

Financial Statement Formulas

Assessment Task

Formulas used in interpreting financial statements (Individual activity) (LO3 AS5)

Read the information below about financial statements and answer the questions that follow.

A business draws up financial statements to answer the following questions about the business:

1. Did my business make a profit or a loss in the past financial year?
2. How much money (drawings) may I take from the business as its owner?
3. Is my business being run effectively?

- a) Write down the formula for determining gross profit margin. [2 marks]
 - b) Write down the formula for determining return on assets. [2 marks]
 - c) Write down the formula for the percentage gross profit on cost of sales. [2 marks]
 - d) Calculate the return on assets of Jason's Paint Shop. The income statement of the business showed a net income of R20 500. The total assets of the business are worth R150 000. [2 marks]
 - e) Determine the percentage net profit on turnover for Jason's Paint Shop. The income statement revealed that the turnover was R186 000. [2 marks]
- [Total: 10 marks]