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WORKSHEET 17

School: Ba Sangam College
Subject: Accounting

Year: 1201

Name _____

Strand -5	Analysis And Interpretation Of Financial Statements
Sub Strand -5.1	Analysing Accounting Reports
Content Learning Outcome 5.1.2	Compare and comment ratios of a sole proprietor business.

Note: Students are requested go over the example activity on pages (136-146) to complete the following activities.

Activity Questions

Fast Motors and Speed World Motors are involved in buying and selling of Hybrid cars.
Given below are the details of the ratios for the two businesses over a period of two years.

Ratios/Percentages	Fast Motors		Speed World Motors	
	2016	2017	2016	2017
Gross Profit to Sales percentage	30%	35%	40%	41%
Sales	200 000	260 000	300 000	265 000
Net Profit percentage	23%	30%	38%	35%
Current ratio	1.25 :1	0.87 :1	2.30 :1	1.85 :1
Age of Accounts Receivables in days	45 days	40 days	43 days	60 days

Required

Study the summary information given above and answer the following questions:

- (a) Which business has shown the greatest percentage increase in Gross Profit from 2016 to 2017? **(1 mark)**

- (b) Which business has shown a decline in Net Profit percentage from 2016 to 2017? **(1 mark)**

- (b) Comment on the Current ratio of Fast Motors. **(1 mark)**

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(c) Calculate the Cost of Goods Sold for Fast Motors for the year 2017. **(1 mark)**

(e) State **one** way in which Speed World Motors can improve its Age of Accounts Receivable in days. **(1 mark)**

Effects on Ratios

(3 marks)

Sucheta's store showed the following information on 31st March, 2017.

Current Assets	\$20 000
Current Liabilities	\$10 000

The following transactions took place in her business for the month of March, 2017.

(Note: Business uses **Physical Inventory System**.)

- (a) Cash Sales \$1 000
- (b) Paid Creditors \$1 200
- (c) Sold delivery vehicle on credit to Raju \$10 000 (Book value \$13 000)

Required

Complete the table given in the **Answer Booklet** by indicating whether the above transactions would **increase, decrease or have no effect** on the Working Capital of the business.

(3 marks)

a.
b.
c.