2 Alex owns a business selling computer equipment. He provided the following information for the year ended 31 July 2023.

1 Opening inventory at 1 August 2022 was $19 100.

2 Gross profit for the year ended 31 July 2023 was $56 380.

3 Cash sales were $36 870. All other sales were made on credit.

4 All sales were made to achieve a gross margin of 25%.

5 All purchases were made on credit.

6 Inventory turnover was 8 times per annum.

7 Trade receivables at 31 July 2023 were $23 150.

8 Trade payables at 31 July 2023 were $17 370.

(a) Calculate the trade receivables turnover (days) for the year ended 31 July 2023. State the formula used.

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Calculation

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[3]

(b) (i) State the formula used to calculate the rate of inventory turnover (times).

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(ii) Calculate the closing inventory at 31 July 2023.

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(c) Calculate the trade payables turnover (days) for the year ended 31 July 2023. State the formula used.

mula

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Calculation

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Additional information

Alex understands that by comparing his business's financial results with those of various other businesses he will learn how successful his own business is.

(d) Advise Alex whether his understanding is correct. Justify your answer.

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