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GROUP

TRAINING
DEPARTMENT

Dear Student

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Our primary goal is to facilitate the process of guiding you through Outcomes Based Education in order for you to achieve the qualification: 49929 FETC Short Term Insurance Certificate.

We wish you well in your endeavour and looking forward to working with you throughout this skills development programme.

Kind regards

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inseta
INSURANCE SECTOR EDUCATION
AND TRAINING AUTHORITY

Learner Name	
ID Number	
Organisation	

FORMATIVE ASSESSMENT: LEARNER WORK FILE VERSION 1

Unit Standard Title: **Interpret basic financial statements**

Unit Standard No: **117156**

Unit Standard Credits: **4**

NQF Level: **4**

Mark information:

Specific Outcome/Section	1	2	3	4	5	Total	%	C / NYC
Maximum marks	25	44	10	12		91	100	

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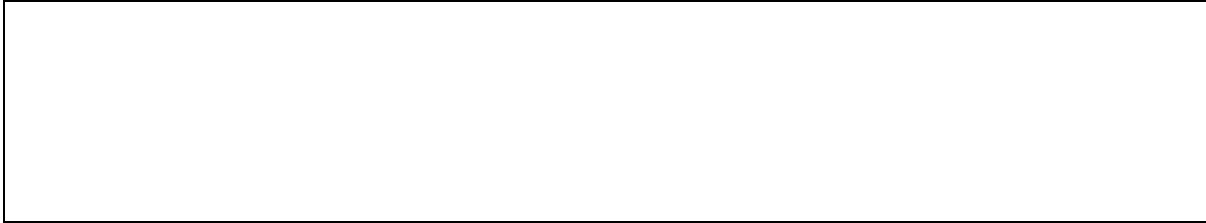
Formative Activities:

Section 1: 25 marks

Activity 1

Explain the purpose of an income and expenditure statement.

(2)



Activity 2

Indicate how often income statements are required.

(2)



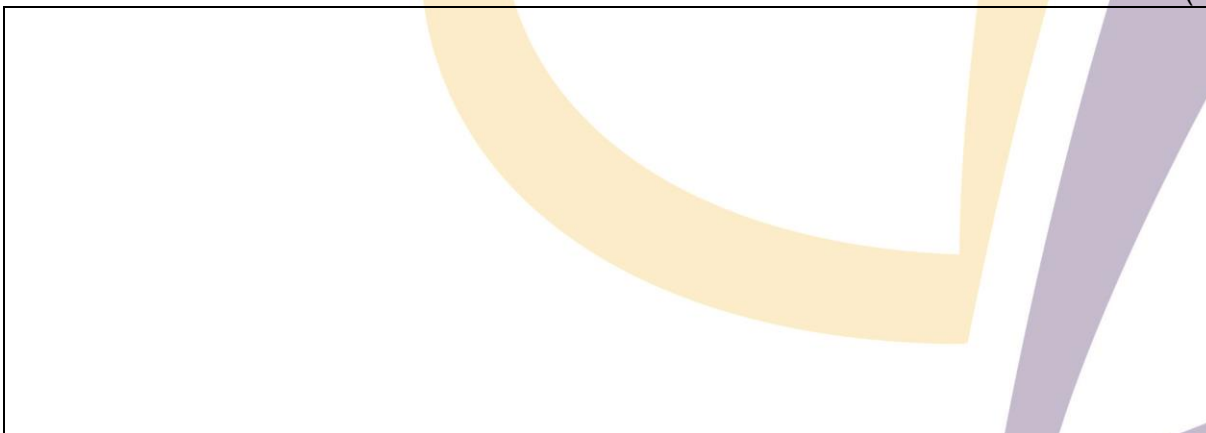
Activity 3

Identify and explain the sources of income and expenditure by

- Highlighting the different incomes and expenditures in two separate colours (one colour for income and one colour for expenditure) and
- Explaining the sources of those highlighted income and expenditure. Attach the sheets with the highlighted income and expenditure to your Portfolio of Evidence.

Please note: Use and refer to the statements found as Annexure 1, 2 and 3 to answer these questions.

(9)



Activity 4

Examine and evaluate the income and expenditure statements in Annexure 1 and 2, in terms of financial viability of the enterprise. With the assistance of the applicable ratios, write evaluation notes (in your own words) on the financial viability of the enterprise.

(12)



Section 2: 44 marks

Activity 5

Explain the purpose of balance sheet and indicate how often balance sheets are required.

(3)

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Activity 6

Explain and classify the following concepts:

- An asset in a balance sheet and classify them in terms of fixed and / or current assets. (Highlight the assets in the Balance sheet 1 and 2 and refer to it.
- A liability in a balance sheet and classify them as long term and / or current liabilities. (Highlight the liabilities in the Balance sheet 1 and 2.

Complete your answer in the table below:

(20)

ASSET: Definition		
	Classify as: Fixed	Classify as: Current
Balance sheet 1:		
Balance sheet 2:		
LIABILITY: Definition:		
	Classify as: Long	Classify as: Current

	term	
Balance sheet 1:		
Balance sheet 2:		

Activity 7

Compare and evaluate balance sheets for an entity in terms of performance over two years and make a decision based on the evidence in the balance sheet.

Please note: Refer to and use the Balance sheets provided in **Annexure 4** and answer the following questions:

(21)

7.1 Which Franchise has the highest sales?

7.2 Which Franchise makes the most Net Profit?

7.3 Which Franchise owns the most Fixed Assets?

7.4 Calculate profitability, liquidity and activity status of Franchises A, B and C using the following ratios – (Complete your answers in the table below)

		Franchise A	Franchise B	Franchise C
Profitability	GP% NP%			
Liquidity	Current assets: Current Liabilities Equity: Debt			
Asset Management	Asset turnover			

Using the results above, which Franchise has:

7.5 The highest profit margins

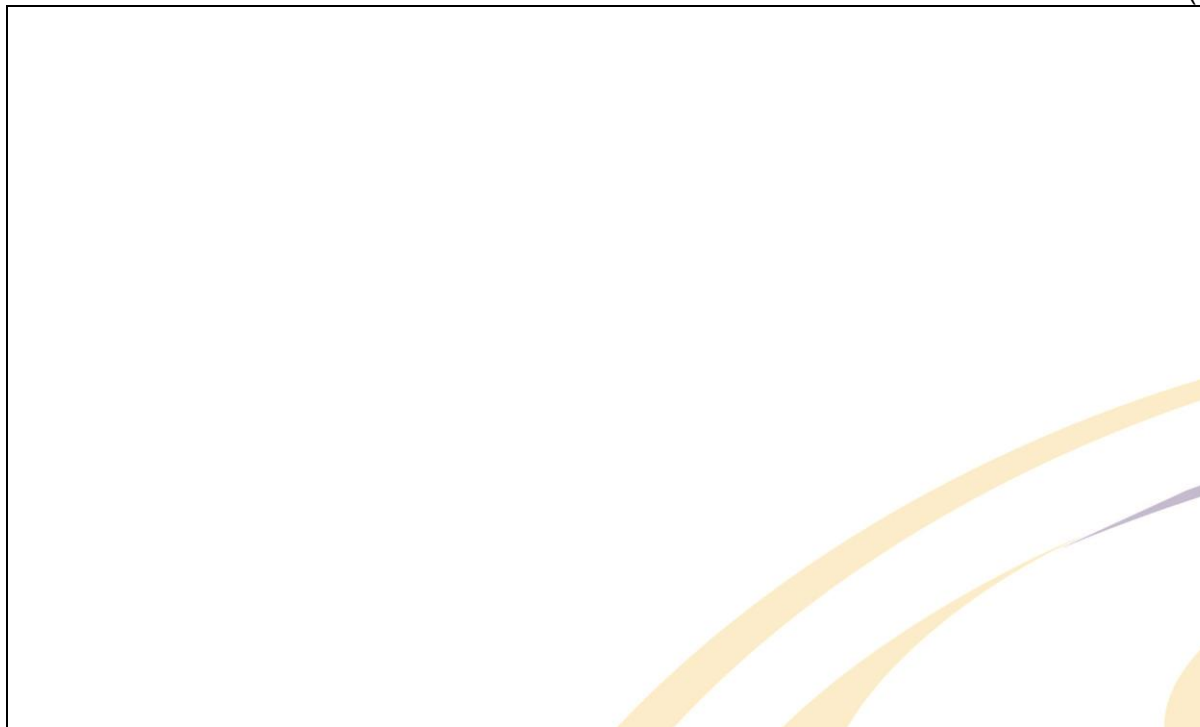
7.6 The best short term liquidity position?

7.7 Utilised its assets most effectively

Section 3: 10 marks
Activity 8

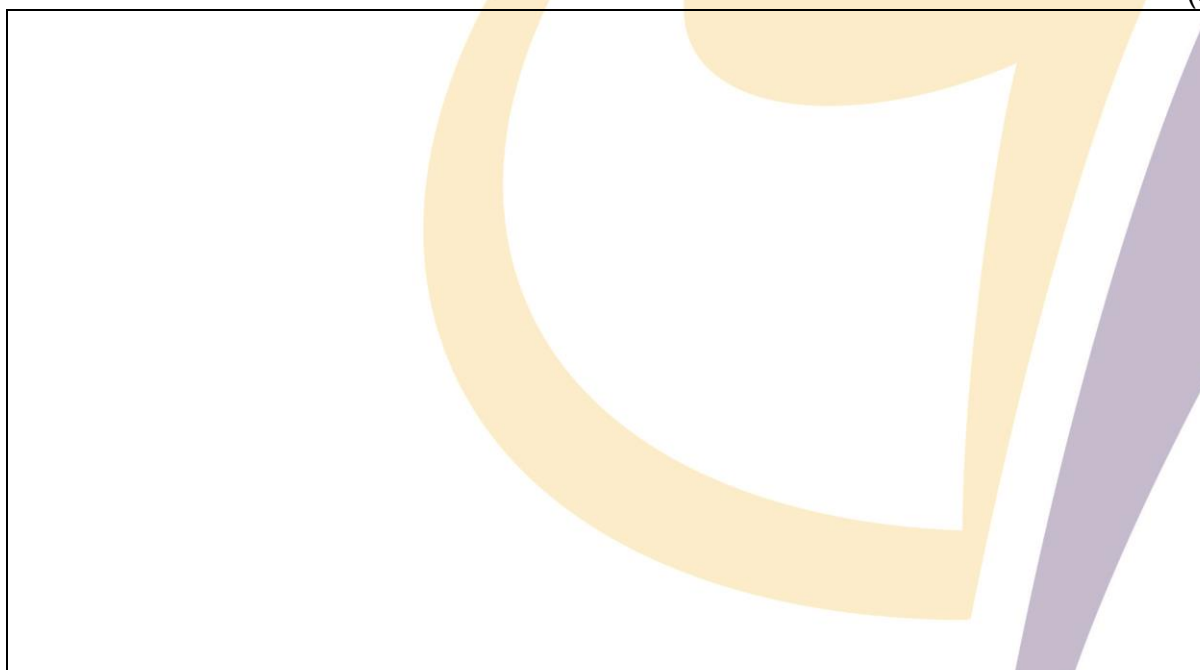
Compile your own assets and liabilities statement based on your own financial situation over the past year.

(5)

**Activity 9**

List the situations when an assets and liabilities statement is required and give an indication of the advantages of keeping such records.

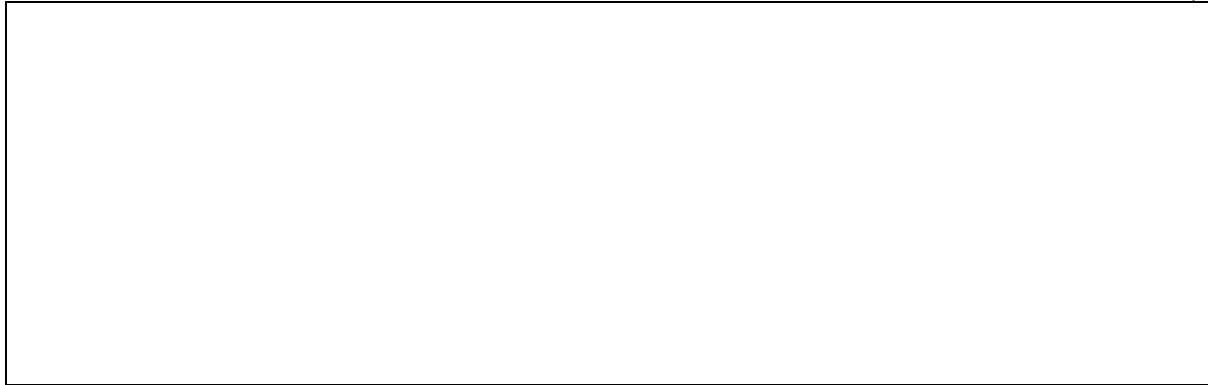
(5)



Section 4: 12 marks**Activity 10**

Explain the concept “cost to income ratio” and mention how to improve this ratio.

(4)

**Activity 11**


Explain the relationship between turnover, income, revenue, sales/earnings and profit and give examples where possible.

(4)

**Activity 12**

Explain the concept “cash flow” in terms of liquidity.

(4)



ANNEXURE 1
INCOME STATEMENT 1:

Laduma Traders: Income statement for the year ended 28 February 2014		
Sales		7 000 000
Less: Cost of sales		(2 200 000)
Beginning inventory (1 March 2013)	600 000	
Plus purchases	2 400 000	
Less: Ending inventory	800 000	
Gross profit		4 800 000
Less: Operating expenses		(3 099 500)
Advertising	713 000	
Salaries	1 701 500	
Insurance	60 000	
Depreciation	300 000	
Maintenance	50 000	
Fuel	62 000	
Packaging	52 000	
Printing	24 000	
Postage and courier expenses	5 000	
Rent paid	26 000	
Telephone expenses	12 000	
Water and electricity	94 000	
Earning before interest and taxes		1 700 500
Less: Interest expenses		(13 000)
Earning before taxes		1 687 500
Less: Tax (30%)		(506 250)
Earnings after taxes		1 181 250

BALANCE SHEET 1:

Laduma Traders: Balance sheet as at 28 February 2014			
Fixed assets:		Shareholders' Interest:	
Land and buildings	3 000 000	Ordinary shares	6 000 000
Plant and equipment	2 500 000	Preference shares	500 000
Vehicles	1 350 000	Retained earnings	2 500 000
Current assets:		Long-term debt:	1 000 000
Cash	800 000	Current liabilities:	
Accounts receivable	2 500 000	Accounts payable	<u>1 650 000</u>
Inventory	<u>1 500 000</u>		
	<u>11 650 000</u>		<u>1 650 000</u>

ANNEXURE 2**INCOME STATEMENT 2:**

E DUNCAN		
INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2014		
Sales (436 125 - 4 125)		432 000
Cost of sales		240 000
GROSS PROFIT		192 000
Other operating incomes		15 145
Rent income	14 400	
Provision for bad debts-adjustment	245	
Profit on sale of assets	500	
Operating expenses		173 495
Telephone	2 892	
Water and electricity	2 993	
Insurance	4 500	
Stationary	2 166	
Packing material	1 654	
Bad debts	1 400	
Advertising	2 600	
Trading stock deficit	890	
Depreciation	14 400	
Salaries	140 000	
OPERATING PROFIT		33 650
Interest income		4 920
Profit before interest expense		38 570
Interest expense		6 120
NET PROFIT FOR THE YEAR		32 450

BALANCE SHEET 2:

E DUNCAN		
BALANCE SHEET ON 28 FEBRUARY 2014		
ASSETS:		278 500
Non-current assets	258 500	
Fixed assets		
Financial assets		
Fixed deposit: BA Bank	<u>20 000</u>	
Current assets		42 700
Inventory	27 660	
Trade and other receivables (debtors)	14 740	
Cash and cash equivalents	<u>300</u>	
TOTAL ASSETS		<u>321 200</u>
EQUITY AND LIABILITIES		
Owner's equity		260 580
Non-current liabilities		20 000
Mortgage loan: NK Bank	<u>20 000</u>	
Current liabilities		40 620
Trade and other payables (creditors)	38 050	
Bank overdraft	<u>2 570</u>	
TOTAL EQUITY AND LIABILITIES		<u>321 200</u>

ANNEXURE 3**INCOME STATEMENT 3:****INCOME STATEMENTS FOR THE 12 MONTHS ENDED**

	2013 R'000		2014 R'000	
	Franchise A	Franchise B	Franchise A	Franchise B
Sales	3 000	2 500	6 000	3 500
Cost of sales	2 400	1 425	4 850	2 000
Gross Profit per Franchise	600	1 075	1 150	1 500
Total Gross Profit	1 675		2 650	
Overheads	1 345		2 290	
Advertising	210		200	
Entertainment	60		120	
Interest paid	32		250	
Other admin expenses	5		30	
Overseas travel	12		70	
Printing and stationary	6		7	
Rent – Premises	72		240	
Vehicles	-		120	
Repairs and maintenance	8		9	
Salaries	940		1 244	
Net profit before Tax	330		360	
Taxation	(100)		(108)	
Retained profit for the year	230		252	
Accumulated Profit brought fwd	512		742	
Accumulated Profit carried fwd	742		994	
CLOSING STOCK	800	175	1 850	200

Balance sheet 3:**BALANCE SHEET AS AT 30 SEPTEMBER**

	R	R
ASSETS		
Non-current assets		
Fixed assets		95
Current assets		75
Inventories	40	
Trade debtors (Accounts receivable)	25	
Cash and Cash Equivalents	10	
	<hr/>	
TOTAL ASSETS		<hr/> 170 <hr/>
RESERVES		
Owners equity		100
Shares	55	
Retained income	45	
	<hr/>	
LIABILITIES		
Trade and other payables		70
Creditors	55	
Accruals	15	
	<hr/>	
TOTAL RESERVES AND LIABILITIES		<hr/> 170 <hr/>

ANNEXURE 4**INCOME STATEMENTS**

	“A” R’000	“B” R’000	“C” R’000
Sales	10 000	30 000	50 000
Cost of sales	(8 000)	(21 000)	(30 000)
Gross Profit	2 000	9 000	20 000
Overheads	(1 000)	(5 000)	(15 000)
Net Profit	1 000	4 000	5 000
Taxation	(300)	(1 200)	(1 500)
Dividends	(300)	(800)	(3 000)
Retained income	400	2 000	500

BALANCE SHEET

Owners equity	5 000	10 000	600
Shares	4 600	8 000	100
Retained income	400	2 000	500
Non-current Liabilities	1 000	-	14 400
Current Liabilities	2 000	3 000	15 000
Creditors	2 000	3 000	6 000
Bank overdraft	-	-	9 000
TOTAL	8 000	13 000	30 000
Non-current assets			
Fixed assets	4 000	10 000	20 000
Current assets	4 000	3 000	10 000
Stock	1 400	810	6 000
Debtors	1 100	600	4 000
Bank	1 500	1 590	-
TOTAL	8 000	13 000	30 000
Total employees	23	14	30

ANNEXURE 5:**CASE STUDY:**

E Duncan is a retailer, selling batteries, tyres and exhausts.

For the year ending, 28 February 2014, E Duncan has sold 15 000 tyres, 5 000 batteries and 2 000 exhausts.

The carrying costs of batteries is 10% of inventory value, for tyres it is 15% of inventory value and for exhausts it is 20% of inventory value.

The purchase price for batteries is R150, 00 each, for tyres it is R300, 00 each and for exhausts, R200, 00 each.

The fixed costs for ordering batteries is R50 per order, R75 for tyres and R100 for exhausts.

ANNEXURE 6

CASE STUDY:

Laduma Traders plan to open a new food retail outlet in Soweto to sell basic food items.

Laduma Traders plan to sell R700 000 worth of products for the year 1 March 2013 to 28 February 2014. They will start the business with R60 000 worth of stock and plan to purchase R240 000 of stock during the year. They plan to end the year with R80 000 worth of stock on hand.

Laduma Traders plan to spend R170 000 on salaries; R16 000 on insurance; R20 000 on fuel; R12 000 on telephone costs; R24 000 on water and electricity; R30 000 on rent for a building.

The directors of Laduma Traders have R80 000 available to start the business on 1 March 2013.



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**SOUTH AFRICAN QUALIFICATIONS AUTHORITY
REGISTERED UNIT STANDARD:**

Interpret basic financial statements

SAQA US ID	UNIT STANDARD TITLE			
117156	Interpret basic financial statements			
ORIGINATOR		ORIGINATING PROVIDER		
SGB Insurance and Investment				
QUALITY ASSURING BODY				
-				
FIELD			SUBFIELD	
Field 03 - Business, Commerce and Management Studies			Finance, Economics and Accounting	
ABET BAND	UNIT STANDARD TYPE	PRE-2009 NQF LEVEL	NQF LEVEL	CREDITS
Undefined	Regular	Level 4	NQF Level 04	4
REGISTRATION STATUS		REGISTRATION START DATE	REGISTRATION END DATE	SAQA DECISION NUMBER
Reregistered		2012-07-01	2015-06-30	SAQA 0695/12
LAST DATE FOR ENROLMENT		LAST DATE FOR ACHIEVEMENT		
2016-06-30		2019-06-30		

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard replaces:

US ID	Unit Standard Title	Pre-2009 NQF Level	NQF Level	Credits	Replacement Status
10388	Interpret basic financial statements	Level 4	NQF Level 04	3	Complete

PURPOSE OF THE UNIT STANDARD

Learners who achieve this unit standard are able to interpret an income and expenditure statement and use information in the statement to make a financial decision.

The qualifying learner is capable of:

- Analysing the basic elements of an income and expenditure statement.
- Analysing the basic elements of a balance sheet.
- Compiling a personal assets and liabilities statement.
- Using the evidence in financial statements to make a financial decision.

LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

There is open access to this unit standard. Learners should be competent in Communication, Mathematical Literacy and Financial Literacy at NQF Level 3.

UNIT STANDARD RANGE

The typical scope of this unit standard is

- Different types of financial statement including business, personal and organisation.
- An enterprise could be a school, body corporate, club, church, small business, etc.

Specific Outcomes and Assessment Criteria:

SPECIFIC OUTCOME 1

Analyse the basic elements of an income and expenditure statement.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

The purposes of an income and expenditure statement are explained and an indication is given of how often these statements are required for two case studies.

ASSESSMENT CRITERION 2

Sources of income and expenditure are identified for three different kinds of financial statements.

ASSESSMENT CRITERION RANGE

Kinds of financial statements include but are not limited to business (close corporates, listed companies, partnerships, public entities, SMMEs, and sole ownerships), personal, organisations (club, church). (Any three).

ASSESSMENT CRITERION 3

Sources of income and expenditure are explained with reference to an income and expenditure statement.

ASSESSMENT CRITERION 4

Three income and expenditure statements are examined and evaluated in terms of financial viability of the enterprise.

SPECIFIC OUTCOME 2

Analyse the basic elements of a balance sheet.

ASSESSMENT CRITERIA**ASSESSMENT CRITERION 1**

The purpose of a balance sheet is explained and an indication is given of how often a balance sheet is necessary for two case studies.

ASSESSMENT CRITERION 2

A balance sheet is analysed and evaluated in terms of equity or financial net worth.

ASSESSMENT CRITERION 3

The concept of an asset is explained and the assets in a balance sheet are classified in terms of fixed and current assets.

ASSESSMENT CRITERION 4

The concept of a liability is explained and the liabilities in a balance sheet are classified in terms of long term and current liabilities.

ASSESSMENT CRITERION 5

Balance sheets for an entity are compared and evaluated in terms of performance over two years and a decision is made based on evidence in the balance sheet.

SPECIFIC OUTCOME 3

Compile a personal assets and liabilities statement.

ASSESSMENT CRITERIA

ASSESSMENT CRITERION 1

A personal assets and liabilities statement is compiled based on own financial situation over the past year.

ASSESSMENT CRITERION 2

The situations when an assets and liabilities statement are required are listed and an indication is given of the advantages of keeping such records.

SPECIFIC OUTCOME 4

Use the evidence in financial statements to make a financial decision.

ASSESSMENT CRITERIA**ASSESSMENT CRITERION 1**

The financial strengths and weaknesses of an entity are analysed and suggestions are made of ways to improve income and reduce costs.

ASSESSMENT CRITERION 2

The concept of a cost to income ratio is explained and suggestions are made on how to improve the ratio.

ASSESSMENT CRITERION 3

The relationship between turnover, income, revenue, sales/earnings and profit is explained with examples.

ASSESSMENT CRITERION 4

The concept of cash flow is explained in terms of liquidity.

UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS

This Unit Standard will be internally assessed by the provider and moderated by a moderator registered by a relevant accredited ETQA or an ETQA that has a Memorandum of Understanding with the relevant accredited ETQA.

UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE

N/A

UNIT STANDARD DEVELOPMENTAL OUTCOME

N/A

UNIT STANDARD LINKAGES

N/A

Critical Cross-field Outcomes (CCFO):**UNIT STANDARD CCFO IDENTIFYING**

The learner is able to identify, solve problems and make decisions based on the information in basic financial statements.

UNIT STANDARD CCFO ORGANISING

The learner is able to organise and manage him/herself effectively compiling a personal assets and liabilities statement.

UNIT STANDARD CCFO COMMUNICATING

The learner is able to communicate effectively using visual, mathematics and language skills in the modes of oral and written presentation when evaluating the strengths and weaknesses of an entity.

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