

3 Giles, a sole trader, provided the following information for the year ended 31 March 2020.

- 1 Closing inventory was valued at \$40 250 which was 15% higher than the opening inventory.
- 2 Rate of inventory turnover was 8 times.
- 3 Gross margin was 30%.
- 4 All sales and purchases were made on credit.
- 5 Trade receivables at 31 March 2020 were \$38 000 **before** accounting for an irrecoverable debt of \$2000 and an allowance for doubtful debts which is maintained at 3.5% of trade receivables.
- 6 Trade payables at 31 March 2020 were \$22 000.

REQUIRED

(a) Calculate the sales for the year ended 31 March 2020.

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(b) Calculate the trade receivables turnover (days).

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(c) Calculate the trade payables turnover (days).

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(d) Explain the effect on the liquidity of Giles's business of your answers to **(b)** and **(c)**.

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