



education
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

FURTHER EDUCATION AND TRAINING

GRADE 11

ACCOUNTING
PAPER 1
NOVEMBER 2025

MARKS: 150

TIME: 2 HOURS

**This question paper consists of 10 pages including a
Formula sheet and 7 pages answer book.**

INSTRUCTIONS AND INFORMATION

Read the following instructions carefully and follow them precisely.

1. Answer ALL the questions.
2. A special ANSWER BOOK is provided in which to answer ALL the questions.
3. A FORMULA SHEET for financial indicators is attached to this question paper. You may use it if necessary.
4. Show ALL workings to earn part-marks.
5. You may use a non-programmable calculator.
6. You may use a dark pencil or blue/black ink to answer the questions.
7. Where applicable, show ALL calculations to ONE decimal point.
8. Write neatly and legibly.

QUESTION 1: 20 marks; 15 minutes	
Topic of the question:	This question integrates:
Fixed assets	Fixed assets Internal control

QUESTION 2: 45 marks; 35 minutes	
Topic of the question:	This question integrates:
GAAP Financial statement	GAAP Preparation of Statement of Comprehensive Income

QUESTION 3: 60 marks; 50 minutes	
Topic of the question:	This question integrates:
Partnerships Financial statement	Concepts Partnership Ledger Accounts Statement of Financial Position

QUESTION 4: 25 marks; 20 minutes	
Topic of the question:	This question integrates:
Analysis and interpretation	Analysis and interpretation of financial statements

QUESTION 1: FIXED ASSETS

(20 marks; 15 minutes)

The information relates to Mozcrazy Traders for the financial year ended 28 February 2025.

REQUIRED:

1.1 Calculate the following:

1.1.1 Depreciation on equipment on 28 February 2025. (2)

1.1.2 Cost price of vehicles on 28 February 2025. (4)

1.1.3 Depreciation on vehicles on 28 February 2025. (4)

1.2 Complete the Asset Disposal account for the trade in on 1 September 2024. (8)

1.3 When depreciating assets, what Generally Accepted Accounting Principles (GAAP) are used? (2)

INFORMATION:

A. Balances/totals, among others, that appeared in the books on:

	28 Feb. 2025 R	29 Feb. 2024 R
Equipment at cost	852 000	852 000
Accumulated depreciation on equipment	472 500	344 700
Vehicles at cost	?	1 250 000
Accumulated depreciation on vehicles	?	420 000

B. Adjustments and additional information:

(i) **Equipment:**

- No equipment was bought or sold during the year.

(ii) **Vehicles:**

- An old vehicle was traded in on 1 September 2024 for a new vehicle, costing R320 000. The trade-in value received was R153 660. The following extract of the vehicle sold was taken from the Fixed Asset Register:

Cost price: R240 000		Date purchased: 1 July 2022
Rate of depreciation: 20% p.a. on the diminishing-balance method		
FINANCIAL YEAR END	DEPRECIATION	ACCUMULATED DEPRECIATION
28 February 2023	R32 000	R32 000
29 February 2024	R41 600	R73 600
1 September 2024	?	?

- Vehicles are depreciated at 20% p.a. on the diminishing-balance method.
- Depreciation on the old remaining vehicles and new vehicle was R132 720.

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME**(45 marks; 35 minutes)****SELMAR PARTNERS**

You are provided with information for the financial year ended 30 June 2025.

REQUIRED:

- 2.1 GAAP principles are provided as options for each of the following statements. (3)
Choose the GAAP principle and write only the letter (A–D) next to the question numbers (2.1.1–2.1.3) in the ANSWER BOOK, for example 2.1.4 E.

A	Materiality
B	Matching
C	Going concern
D	Business entity

- 2.1.1 The financial activities of a business are kept separately from those of the owner.
- 2.1.2 Significant information must be included in financial statements.
- 2.1.3 Income and expenses are recognised and recorded in the current financial period.

- 2.2 Complete the Statement of Comprehensive Income for the year ended 30 June 2025 (42)

INFORMATION:**EXTRACT FROM THE TRIAL BALANCE ON 30 JUNE 2025:**

Balance Sheet Accounts Section	R
Trading stock	1 534 000
Debtors' control	521 300
Provision for bad debts	22 000
Creditors' control	786 800
Loan: Puma Bank	630 000
Bank (Dr)	129 400
Pension fund	15 800
Unemployment Insurance Fund (UIF)	2 300
Fixed deposit: Sharp Bank	450 000
Nominal Accounts Section	
Sales	?
Cost of sales	8 200 000
Salaries and wages	788 000
Employer's contribution (Pension and UIF)	81 000
Bank charges	31 000
Sundry expenses	89 730
Bad debts	12 100
Rent income	69 160
Interest on fixed deposit	27 000
Repairs and maintenance	125 600
Packing material	43 900

ADJUSTMENTS AND ADDITIONAL INFORMATION:

1. Goods are sold at a mark-up of 60% on cost price. The company held discounted cash sales during the year to clear excess stock. The total of trade discount given to customers was R702 000.
2. Packing material to the value of R41 000 was used during the year ended 30 June 2025.
3. No entries have been made for stock stolen at the beginning of June 2025. The insurance company has informed Selmar Partners that they have transferred R32 000 into the business' bank account in respect of the insurance claim. Selmar Partners bears 20% of any stock loss.
4. A physical stocktaking on 30 June 2025 reflected that stock to the value of R1 475 500 was on hand.
5. An amount of R1 700 received from M Mpoani had been credited to the Debtors' Control Account in June 2025. The account of M Mpoani was written off as a bad debt during May 2025.

The provision for bad debts must be adjusted to 4% of outstanding debtors.

6. One employee was omitted from the Salaries Journal for June 2025. His salary details are:

Deductions	Employer's Contribution	Net salary
2 020	1 610	4 980

7. HIP Builders was paid R105 000 for the construction of a storeroom (R80 000) and repairs to paving (R25 000). The entire amount was debited to Land and Buildings in error.
8. Rent income for July 2025 has already been received. The monthly rent was increased by 10% on 1 May 2025.
9. Sundry Expenses of R1 270 must still be paid.
10. Interest on fixed deposit, R3 000, is still outstanding.
11. Operating Profit is 60% of Gross Profit
12. Depreciation is the balancing amount.

QUESTION 3: STATEMENT OF FINANCIAL POSITION & NOTES (60 marks, 50 minutes)**3.1 CONCEPTS**

Choose the correct word from those given in brackets. Write only the word next to the question numbers (3.1.1 to 3.1.4) in the ANSWER BOOK. (4)

3.1.1 (Solvency/Liquidity) is the ability of the business to pay off all debts using existing assets.

3.1.2 Effective control of income and expenses is a reflection of the (return/profitability).

3.1.3 (Creditors payment/Debtors collection) period indicates the average number of days it takes to collect payments from its credit customers

3.1.4 The current ratio measures a business ability to pay its (short/long)-term liabilities with its current assets.

3.2 MOTI TRADERS

Moti Traders is a partnership business, with partners Palesa Motha and Dimpho Ntini. They have requested you to assist them with the preparation of financial statements as at 31 May 2025.

REQUIRED:

3.2.1 Calculate the interest on capital for Palesa Motha. (4)

3.2.2 Calculate Dimpho Ntini's Salary for the year (4)

3.2.3 Prepare the Appropriation account on 31 May 2025 (11)

3.2.4 Prepare the Current Account of Palesa Motha on 31 May 2025. (7)

3.2.5 Prepare the Statement of Financial Position (Balance Sheet) as at 31 May 2025 (30)

INFORMATION:**A. Extract from the Pre-adjustment Trial Balance of Moti Traders on 31 May 2025:**

Balance Sheet Section	Debit	Credit
Capital: Palesa Motha (1 June 2024)		1 600 000
Capital: Dimpho Ntini (31 May 2025)		800 000
Drawings: Palesa Motha	442 800	
Current Account: Palesa Motha (1 June 2024)	21 600	
Current Account: Dimpho Ntini (31 May 2025)		30 800
Tangible assets at carrying value	9 112 000	
Creditors' control		1 120 000
Trade and other receivables	959 000	
Inventories	600 000	
Consumable stores on hand	92 000	
Bank overdraft		?
Cash float and petty cash	32 000	
Creditors for salaries		26 250
Unemployment Insurance Fund		3 750
Medical aid Fund		1 900

B. The net profit for the year amounted to R1 180 400.

C. The partnership agreement stipulates the following:

- At the beginning of the financial year, Palesa Motha is entitled to a monthly salary of R16 000 and Dimpho Ntini earns 25% more than Palesa Motha. Their salaries were increased by 10% with effect from 1 August 2024. Palesa Motha's salary for the year amounted to R208 000.
- Palesa receive half of her monthly salary, AFTER the salary increase as a bonus.
- The partners received interest on their capital balances at a rate of 6% p.a. at the beginning of the year. The interest rate was increased by 2% with effect from 1 December 2024.
- Palesa Motha decreased her capital by R500 000 on 1 October 2024.
- Dimpho Mtini interest on capital calculated to R78 000.
- The remaining profit or losses are to be shared in the ratio 2:3 between Palesa Motha and Dimpho Ntini.

D. The loan statement received from Tswane Bank reflected the following:

Balance on June 2024	7 320 000
Interest on capital (Capitalised)	376 800
Repayments of R50 400 per month (loan plus interest)	604 800

Capital repayments are expected to remain the same over the next financial year.

- E. R22 000, which is one-third of the fixed deposit, matures on 31 August 2025.
- F. Water and electricity for R3 600 is still outstanding.
- G. Rent for June 2025 was received in advance. The total amount of rent received was R260 000.

QUESTION 4: FINANCIAL INDICATORS AND INTERPRETATION OF FINANCIAL INFORMATION

(25 marks, 20 minutes)

You are provided with information relating to Swift Clothing for the year ended 28 February 2025 together with comparative figures for 2024. The business is owned by partners Henry and Nothando.

REQUIRED:

- 4.1 Calculate the following financial indicators for 2025.
- 4.1.1 Acid test ratio (4)
 - 4.1.2 Debt equity ratio (3)
 - 4.1.3 Operating expenses on sales (3)
 - 4.1.4 % Return earned by Nothando (5)
- 4.2 Comment on the liquidity position of the business for 2025. Quote TWO financial indicators to support your answer. (4)
- 4.3 The partners thought it was a good idea to use more loans in 2025. Quote TWO financial indicators (actual figures or percentages) to support their opinion. (4)
- 4.4 Comment on the % returns earned by the business. Nothando is very satisfied with her returns, but Henry is disappointed. Quote financial indicators / figures to support your answer. (2)

INFORMATION

Extracts from the financial statements	28 Feb 2025	29 Feb 2024
Sales (60% on credit)	R3 900 000	R3 200 000
Operating expenses	680 000	660 000
Interest on loan (13% p.a.)	117 000	26 000
Non-current assets	2 130 000	1 930 000
Current assets	1 320 000	510 000
Trading stock	920 000	230 000
Partners' Equity	2 110 000	2 000 000
Non-current liabilities (Loans)	900 000	200 000
Current liabilities	440 000	320 000

PARTNER: NOTHANDO	28 Feb 2025	29 Feb 2024
Capital	1 000 000	1 000 000
Current account at year end	165 000	35 000
Partners salaries	170 000	110 000
Interest on capital (5% p.a.)	50 000	50 000
Bonus	83 000	0
Share in remaining profit	40 000	72 000

Financial indicators	28 Feb 2025	29 Feb 2024
Current ratio	2,9:1	1,6:1
Acid test ratio	A	0,9:1
Stock turnover rate	4 times	9 times
Debt Equity ratio	B	0,1:1
Interest on loans	13%	13%
% Operating expenses on sales	C	20,6%
% Operating profit on sales	18,5%	16,9%
% Net profit on sales	15,5%	16,1%
% Return earned by NOTHANDO	D	24,0%
% Return earned by HENRY	23,1%	28,9%

25

GRAND TOTAL 150





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NAME OF SCHOOL

NAME OF LEARNER

CLASS

ACCOUNTING Stanmorephysics.com

GRADE 11

PAPER 1

NOVEMBER 2025

SPECIAL ANSWER BOOK

QUESTION	MARKS	INITIAL	MOD.
1			
2			
3			
4			
TOTAL			

This answer book consists of 7 pages.

QUESTION 1: FIXED ASSETS

(20 marks; 15 minutes)

1.1.1 Calculate the depreciation on equipment on 28 February 2025.

CALCULATION	ANSWER

2

1.1.2 Calculate the cost price of vehicles on 28 February 2025.

CALCULATION	ANSWER

4

1.1.3 Calculate the depreciation on vehicles on 28 February 2025.

CALCULATION	ANSWER

4

1.2 Complete the Asset Disposal account for the trade in on 1 September 2024.

ASSET DISPOSAL			

8

1.3 When depreciating assets, what Generally Accepted Accounting Principles (GAAP) are used?

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2

TOTAL MARKS
20

3.2.5 MOTI TRADERS

STATEMENT OF FINANCIAL POSITION AS AT 31 MAY 2025

FIXED ASSETS		
Non-Current Assets		
Fixed Assets		9 112 000
Financial Assets		
Current Assets		
Trade and other receivables		959 000
TOTAL ASSETS		
EQUITY AND LIABILITIES		
Owners' Equity		
Non-Current Liabilities		
Current Liabilities		
TOTAL EQUITY AND LIABILITIES		

30

TOTAL MARKS
60

QUESTION 4: FINANCIAL INDICATORS AND INTERPRETATION OF FINANCIAL INFORMATION
(25 marks, 20 minutes)

SWIFT CLOTHING

4.1.1 Calculate the Acid test ratio for 2025.

CALCULATION	ANSWER

4

4.1.2 Calculate the Debt equity ratio for 2025.

CALCULATION	ANSWER

3

4.1.3 Calculate the Operating expenses on sales for 2025.

CALCULATION	ANSWER

3

4.1.4 Calculate the % Return earned by Nothando for 2025.


CALCULATION	ANSWER

5

4.2 Comment on the liquidity position of the business for 2025. Quote TWO financial indicators to support your answer.

4

- 4.3 The partners thought it was a good idea to use more loans in 2025. Quote TWO financial indicators (actual figures or percentages) to support their opinion.



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4

- 4.4 Comment on the % returns earned by the business. Nothando is very satisfied with her returns, but Henry is disappointed. Quote financial indicators / figures to support your answer.



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2

TOTAL MARKS
25



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ACCOUNTING

PAPER 1

NOVEMBER 2025

MARKING GUIDELINES

MARKS: 150

MARKING PRINCIPLES:

1. Unless otherwise indicated in the marking guidelines, penalties for foreign items are applied only if the candidate is not losing marks elsewhere in the question for that item (no penalty for misplaced item). No double penalty applied.
2. Penalties for placement or poor presentation (e.g. details) are applied only if the candidate is earning marks on the figures for that item.
3. Full marks for correct answer. If the answer is incorrect, mark the workings provided.
4. If a pre-adjustment figure is shown as a final figure, allocate the part-mark for the working for that figure (not the method mark for the answer). Note: If figures are stipulated in marking guidelines for components of workings, these do not carry the method mark for final answer as well.
5. Unless otherwise indicated, the positive or negative effect of any figure must be considered to award the mark. If no + or – sign or bracket is provided, assume that the figure is positive.
6. Where indicated, part-marks may be awarded to differentiate between differing qualities of answers.
7. Where penalties are applied, the marks for that section of the question cannot be a final negative.
8. Where method marks are awarded for operation, the marker must inspect the reasonableness of the answer.
9. 'Operation' means 'check operation'. 'one part correct' means 'operation and one part correct'. Note: Check operation must be +, -, x, ÷, or as per marking guidelines.
10. In calculations, do not award marks for workings if numerator & denominator are swapped – this also applies to ratios.
11. In awarding method marks, ensure that candidates do not get full marks for any item that is incorrect at least in part. Indicate with a .
12. Be aware of candidates who provide valid alternatives beyond the marking guideline. Note that one comment could contain different aspects.
13. Codes: f = foreign item; p = placement/presentation.

This marking guidelines consists of 7 pages.

QUESTION 1: FIXED ASSETS

(20 marks; 15 minutes)

1.1.1 Calculate the depreciation on equipment on 28 February 2025.

CALCULATION	ANSWER
472 500 – 344 700	127 800 ✓✓

2

1.1.2 Calculate the cost price of vehicles on 28 February 2025.

CALCULATION	ANSWER
1 250 000 ✓ - 240 000 ✓ + 320 000 ✓	1 330 000 ✓* *One part correct

4

1.1.3 Calculate the depreciation on vehicles on 28 February 2025.

CALCULATION	ANSWER
240 000 – 73 600 = 166 400 ✓ x 20% x 6/12 = 16 640 ✓* + 132 720 ✓	149 360 ✓* *One part correct

4

1.2 Complete the Asset Disposal account for the trade in on 1 September 2024.

ASSET DISPOSAL			
Vehicles	240 000 ✓	Acc depr on Vehicles (73 600 ✓ + 16 640 ✓) See 1.1.3	90 240 ✓* *One part correct
Profit on asset disposal ✓	3 900 ✓	Creditors control ✓	153 660 ✓
	243 900		243 900

8

1.3 When depreciating assets, what Generally Accepted Accounting Principles (GAAP) are used?

Matching ✓ and Historical Cost ✓

2

TOTAL MARKS
20
20

QUESTION 2: STATEMENT OF COMPREHENSIVE INCOME

2.1 GAAP PRINCIPLES

2.1.1	D	✓
2.1.2	A	✓
2.1.3	B	✓

3

2.2 SELMAR PARTNERS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2025

SALES (8 200 000 X 160/100✓ = 13 120 000☑* - 702 000✓)		12 418 000 ☑*
Cost Of Sales		(8 200 000)
Gross Profit	Operation	4 218 000 ☑
Other Operating Income		66 220 ☑*
Rent Income (69 160 ✓ - 5 720✓✓)		63 440 ☑*
Bad Debt Recovered		1 700 ✓
Provision For Bad Debt Adjustment		1 080 ✓✓
Gross Operating Income	Operation 14	4 284 220 ☑
Operating Expenses		(1 753 420) ☑*
Bank Charges		31 000
Salaries And Wages (788 000 + 2 020✓ + 4 980✓)		795 000 ☑*
Employer's Contribution (81 000 + 1 610✓)		82 610 ☑
Sundry Expenses (89 730 + 1 270)		91 000 ✓☑*
Bad Debt		12 100 ✓
Repairs & Maintenance (125 600 + 25 000✓)		150 600 ☑*
Packing Material (43 900 - 2 900)		41 000 ✓✓
Loss of Stolen Trading Stock (32 000✓ X 20/80✓)		8 000 ☑*
Depreciation		523 610 ☑
Trading Stock Deficit (1 534 000 ✓ - 40 000✓✓ - 1 475 500✓)		18 500 ☑*
Operating Profit 4 218 000 X 0,6	23	2 530 800 ☑*
Interest Income (27 000✓ + 3 000✓)		30 000 ☑*
Profit Before Interest Expense		2 560 800 ☑*
Interest Expense		(120 000)
Net Profit	Operation 5	2 440 800 ☑*

42

Foreign entry -1 max -2

Placement -1 max -2

*One part correct

TOTAL MARKS
45

QUESTION 3: STATEMENT OF FINANCIAL POSITION & NOTES

3.1 CONCEPTS

3.1.1	Solvency ✓
3.1.2	Profitability ✓
3.1.3	Debtors collection ✓
3.1.4	Short ✓

4

3.2 MOTI TRADERS

3.2.1 Calculate the interest on capital for Palesa Motha.

CALCULATION	ANSWER
1 600 000 x 6% x 4/12 = 32 000 ✓	87 000 <input checked="" type="checkbox"/> * *One part correct
1 100 000 x 6% x 2/12 = 11 000 ✓	
1 100 000 x 8% x 6/12 = 44 000 ✓	

4

3.2.2 Calculate Dimpho Ntini's Salary for the year

CALCULATION	ANSWER
20 000 x 2 = 40 000 ✓	260 000 <input checked="" type="checkbox"/> * *One part correct
22 000 ✓ x 10 ✓ = 220 000	

4

3.2.3 Prepare the Appropriation account on 31 May 2025

APPROPRIATION ACCOUNT			
INTEREST ON CAPITAL (87 000 <input checked="" type="checkbox"/> + 78 000 ✓)	165 000 <input checked="" type="checkbox"/> *	Profit & Loss	1 180 400 ✓
SALARY: MOTHA	208 000 ✓		
SALARY: NTINI	260 000 <input checked="" type="checkbox"/>		
BONUS	8 800 ✓		
CURRENT ACC: MOTHA	215 440 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> *		
CURRENT ACC: NTINI	323 160 <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> **		
	1 180 400		1 180 400

11

*profit for partnership share multiply with 2/5 ** profit for partnership share multiply with 3/5

3.2.4 Prepare the Current Account of Palesa Motha on 31 May 2025.

CURRENT ACCOUNT: PALESA MOTHA			
Balance b/d	21 600 ✓	Bonus	8 800 <input checked="" type="checkbox"/>
Drawings: Motha	442 800 ✓	Salary: Motha	208 000 ✓
Balance C/O	54 840	Interest On Capital	87 000 <input checked="" type="checkbox"/>
		Appr Account	215 440 <input checked="" type="checkbox"/>
	519 240		519 240
		Balance b/d	54 840 <input checked="" type="checkbox"/>

7

3.2.5 MOTI TRADERS

Statement of Financial Position (Balance Sheet) as at 31 May 2025

FIXED ASSETS			
Non-Current Assets			9 156 000
Fixed Assets			9 112 000
Financial Assets			
Fixed deposit (22 000 x 2)			44 000 ✓✓
Current Assets			1 705 000
Inventory (600 000 + 92 000)			692 000 ✓✓
Trade and other receivables			959 000
Cash and cash equivalents (22 000 ✓ + 32 000 ✓)			54 000 ✓*
TOTAL ASSETS	Operation	8	10 861 000 ✓
EQUITY AND LIABILITIES			
Owners' Equity			1 985 640
Capital (1 100 000 + 800 000)			1 900 000 ✓✓
Current account (30 800 ✓ + 54 840 ✓)	5		85 640 ✓*
Non-Current Liabilities			6 864 000
Loan (7 320 000 ✓ + 376 800 ✓ - 604 800 ✓ - 228 000 ✓✓)	6		6 864 000 ✓*
Current Liabilities			2 011 360 ✓*
Trade and other payables (1 120 000 ✓ + 3 600 ✓ + 20 000 ✓ + 26 250 ✓ + 3 750 ✓ + 1 900 ✓)			1 175 500 ✓*
Short term loan			228 000 ✓
Bank overdraft			607 860 ✓
TOTAL EQUITY AND LIABILITIES	Same as TA	11	10 861 000 ✓

30

Foreign entry -1 max -2

Placement -1 max -2

*One part correct

TOTAL MARKS

60

60

QUESTION 4: FINANCIAL INDICATORS AND INTERPRETATION OF FINANCIAL INFORMATION (25 marks, 20 minutes)

SWIFT CLOTHING

4.1.1 Calculate the Acid test ratio for 2025.

CALCULATION	ANSWER
$\frac{(1\,320\,000 - 920\,000) : 440\,000}{400\,000 : 440\,000}$	0,9:1 <input checked="" type="checkbox"/> * *One part correct

4

4.1.2 Calculate the Debt equity ratio for 2025.

CALCULATION	ANSWER
$900\,000 : 2\,110\,000$	= 0,4:1 <input checked="" type="checkbox"/> * *One part correct

3

4.1.3 Calculate the Operating expenses on sales for 2025.

CALCULATION	ANSWER
$\frac{680\,000}{3\,900\,000} \times 100$	= 17,4% <input checked="" type="checkbox"/> * *One part correct

3

4.1.4 Calculate the % Return earned by Nothando for 2025.

CALCULATION	ANSWER
$\frac{343\,000}{\frac{1}{2}(1\,000\,000 + 165\,000 + 1\,000\,000 + 35\,000)} \times \frac{100}{1}$ $\frac{343\,000}{1\,100\,000} \times 100$	= 31,18% <input checked="" type="checkbox"/> * *One part correct

5

4.2 Comment on the liquidity position of the business for 2025. Quote TWO financial indicators to support your answer.

Ratio <input checked="" type="checkbox"/> Comment <input checked="" type="checkbox"/>
<ul style="list-style-type: none"> The current ratio increased from 1.6:1 to 2:9:1. It is now too high as it is wasteful to keep so many current assets which do not earn a return. The acid test ratio has been maintained at 0, 9:1 for both years indicating that the business, being a clothing store, can operate successfully at this level. However the big difference between the current ratio and acid test ratio indicates that high levels of stock are a problem. The business must aim to maintain stock at a more efficient level.

4

4.3 The partners thought it was a good idea to use more loans in 2025. Quote TWO financial indicators (actual figures or percentages) to support their opinion.

Ratio ✓✓ Comment ✓✓

- The **debt equity ratio** ✓ has increased from **0,1:1** to **0,4:1** ✓. Although this is a significant increase the business is not in a risky situation as the equity is still more than a double the loans.
- The **interest rate on loans** ✓ has not increased and is still at **13 %** ✓ which is lower than the % return the business is earning.

4

4.4 Comment on the % returns earned by the business. Nothando is very satisfied with her returns, but Henry is disappointed. Quote financial indicators / figures to support your answer.

Nothando return has increased significantly from 24% to 31, 18% ✓ which greatly exceeds the returns on alternative investments.

Henry's return has dropped from 28,9 % to 23,1%. ✓

2

TOTAL MARKS
25
25