1 The following information relates to two businesses, one of which manufactures computers whilst the other is a food wholesaler. All sales and purchases are on credit.

	Business X	Business Y
Gross profit ratio	54%	30%
Net profit ratio	18%	6%
Current ratio	1.6:1	0.5:1
Trade receivables turnover	40 days	3 days
Return on capital employed	5.4%	12%
Cost of sales	\$248 400	\$1 050 000
Closing inventory	\$38 000	\$48 000
Cash and cash equivalents	\$30 000	\$14 000
Long-term loan	\$1 000 000	\$50 000

calculations, assume a 360-day year.

REQUIRED

(a)	State and explain which business is the computer manufacturer and which is the food wholesaler.
	[3]

(b)	Prepare, as fully as the given information allows, income statements for both businesses.					
		Income Statements				
			Business X \$	Bu	siness Y \$	
	Revenue					
	Less Cost of sales					
	Gross profit					
	Expenses					
	Profit for the year					[8]
(c)	Prepare, as fully as the given both businesses.	inforr	nation allows, state	ements of f	inancial positio	n for
		Statements of Financial Position				
		\$	Business X	\$	Business Y \$	
	Non-current assets	Ф	\$	Ψ	Φ	
	Current assets					
	Inventory					
	Trade receivables					
	Cash and cash equivalents				·	
	Total assets					
	Current liabilities					
	Trade payables					
	Net assets					
	Capital					
	Non-current liabilities					
	Loan					
	Capital employed					[12]

(d) (i)	Define the term liquidity.
	[2]
(ii)	State which business is more likely to have liquidity problems.
	[1]
(iii)	State which ratio gives most concern and why it does so.
	[4]