b/d	360 000	00	
						Dec.	1	Bank	CRJ	40 000	00	
										400 000	00	
CURRENT ACCOUNT: JULIE												
2016 Oct.	1	Balance	b/d	25 000	00	2017 Sep.	30	Salary: Julie	GJ	60 000	00	
2017 Sep.	30	Drawings: Julie	GJ	90 800	00		30	Interest on capital	GJ	60 000	00	
	30	Balance	c/d	49 400	00		30	Appropriation account	GJ	45 200	00	
				165 200	00					165 200	00	
						2017 Oct.	1	Balance	b/d	49 400	00	
				FINAL	ACC	OUNTS	SECT	ION				
Dr.				APPR	OPR	IATION	ACCO	UNT			Cr.	
2017 Sep.	30	Salary: James	GJ	60 000	00	2017 Sep.	30	Profit and loss	GJ	287 800	00	
		Salary: Julie	GJ	60 000	00							
		Interest on capital	GJ	100 000	00							
		Current account: James	GJ	22 600	00							
		Current account: Julie	GJ	45 200	00							
				287 800	00					287 800	00	

1.

General Ledger of H & L Stores BALANCE SHEET SECTION

Dr.		CAPITAL: HARRY								
					2014 May	1	Balance	b/d	320 000	00
					Nov.	1	Bank	CRJ	80 000	00
									400 000	00

CURRENT ACCOUNT: LOUIS											
2015 Apr.	30	Drawings: Louis	GJ	110 200	00	2014 May	1	Balance	GJ	25 000	00
	30	Appropriation account	GJ	28 320	00	2015 Apr.	30	Salary: Louis	GJ	196 800	00
	30	Balance	c/d	123 280	00		30	Interest on capital	GJ	40 000	00
				261 800	00					261 800	00
						2021 May	1	Balance	b/d	123 280	00

FINAL ACCOUNTS SECTION

Dr.		APPROPRIATION ACCOUNT									
2015 Apr.	30	Salary: Harry	GJ	216 000	00	2015 Apr.	30	Profit and loss	GJ	418 000	00
		Salary: Louis	GJ	196 800	00			Current account: Harry	GJ	42 480	00
		Interest on capital	GJ	76 000	00			Current account: Louis	GJ	28 320	00
				488 800	00					488 800	00

2. Primary distribution is the initial distribution of profits to the partners for the work they did and the investment they made in the partnership. This consists of salaries, bonuses and interest on capital. Final distribution is the distribution of any remaining profits or losses of the partnership to the partners, after the primary distribution has been taken from the net profit for the year.

3 Any four of the following:

- The full names, identity number and address of each partner
- The name of the partnership and the physical address of the business
- The date on which the partnership was formed
- Procedures to dissolve the partnership
- The primary and final distributions.

General Ledger of Alinolo Stores BALANCE SHEET SECTION CURRENT ACCOUNT: N. NOLO

Dr.				CURREN	T AC	COUNT	Γ: Ν. Ν	OLO			Cr.
2019 Mar.	1	Balance	b/d	282 125	00	2020 Feb.	28	Salary: N. Nolo	GJ	144 000	00
2020 Feb.	28	Drawings: N. Nolo	GJ	215 660	00		28	Interest on capital	GJ	75 000	00
							28	Appropriation account	GJ	71 250	00
							28	Balance	c/d	207 535	00
				497 785	00					497 785	00
2020 Mar	1	Balance	b/d	207 535	00						

FINAL ACCOUNTS SECTION												
Dr.	Appropriation account C											
2020 Feb.	28	Salary: A. Ali	GJ	156 000	00	2020 Feb.	28	Profit and loss	GJ	750 000	00	
		Salary: N. Nolo	GJ	144 000	00							
		Interest on capital	GJ	165 000	00							
		Current account: A. Ali	GJ	213 750	00							
		Current account: N. Nolo	GJ	71 250	00							
				750 000	00					750 000	00	

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015						
Sales (Net) (794 000 - 5 850 - 1 680)	786 470					
Cost of sales (385 000 - 1 344)	(383 656)					
Gross profit	402 814					
Other operating income	34 970					
Discount received	1 010					
Rent income (34 220 – 1 200)	33 020					
Bad debts recovered	940					
Gross operating income	437 784					
Operating expenses	(223 558)					
Telephone	2 540					
Advertising	8 940					
Bad debts (3 660 + 910)	4 570					
Insurance (14 200 – 1 680)	12 520					
Stationery (4 800 – 1 630)	3 170					
Discount allowed (670 – 40)	630					
Salaries and wages (101 920 + 4 210 + 210)	106 340					
Water and electricity (18 770 + 3 240)	22 010					
Trading stock deficit (35 944 – 29 520)	6 424					
Provision for bad debts adjustment (1 672 – 1 067)	605					
Depreciation (41 280 + 14 529)	55 809					
Operating profit	214 226					
Interest income	1 008					
Net profit before interest expense	215 234					
Interest expense (50 500 + 15 848 - 56 700)	(9 648)					
Net profit	205 586					

Scandal Stores

- 1.1 Non-current assets
- 1.2 Owner's Equity
- 1.3 Current liabilities
- 1.4 Current assets
- 1.5 Fixed assets
- 1.6 Current liabilities
- 2.

INCOME STATEMENT FOR THE YEAR ENDED 30 APRIL 2015

Cost of sales	
Cost of sales	(1 390 000)
Gross profit	642 900
Other operating income	85 420
Rent income (68 000 + 13 600)	81 600
Profit on sale of asset (18 280 – 14 460)	3 820
Gross operating income	728 320
Operating expenses	(525 050)
Pension fund contribution (2 080 + 1 040)	3 120
Bank charges (6 140 + 186 + 68)	6 394
Stationery (14 260 – 1 080)	13 180
Salaries and wages (368 000 + 6 070)	374 070
Advertising (12 600 – 5 600)	7 000
Bad debts (4 200 + 2 800)	7 000
Sundry expenses (52 400 – 4 600)	47 800
Trading stock deficit (174 944 – 172 000)	2 944
Provision for bad debts adjustment (7 592 – 5 900)	1 692
Depreciation (6 800 + 33 800 + 21 250)	61 850
Operating profit	203 270
Interest income (910 + 3 890)	4 800
Net profit before interest expense	208 070
Interest expense (114 + 15 280)	(15 394)
Net profit	192 676

INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2023							
Sales (5 917 500 – 765 000)	5 152 500						
Cost of sales	(2 700 000)						
Gross profit	2 452 500						
Other operating income	5 000						
Provision for bad debts adjustment (24 000 – 19 000)	5 000						
Gross operating income	2 457 500						
Operating expenses	(1 870 420)						
Rent expense (135 600 – 21 300)	114 300						
Salaries and wages (947 500 + 7 300)	954 800						
UIF & medical aid contributions (118 500 + 500 + 70)	119 070						
Bank charges	42 000						
Bad debts (8 100 + 2 500)	10 600						
Water and electricity	25 500						
Stationery and printing (26 550 + 1 500)	28 050						
Insurance	39 800						
Telephone	58 000						
Consumable stores (78 000 – 22 000)	56 000						
Sundry expenses	140 950						
Uninsured loss	40 000						
Trading stock deficit (975 000 – 900 000)	75 000						
Depreciation (149 850 + 750 + 15 750)	166 350						
Operating profit	587 080						
Interest income	1 650						
Net profit before interest expense	588 730						
Interest expense	(30 000)						
Net profit	558 730						

	Notes		
ASSETS			
Non-current assets		785 600	00
Tangible/fixed assets	3	785 600	00
Current assets		1 414 150	00
Inventories	4	922 000	00
Trade and other receivables	5	382 300	00
Cash and cash equivalents	6	109 850	00
TOTAL ASSETS		2 199 750	00
EQUITY AND LIABILITIES			
Owner's Equity		1 632 230	00
Capital	7	1 600 000	00
Current accounts	8	32 230	00
Non-current liabilities		234 000	00
Loan: Zee Financers (315 000 – 81 000)		234 000	00
Current liabilities		333 520	00
Trade and other payables	9	252 520	00
Short-term portion of loan		81 000	00
TOTAL EQUITY AND LIABILITIES		2 199 750	00

Lehar Traders BALANCE SHEET AS AT 28 FEBRUARY 2023

Notes to the financial statements for the year ended 28 February 2023

1. INTEREST INCOME

Interest on current account	1 650	00	

2. INTEREST EXPENSE

Interest on loan	30 000	00	
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3.	TANGIBLE/FIXED ASSETS	Vehicles		Equipment	t	Total	
	Cost	999 000	00	300 000	00	1 299 000	00
	Accumulated depreciation	(249 550	00)	(142 500	00)	(392 050	00)
	Carrying value end of previous year	749 450	00	157 500	00	906 950	00
	Movements:						
	Additions at cost			45 000	00	45 000	00
	Disposals at carrying value						
	Depreciation for the year	(149 850	00)	(16 500	00)	(166 350	00)
	Carrying value end of current year	599 600	00	186 000	00	785 600	00
	Cost	999 000	00	345 000	00	1 344 000	00
	Accumulated depreciation	(399 400	00)	(159 000	00)	(558 400	00)

4. INVENTORIES

Trading stock	900 000	00
Consumable stores on hand	22 000	00
	922 000	00

5. TRADE AND OTHER RECEIVABLES

Trade debtors (382 500 – 2 500)	380 000	00
Provision for bad debts	(19 000	00)
Net trade debtors	361 000	00
Prepaid expenses	21 300	00
	382 300	00

6. CASH AND CASH EQUIVALENTS

Bank	102 350	00
Cash float	4 500	00
Petty cash	3 000	00
	109 850	00

7.	OWNERS' EQUITY	Lea		Harris		Total	
	Balance at beginning of year	900 000	00	650 000	00	1 550 000	00
	Additional capital contributed	100 000	00			100 000	00
	Capital withdrawn			(50 000	00)	(50 000	00)
	Balance at end of year	1 000 000	00	600 000	00	1 600 000	00

8.	CURRENT ACCOUNTS	Lea		Harris		Total	
	Balance on last day of previous						
	year	(63 000	00)	76 500	00	13 500	00
	Profit as per Income Statement	298 865	00	259 865	00	558 730	00
	Salaries	120 000	00	96 000	00	216 000	00
	Interest on capital	90 000	00	65 000	00	155 000	00
	Bonuses			10 000	00	10 000	00
	Primary distribution of profits	210 000	00	171 000	00	381 000	00
	Final distribution of profits	88 865	00	88 865	00	177 730	00
	Drawings	(270 000	00)	(270 000	00)	(540 000	00)
	Undrawn profits for the year	28 865	00	(10 135	00)	18 730	00
	Balance on last day of current year	(34 135	00)	66 365	00	32 230	00

9. TRADE AND OTHER PAYABLES

Trade creditors	203 100	00
Accrued expense	1 500	00
Creditors for salaries	5 330	00
Medical aid (9 900 + 500 + 500)	10 900	00
UIF (1 200 + 70 + 70)	1 340	00
SARS (PAYE) (28 950 + 1 400)	30 350	00
	252 520	00

AJ Traders	
INCOME STATEMENT FOR THE YEAR ENDED 3	0 JUNE 2010
Sales (Net) (613 240 – 600 – 12 700)	599 940
Cost of sales (205 228 – 400)	(204 828)
Gross profit	395 112
Other operating income	26 660
Rent income (28 875 – 2 415)	26 460
Bad debts recovered	200
Gross operating income	421 772
Operating expenses	(274864)
Advertising (33 976 + 8 000)	41 976
Bad debts (4 400 + 912 + 200)	5 512
Insurance (8 476 – 1 375 – 1 736)	5 365
Stationery (15 140 – 557)	14 583
Bank charges	1 080
Salaries	158 690
Sundry expenses	27 343
Trading stock deficit (79 200 – 78 140)	1 060
Provision for bad debts adjustment	195
Depreciation (4 000 + 7 060 + 8 000)	19 060
Operating profit	146 908
Interest income (4 375 + 625)	5 000
Nett profit before interest expense	151 908
Interest expense	0
Nett profit	151 908

Notes to the financial statements for the year ended 30 June 2010

4. INVENTORIES

Trading stock	78 140	00
Consumable stores on hand	557	00
	78 697	00

5. TRADE AND OTHER RECEIVABLES

-			
	Trade debtors (54 700 – 912 – 600)	53188	00
	Provision for bad debts	(2 900	00)
	Nett trade debtors	50 288	00
	Accrued income	625	00
	Prepaid expenses (1 375 + 1 736)	3 111	00
		54 024	00

9. TRADE AND OTHER PAYABLES

Trade creditors	19 000	00
Accrued expenses	8 000	00
Income received in advance	2 415	00
	29 415	00

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Star Traders				
INCOME STATEMENT FOR THE YEAR ENDED 29 F	EBRUARY 2016			
Sales (Net) (5 646 300 – 765 000)	4 881 300			
Cost of sales	(2 700 000)			
Gross profit	2 181 300			
Other operating income	125 300			
Rent Income (136 800 – 20 900)	115 900			
Bad debts recovered	600			
Provision for bad debts adjustment	8 800			
Gross operating income	2 306 600			
Operating expenses	(1 632 920)			
Bank charges	42 000			
Electricity and water	25 500			
Sundry expenses	128 000			
Salaries and wages (1 066 000 + 8 000 + 80 + 840)	1 074 920			
Bad debts (8 100 + 600 + 2 500)	11 200			
Stationery (26 550 – 4 300)	22 250			
Insurance (39 800 – 8 000)	31 800			
Telephone (148 950 + 1 500)	150 450			
Loss due to burglary	20 000			
Trading stock deficit	25 000			
Depreciation (42 000 + 59 800)	101 800			
Operating profit	673 680			
Interest expense	(30 000)			
Net profit	643 680			

Notes to the financial statements for the year ended 29 February 2016

4. INVENTORIES

Trading stock	995 000	00
Consumable stores on hand	4 300	00
	999 300	00

5. TRADE AND OTHER RECEIVABLES

Trade debtors (382 500 – 2 500)	380 000	00
Provision for bad debts	(15 200	00)
Net trade debtors	364 800	00
Prepaid expenses	8 000	00
	372 000	00

9. TRADE AND OTHER PAYABLES

Trade creditors	273 550	00
Accrued expense	1 500	00
Income received in advance	20 900	00
Creditors for salaries	5 460	00
SARS (PAYE) (28 950 + 2 040)	30 990	00
Medical aid (9 900 + 420 + 840)	11 160	00
UIF (1 200 + 80 + 80)	1 360	00
	344 920	00

Activity 10

Notes to the financial statements for the year ended 30 June 2030

7.	OWNERS' EQUITY	Harvey		Louis		Total	
	Balance at beginning of year	480 000	00	560 000	00	1 040 000	00
	Additional capital contributed	100 000	00			100 000	00
	Capital withdrawn			(40 000	00)	(40 000	00)
	Balance at end of year	580 000	00	520 000	00	1 100 000	00

8.	CURRENT ACCOUNTS	Harvey		Louis	Louis		
	Balance on last day of previous						
	year	14 320	00	(8 220	00)	6 100	00
	Profit as per Income Statement	291 440	00	390 960	00	682 400	00
	Salaries	256 000	00	354 000	00	610 000	00
	Interest on capital	58 000	00	52 000	00	110 000	00
	Primary distribution of profits	314 000	00	406 000	00	720 000	00
	Final distribution of profits	(22 560	00)	(15 040	00)	(37 600	00)
	Drawings	(128 020	00)	(166 400	00)	(294 420	00)
	Undrawn profits for the year	163 420	00	224 560	00	387 980	00
	Balance on last day of current year	177 740	00	216 340	00	394 080	00

Notes to the financial statements for the year ended 30 April 2010

7.	OWNERS' EQUITY	Fiona		Abigail		Total	
	Balance at beginning of year	500 000	00	420 000	00	920 000	00
	Additional capital contributed	60 000	00			60 000	00
	Capital withdrawn			(30 000	00)	(30 000	00)
	Balance at end of year	560 000	00	390 000	00	950 000	00

8.	CURRENT ACCOUNTS	Fiona		Abigail		Total	
	Balance on last day of previous						
	year	12 500	00	(16 000	00)	(3 500	00)
	Profit as per Income Statement	73 250	00	44 750	00	118 000	00
	Salaries	72 000	00	48 000	00	120 000	00
	Interest on capital	54 500	00	40 000	00	94 500	00
	Bonuses			10 000	00	10 000	00
	Primary distribution of profits	126 500	00	98 000	00	224 500	00
	Final distribution of profits	(53 250	00)	(53 250	00)	(106 500	00)
	Drawings	(79 000	00)	(40 050	00)	(119 050	00)
	Undrawn profits for the year	(5 750	00)	4 700	00	(1 050	00)
	Balance on last day of current year	6 750	00	(11 300	00)	(4 550	00)

Activity 12

Notes to the financial statements for the year ended 30 June 2016

8.	CURRENT ACCOUNTS	Beca		Chloe		Beca Chloe Total		
	Balance on last day of previous							
	year	18 600	00	(3 200	00)	15 400	00	
	Profit as per Income Statement	260 680	00	202 120	00	462 800	00	
	Salaries	124 000	00	96 000	00	220 000	00	
	Interest on capital	50 000	00	55 000	00	105 000	00	
	Bonuses	10 000		-		10 000	00	
	Primary distribution of profits	184 000	00	151 000	00	335 000	00	
	Final distribution of profits	76 680	00	51 120	00	127 800	00	
	Drawings	(114 000	00)	(86 000	00)	(200 000	00)	
	Undrawn profits for the year	146 680	00	116 120	00	262 800	00	
	Balance on last day of current year	165 280	00	112 920	00	278 200	00	

Act	ivity 13
1.	100 000 + 36 000 + 1 000 : 163 000 137 000 : 163 000 0,8 : 1
2.	150 000 + 178 000 + 160 000 + 100 000 + 36 000 + 1 000 + 50 000 : 163 000 + 100 000 675 000 : 263 000 2,6 : 1
3.	$\frac{421\ 600}{\frac{1}{2}(160\ 000\ +\ 250\ 000)} = 2,1\ \text{times}$
4.	$\frac{\frac{1}{2}(100\ 000\ +\ 63\ 000)}{490\ 000}\ \times\ 365\ =\ 60,7\ days$
5.	$\frac{92920}{\frac{1}{2}(200000+250000+350000+300000+124600+110200+82900+100600)}} \times 100 = 12,2\%$
Act	ivity 14
1.	Current ratio: 170 000 + 102 000 + 56 000 : 154 000 328 000 : 154 000 2,1 : 1 Acid-test ratio: 102 000 + 56 000 : 154 000 158 000 : 154 000

Both ratios are acceptable. The business has more assets than current liabilities and should be able to pay off all its short-term debts without any problems. However, they are holding a large amount of stock, which could become obsolete, so they should try to sell off some of the stock in a sales promotion.

2. $\frac{202\ 600}{(290\ 000\ +\ 380\ 000)} \times 100 = 30,2\%$

1:1

- 3. 160 000 : 520 000 + 480 000 26 840 + 32 560 160 000 : 1 005 720 0,2 : 1
- 4.1 $\frac{\frac{1}{2}(102\ 000\ +\ 93\ 000)}{380\ 000}$ × 365 = 93,7 days
- 4.2 No. The credit terms state that debtors should pay within 30 days, but the debtors collection period is 93,7 days.
- 4.3 Money received from debtors should be used to pay money owed to creditors. If this is not done, the business could experience cash flow problems.

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202 600

5. $\frac{1}{2}(520\ 000\ +\ 490\ 000\ +\ 480\ 000\ +\ 500\ 000\ -\ 26\ 840\ +\ 8\ 860\ +\ 32\ 560\ +\ 28\ 900)$ $\times \ 100 = \ 19,9\%$

Yes, they should be satisfied with the return, because they are achieving a higher return on their investment than if they had invested their money in a fixed deposit. A fixed deposit would only have yielded around a 12% return.

Activity 15

- 1. 520 000 + 84 000 : 144 000 + 240 000 1,6 : 1
- 2. $\frac{1\ 440\ 000}{\frac{1}{2}\ (520\ 000\ +\ 300\ 000)} = 3,5 \text{ times}$

3. Any four financial indicators:

- The current ratio decreased from 3,4:1 for 2015 to 1,6:1 for 2016.
- The acid test ratio decreased from 1,2:1 for 2015 to 0,2:1 for 2016.
- The rate of stock turnover increased from 2,4 times for 2015 to 3,5 times for 2016.
- The debtors collection period increased from 48 days for 2015 to 58,4 days for 2016.
- The creditors payment period increased from 50 days for 2015 to 52 days for 2016.

The business has poor liquidity and will struggle to meet its short-term commitments. The business is holding too much stock, its debtors are not paying within 30 days, and debtors collection only happens after the business has paid its creditors.

4.	432 000	0) ×	100	=	40,2%
	$\frac{1}{2}(600\ 000\ +\ 700\ 000\ +\ 360\ 000\ +\ 360\ 000\ +\ 92\ 100\ +\ 72\ 000\ -\ 24\ 000\ -\ 11\ 400)$				

Yes, they should be satisfied. The return is much higher than the return they would have received on an alternative investment, such as a fixed deposit, which would have yielded a return of approximately 7%.

5. 600 000 : 600 000 + 360 000 + 92 100 - 24 000 0,6 : 1

6. Yes.

The debt-to-equity ratio improved slightly from 0,9:1 for 2015 to 0,6:1 for 2016, which means that the business is financed mostly through equity and has high leverage. Although the solvency ratio has decreased from 2,2:1 for 2015 to 1,3:1 for 2016, it is still acceptable. It shows that the business will be able to pay off all its long-term debt.

1.1	820 000 : 750 000 + 500 000 + 91 310 0,6 : 1			
1.2	1 200 + 35 100 : 32 300 + 7 750 0,9 : 1			
	181 830	×	100	=
1.3	$\frac{1}{2}(725\ 000\ +\ 750\ 000\ +\ 6\ 750\ +\ 42\ 630)$			

- 2. Yes, it is better than interest rates on alternative investments where he would get approximately 8%.
- 3. Any two financial indicators:
 - The current ratio decreased from 1,9:1 for 2015 to 1,7:1 for 2016.
 - The acid-test ratio decreased from 1,1:1 for 2015 to 0,9:1 for 2016.
 - •
 - The stock turnover rate dropped from 15 times a year for 2015 to 14,6 times a year for 2016.

All the ratios show a negative trend. Although the ratios did not drop by very significant numbers, a concern could be that the business is holding too much stock on hand. (Therefore, the business should buy less.) Also, the overdraft shows that the cash management is bad.

23,9%

- 4.1 The debt-to-equity ratio has increased (from 0,56:1 for 2015 to 0,6:1 for 2016). This indicates high risk, which will increase further (0,72:1) if the business increases the loan.
- 4.2 Profits will have to be shared amongst three partners, so Stark and Lanister would each receive less profit.