

- Lance, a trader, has provided the following balances at 30 November 2014 after the preparation of the income statement for the year.

	\$000
Profit for the year	30
Non-current assets – at cost	500
–accumulated depreciation	200
Accrued expenses	20
Cash in hand	10
Bank overdraft	25
Inventory	80
Trade payables	35
Trade receivables	50
Bank loan (2020)	40
Opening capital	310
Drawings	20

REQUIRED

- (a)** Prepare the statement of financial position at 30 November 2014.

Lance
Statement of Financial Position at 30 November 2014

[illegible]

[8]

(b) Calculate, stating the formula used, the following ratios correct to **two** decimal places.

Ratio	mula	Calculation
Current		
Liquid (acid test)		

Additional information

Ratio	2012	2013
Current	2.0:1	2.30:1
Liquid (acid test)	1.40:1	1.0:1

(c) Evaluate the change in Lance's liquidity position over the three years.

[8]

Lance has provided the following forecast for December 2014:

- 1 Sales are expected to be \$75 000 of which 30% will be on a cash basis and the remainder payable the month after sale. All trade receivables outstanding at 30 November 2014 were expected to pay in full during December 2014.
- 2 Purchases are expected to be \$45 000 of which 40% will be cash and the remainder payable the month after purchase. All trade payables at 30 November 2014 were expected to be paid in full during December 2014.
- 3 Business expenses of \$12 500 will be paid in the month incurred.
- 4 Depreciation on non-current assets will be \$9500 per month.
- 5 A loan of \$25 000 will be negotiated with the bank and interest at 6% per annum will be paid on a monthly basis from December 2014 onwards.

REQUIRED

(d) Complete the following cash budget for December 2014.

Lance
Cash budget for December 2014

	\$
Receipts	
Payments	
Net cash flow	
Opening balance	
Closing balance	