

## EMS grade 7 (week 16)

### Corrections and activities

#### Introduction to personal statement of net worth

What is the difference between **asset** and a **liability**?

An asset is a possessions that a person/business own and a liability is debts that a person/business owe to another person or business or a financial institution.

A personal statement of **net worth** describes the financial position of a person at a particular point in time. If a person sells everything he or she owns (assets) and pays all his or her debts (liabilities), the amount that is left will be how much he or she is worth in financial terms. **A – L = NW**

The statement of net worth is drawn up to determine the value of a person or business.

Assets – Liabilities = Net worth ( A-L = NW)

2000 – 1300 = 700

Personal Worth

<b>Assets</b>	<b>Liabilities</b>	<b>Net Worth</b>
Clothes, Games, cellphone, books R1 900 + R500 + R500 + R200	Owing brother money for airtime -R 120	
R2 900	R120	R2 780

#### Example of a business Net Worth

It is a list of everything the business owns or their possessions less than what they owe (debts). Net Worth is calculated by comparing an individual or business assets against liabilities or debts.

Net worth = Assets (A) – Liabilities (L)

**NET** means that something has been deducted from the total amount. Assets- Liabilities = Net worth

#### Calculate the NET WORTH

**Use the following information to draw up a statement of net worth for Gezani Electrical.**

Gezina Electrical owes Standard Bank R100 000 on their office block/buildings. The value of the vehicle is R50 000 and the vehicle finance by Standard Bank amount to R25 000. They have invested R25 000 and all their computers and printers are valued at R50 000.

**Example 1:**

<b>Value of what you OWN Assets</b>	<b>Value of what you OWE Liabilities</b>	<b>NET WORTH</b>
R350 000	R125 000	R225 000

**Example 2:**

<b>Assets (What we own)</b>	<b>Liabilities (What we owe/debts)</b>	<b>NET WORTH</b>
Investment: R250 000	Bank Loan: R100 000	
Computers: R50 000	Vehicle finance: R 25 000	
Vehicle: R50 000		
<b>Total: R350 000</b>	<b>R125 000</b>	<b>R225 000</b>

**Alternative Format of a Statement of net worth:**

<b>Assets</b>	<b>R350 000</b>
Investment	R250 000
Computers	R50 000
Vehicle	R50 000
<b>Liabilities</b>	<b>(R125 000)</b>
Bank Loan	R100 000
Vehicle Finance	R25 000
<b>Net worth</b>	<b>R225 000</b>

**Activity 15****Corrections**

<b>Assets</b>	<b>R779 000</b>
Motor vehicle	R180 000
Buildings	R200 000
Equipment	R45 000
Electric switches	R60 000
Transformers	R24 000
Gas heaters	R15 000
Grinders	12 000
<b>Liabilities</b>	<b>(R200 000)</b>
Bank loan: Nedbank	R190 000
Bosch	R10 000
<b>Net Worth</b>	<b>R579 000</b>

**Week 5 Lesson plan 1****Example of personal statement of Net worth**

How much do we calculate how much a person is worth at a specific date?

**Net worth** = Assets – Liabilities

**Example**

Help Petunia to calculate her worth on 31 March 2015. Motor bike R24 500; Furniture R48 000; Clothes R8 400; Edgars account R3 200; Mobile phone R 2 000; She owes her father R8 000 and has money in the bank, R12 300.

**Step 1: Write down all her assets**

Motor bike	R24 500
Furniture	R48 000
Clothes	R8 400
Mobile phone	R2 000
Money in the bank	R12 300
<b>Total assets</b>	<b>R95 200</b>

**Step 2: Write down all her liabilities**

Edgars account	R3 200
Loan from her father	R8 000
<b>Total liabilities</b>	<b>R11 200</b>

**Step 3: Calculate her net worth**

**Net worth** = Assets minus liabilities

$$= R95\ 200 - R\ 11\ 200$$

$$= R84\ 000$$

This means she is worth R84 000 on the 31 March 2015

**Week 5 lesson plan 2 : Activity**

**Personal Statement of net worth**

Prepare the **Statement of Net Worth of Lesetja** on 30 June 2014

**Information**

**He has the following assets and liabilities:**

Vehicle R168 000; Clothes R28 800; Laptop R12 300; Bank overdraft, R15 000; Money in his wallet R1 200; Loan from RSA bank R8 000; Mobile phone R8 500; Woolworths account R5 200.

## Solution

### Statement of Net Worth of Lesetja on the 30 June 2014

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<b>Assets</b>	<b>218 800</b>
Vehicle	168 000
Laptop	12 300
Clothes	28 800
Money in his wallet	1 200
Mobile phone	8 500
<b>Liabilities</b>	<b>(100 200)</b>
Bank overdraft	15 000
Loan from RSA Bank	80 000
Woolworths account	5 200
<b>Net worth</b>	<b>118 600</b>

Activities that you must prepare

#### **Week 5 lesson plan 3 (Activity)**

#### **Week 5 lesson plan 4**

Statement of Net worth (Class Test)

#### **Week 6 Lesson plan 1**

Activity 16

#### **Week 6 lesson plan 2: Saving in a business**

Activity 17

#### **Week 6 lesson plan 3: Investments in a business**

Activity 18