

TAVUA COLLEGE
YEAR 13 ACCOUNTING
WEEKLY HOME STUDY PACKAGE – WEEK 1 (05/07/21 – 09/07/21)

SOLUTION

1. Statement of Financial Performance

-shows the profit/loss earned/incurred by the business over a period of time.

Statement of Financial Position

-shows the financial position of the firm at a point in time.

Statement of Cash Flow

-shows projected and actual cash flows highlighting changes in the business cash positions between two points in time.

(any two statements, 1 mark each)

2. Accounting reports should be prepared using same accounting methods from one period to the next so that accounting statements can be compared. **(1 mark)**

3. Written Reports, reports which are mostly figures, graphs and diagrams **(3 marks)**

4. Profitability Ratios or Earning Capacity
Liquidity Ratio or Measures of Financial Stability
Measures of Management Effectiveness
Market Analysis **(4 marks)**

5.

Profitability Ratios or Earning Capacity – are ratios that measure the ability of the business to make profit.

Purpose: to measure earning capacity of the business

(1 mark for definition, 1 mark for purpose)

Liquidity Ratio or Measures of Financial Stability – are ratios that measure the ability of the business to pay short and long-term debts.

Purpose: to measure financial stability of the business.

(1 mark for definition, 1 mark for purpose)

Measures of Management Effectiveness – are ratios that measure the effectiveness of management policies.

Purpose: to measure how effectively the manager's policies are followed in the business.

(1 mark for definition, 1 mark for purpose)

Market Analysis - are ratios that are used to evaluate the current share price of a public company's shares.

Purpose: These ratios are employed by current and potential investors to determine whether a company's shares are over-priced or under-priced.

(1 mark for definition, 1 mark for purpose)