

1. $135\,551 : 62\,500$
 $= 2,2 : 1$

Comments

- It has slightly decreased from 2,4 in 2018 to 2,2 in 2019.
- The business should nevertheless be able to meet its short-term liabilities.

2. Acid test ratio = (Current assets [CA] – stock) : Current liabilities (CL)
 $= 1,3 : 1$

\therefore CA – stock = $62\,500 \times 1,3$
 CA – stock = 81 250
 Stock = $135\,551 - 81\,250$
 = 54 301

3.

Current account: Balsamo				Current account: Du Toit			
Drawings	50 600	Balance	b/d 5 820	Balance	b/d 1 810	Total earnings	32 770
Balance	c/d 2 490	Total earnings	47 270	Drawings	29 800		
	<u>53 090</u>		<u>53 090</u>	Balance	c/d 1 160		
		Balance	b/d 2 490		<u>32 770</u>		<u>32 770</u>
						Balance	b/d 1 160

4. Percentage earnings of Balsamo

$$= \frac{47\,270}{\frac{1}{2}(180\,000 + 180\,000 + 5\,820 + 2\,490)} \times \frac{100}{1}$$

$$= \frac{47\,270}{184\,155} \times \frac{100}{1}$$

$$= 25,7\%$$

Yes, she should be satisfied – this is far more than whatever she would have earned from the bank.

5. **Debt : owner’s equity ratio**

Before loan	After loan
R20 000 : (180 000 + 108 000 + 2 490 + 1 160)	R200 000 : 291 650
= R20 000	= 0,7 : 1
= 0,07 : 1	

Comments

- The business is low geared and credit worthy before and after the loan.
- The business will be able to take on another loan without any problem.