

2 B M Reid's books of account showed the following figures for the year ended 31 December 2012:

	\$
Revenue	200 000
Ordinary goods purchased	145 000
Profit from operations	22 500

Reid's balances at 31 December 2012 were:

Inventory	12 500
Trade receivables	40 000
Cash and cash equivalents	10 000
Trade payables	25 000
Finance costs (interest owing)	12 500
Non-current assets at net book value	60 000

**Additional information:**

- 1 80% of revenue was on credit
- 2 Inventory at 1 January 2012 was \$17 500
- 3 Trade payables and trade receivables balances were unchanged since 1 January 2012.

**REQUIRED**

(a) Calculate the following ratios, correct to **two** decimal places, in **each** case stating the formula used.

(i) Mark-up

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..... [3]

(ii) Inventory turnover

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(iii) Trade receivables turnover

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..... [3]

**(iv)** Operating expenses to revenue ratio

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..... [3]

**(v)** Current ratio

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..... [3]

**(vi)** Acid test/liquid ratio

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..... [3]

**(vii)** Non-current asset turnover.

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..... [3]

the year ended 31 December 2011 the following ratios were:

Inventory turnover 13 times

Trade receivables turnover 70 days

**REQUIRED**

- (b) the above ratios to compare B M Reid's performance with the year ended 31 December 2012. State possible reasons for the changes.

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- (c) State **two** limitations of the uses of ratios.

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