NWU®

CCMM 517: FINANCIAL REPORTING

GROUP ASSIGNMENT: (14 MAY 2019) **TOTAL: [70]**

ANSWER SHEET

%

NB: PLEASE INDICATE THE NAMES, SURNAMES AND STUDENT NUMBERS OF ALL THE MEMBERS IN THE STUDY GROUP!!!

STUDY GROUP NAME: GROUP SEVEN

NAME AND SURNAME	STUDENT NUMBER
KWAENG G.S (GROUP LEADER)	20968434
DABISHI L.	22508503
MMITSI S.H	32857187
MOTLHATLEGO M.P	16677463
NEMATENDA T.T	31884245
TLAMELO M.E.N	16556585

QUESTION 1: (20 MARKS) _________

QUESTION 2: (30 MARKS) _________

QUESTION 3: (20 MARKS) _________

TOTAL: [70]

QUESTION 1: (20 MARKS)

Question 1.1	A	B	C	D	E	(2)
Question 1.2	A	B	C	D	E	(2)
Question 1.3	A	B	C	D	E	(2)
Question 1.4	A	B	C	D	E	(2)
Question 1.5	A	B	C	D	E	(2)
Question 1.6	A	B	C	D	E	(2)
Question 1.7	A	B	C	D	E	(2)
Question 1.8	A	B	C	D	E	(2)
Question 1.9	A	B	C	D	E	(2)
Question 1.10	A	B	C	D	E	(2)

(20)

CALCULATIONS:

1.1. $160\times \frac{100}{4} = 4000$

1.2. $1.6\times1000000=1600000$

1.9. 20000+70000+90000=180000-90000=900000

$\frac{90000}{75000} = 1.2:1$

QUESTION 2: (30 MARKS)

2.1 **(25)**

CHRISCO TRADERS / CHRISCO HANDELAARS		
STATEMENT OF FINANCIAL POSITION / STAAT VAN FINANSIËLE POSISIE		
ON 31 DECEMBER 2017 / OP 31 DESEMBER 2017		
	R	**R**
Assets		
Non-current assets		**1 225 000**
Land and building	800 000	
Equipment at cost price **(W1)**	360 000	
Accumulated depreciation on equipment **(W2)**	(175 000)	
Vehicles at cost price	800 000	
Accumulated depreciation on vehicles **(W3)**	(560 000)	
Current assets		**424 160**
Inventory	160 000	
Debtors control **(W4)**	186 000	
Debtors allowences **(W4)**	(7 440)	
Prepaid expenses **(W5)**	3 600	
Fixed Deposit	50 000	
Bank	30 000	
Interest accruide **(W9)**	2 000	
TOTAL ASSETS		**1 649 160**
Equity and liabilities		
Owner's equity		**814 160**
Capital **(W6)**	740 000	
Plus: Net profit	104 160	
Less: Drawings	(100 000)	

Plus Account profit **(W8)**	70 000	
Non-current liabilities		**730 000**
Loan: Friendly Bank		
Repayment of loan :friendly	(30 000)	
Mortgade bond :help bank	600 000	
Repayment of loan :help bank	(40 000)	
Current liabilities		**105 000**
Creditors	100 000	
Bank overdraft	-	
Accrued expenses **(W7)**	5 000	
TOTAL EQUITY AND LIABILITIES		**1 649 160**

WORKINGS (CALCULATIONS)

W1=260000+100000=360000

W2=(260000-160000)×10%=10000×6/12=5000

W2 CONTINUE =100000+5000=15000+160000=175000

W3=800000×20%=160000+400000=560000

W4=186000×4%=7440

W5=INSURANCE +INTEREST EXPENCES=2600+1000=3600

W6=440000+300000=740000

W7=WATER&ELECTRICITY+TELEPHONE=4000+1000=5000

W8=150000-80000=70000

W9=50000×8%×1/2=2000

2.2 **(5)**

CHRISCO TRADERS / CHRISCO HANDELAARS	
NOTE: OWNER'S EQUITY (CAPITAL) / NOTA: EKWITEIT (KAPITAAL)	
FOR THE YEAR ENDED 31 DECEMBER 2017 / VIR DIE JAAR GEËINDIG31 DESEMBER 2017	
	R
Capital **(W6)**	740 000
Balance at the begining of the period	440 000
Additional capital	300 000
Plus: Net profit	104 160
Less: Drawings	(100 000)
Plus Account profit **(W8)**	70 000

[30]

VRAAG 3 / QUESTION 3 (20 PUNTE / 20 MARKS)

3.1. Current ratio =Current Assets: Current Liability

$$\frac{current\ assets}{current\ liability} = \frac{77000}{46600} = 1.65:1$$

2. Acid test ratio: Current Assets-Inventory: Current Liability

$$\frac{current\ assets - inventory}{current\ liability} = \frac{77000-32000}{46600} = 0.97:1$$

3. Debtors Collection Period= $\frac{\text{Debtors control}}{Credit\ sales} = \frac{41400}{96000} \times 365\ days = 157\ days$

4. Creditors Payment Period= $\frac{creditor/trade\ payable}{cost\ of\ sale} \times 365\ days = \frac{38600}{108000} \times 365\ day$ =130.45=131 days

5. Inventory Turnover=$\frac{cost\ of\ sale}{average\ inventory} = \frac{108000}{32000+16800 \div 2}$= 4.43 times

6. Gross profit percentage= $\frac{Net\ sales - cost\ of\ sales}{Net\ sales} \times 100 = \frac{120000-108000}{120000} \times 100$=10%

7. Net profit percentage= $\frac{Net\ profit\ after\ tax}{Net\ sales} \times 100 = \frac{3500}{120000} \times 100 = 2.9\%$

8. Return on Equity= $\frac{Net\ income}{Shareholders\ equity} \times 100 = \frac{3500}{55600} = 2.29\%$

9. Debt Equity Ratio =$\frac{Total\ Debt}{Total\ Equity} = \frac{109700-56800}{56800} = \frac{52900}{56800} = 0.93$

3.2 VERSLAG AAN FLOWER Bpk

REPORT TO FLOWER Ltd

Current ratio

Current ratio has declined this means they have reduced them a tricky to generate the cash. If the business lack cash to reduce the debts. They can improve this ratio by paying off some current liabilities.

Acid test ratio

Acid test ratio has decreased, this means that the business do not have enough liquid assets to pay their current liabilities and should be treated with caution.

Business current assets are highly depending on inventory.

The business can improve the acid test ration by increasing the sale and inventory turnover. They can also make sure that they can also make that they pay off liabilities as early as possible.

Debtor collection period.

Debtor collection period has increased from 106 days to 157 days which is very bad for debtor collection period by defining credit policies, he can offer discount for early payment.

Creditor payment period.

The time period for a business to pay their debts has increase from 89 days in 2015 to 131 days in 2016 which is not good for a business. The business can improve creditor collection period by making sure that they pay their debts in time to avoid high interest.

Inventory turnover ratio.

Inventory turnover ratio has increase from 4.2 times in 2015 to 4.43 times in 2016 this is good for the business. They can improve this ratio by deducing the prices, reducing purchase quantity.

Gross profit percentage.

Gross profit% has decreased by 5% from 2015 which is 15% in 2015 and 10% in 2016. This means the decrease in the selling price of goods without any decrease in cost of goods sold. I advice the business to increase their selling price.

Net profit percentage

Net profit % has increased by 0, 4%from 2.5% to 2.9% in 2016 which is good for the business.

Return on equity

Return on equity has decreased from 6% on 2015 to 2, 29 in 2016 which means that the business has decreased its ability to generate profit without needing as much capital. To improve the return on equity the business should use more financial leverage by increasing, the amount of debts capital relative to its equity capital. They can also increase profit margin.

Debtor equity ratio

Debt equity ratio has increase, from 0, 52 in 2015 to 0, 93 in 2016, this is good for firm and can easily service its obligations.

TOTAL: [70]