

SUVA SANGAM COLLEGE

YEAR 13 ACCOUNTING

WORKSHEET 11

1	Briefly explain the purpose of the following: (a) Debt to Equity ratio (b) Earnings per Share																		
2 (a)	State two limitations of analysis and interpretation of ratios.																		
(b)	Quick asset ratio is a better measure of liquidity. Name two items that are subtracted from the current assets to calculate the quick asset ratio																		
3 (a)	<p>The financial analyst of Angel's Pty Company Ltd provided the following financial statistics for 2016 and 2017. Study the information given below and answer the questions that follow.</p> <table border="1"><thead><tr><th>Financial Highlights</th><th>2016</th><th>2017</th></tr></thead><tbody><tr><td>Return on Total Assets percentage</td><td>45 %</td><td>35 %</td></tr><tr><td>Rate of Inventory Turnover in times</td><td>4 times</td><td>5 times</td></tr><tr><td>Net Profit percentage</td><td>23 %</td><td>33 %</td></tr><tr><td>Current ratio</td><td>1.25: 1</td><td>0.95: 1</td></tr><tr><td>Debt to Equity ratio</td><td>0.73: 1</td><td>0.85: 1</td></tr></tbody></table> <p>Use the information given above and your knowledge to answer the questions that follow: Comment on the following:</p> <p>(i) Gross Profit percentage (ii) Rate of turnover of inventories (iii) Earnings per share</p>	Financial Highlights	2016	2017	Return on Total Assets percentage	45 %	35 %	Rate of Inventory Turnover in times	4 times	5 times	Net Profit percentage	23 %	33 %	Current ratio	1.25: 1	0.95: 1	Debt to Equity ratio	0.73: 1	0.85: 1
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(b)	<p>The following transactions took place during the month of AUGUST 2021. The business uses Perpetual Inventory System to record its inventory.</p> <table border="1"><thead><tr><th>No.</th><th>Transactions</th></tr></thead><tbody><tr><td>1.</td><td>Debtor paid his account \$1 500 less \$50 discount.</td></tr><tr><td>2.</td><td>Purchased goods on credit from Alex Suppliers Ltd \$6 700.</td></tr><tr><td>3.</td><td>Sold furniture for cash \$1 000 (Book value \$750).</td></tr></tbody></table> <p>Required Indicate whether the above transactions would increase, decrease or have no effect on the Working Capital of the business.</p>	No.	Transactions	1.	Debtor paid his account \$1 500 less \$50 discount.	2.	Purchased goods on credit from Alex Suppliers Ltd \$6 700.	3.	Sold furniture for cash \$1 000 (Book value \$750).										
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