

Grade 7 EMS Worksheet

Assessment Task: Calculating net worth

Calculating net worth (Individual activity)

Read the information below about net worth and answer the questions that follow.

Net worth is what you get when you subtract the total liabilities from the total value of the assets. The formula for calculating the net worth is:

$$\text{Net worth} = \text{total assets} - \text{total liabilities}$$

- a) Does the value of assets and liabilities always remain the same? [2 marks]
- b) Does your net worth always remain the same? Give a reason for your answer. [1 mark]
- c) In a business, what do you get when you calculate assets less liabilities? [1 mark]
- d) What do we call the document in which we write out and calculate the net worth of a person? [1 mark]
- e) In a business, what is the statement of net worth also called? [1 mark]
- f) In a business, will you compile a statement of net worth (balance sheet) to cover a period or will it be applicable for a specific date? Give a reason for your answer. [2 marks]
- g) Give two reasons why a business would need to compile a statement of net worth (balance sheet). [2 marks]

[Total: 10 marks]

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Suggested Solutions

Question number	Possible marks	Solution
1	10	<p>a) The value of assets and liabilities changes, because some assets lose value, while others gain value. You pay off your debt, so your liabilities also decrease over time. When you make more debt your liabilities increase. [2 marks]</p> <p>b) No, your net worth will also fluctuate (vary), because it is calculated according to the value of your assets and liabilities. [1 mark]</p> <p>c) Owner's equity [1 mark]</p> <p>d) The statement of net worth [1 mark]</p> <p>e) The balance sheet [1 mark]</p> <p>f) A statement of net worth (balance sheet) of a business will be compiled for a specific date, because the value of the assets and liabilities fluctuates (varies). [2 marks]</p> <p>g) It tells you about the financial position of the business. It allows you to change your spending patterns or increase profitability. It can prove how healthy the business is when it wants to apply for credit. You can show potential investors that it would be worthwhile to invest in the business. You can indicate possible future growth in investments. (any two) [2 marks]</p>