

- 3 N Limited is a trading company. The statement of financial position at 31 December 2021 is as follows.

	\$000
Assets	
Non-current assets at net book value	1520
Current assets	
Inventory	35
Trade receivables	30
Total assets	<u>1585</u>
Equity and liabilities	
Equity	
Share capital	900
Share premium	180
Retained earnings	202
Total equity	<u>1282</u>
Liabilities	
Non-current liabilities	
8% Debentures (2026)	<u>250</u>
Current liabilities	
Trade payables	42
Bank overdraft	11
	<u>53</u>
Total liabilities	<u>303</u>
Total equity and liabilities	<u>1585</u>

The following information is also available.

- 1 Purchases for the year were \$600 000 of which 80% were on credit.
- 2 Credit sales were 30% of all sales.
- 3 The company had a gross profit margin of 40%. The company's gross profit for the year ended 31 December 2021 was \$420 000.
- 4 The company's profit for the year was \$182 000.
- 5 No interest was charged on the bank overdraft.

REQUIRED

(a) Calculate the following ratios for the year ended 31 December 2021 stating the formula used.

(i) Trade payables turnover (days)

mula	Calculation

[3]

(ii) Trade receivables turnover (days)

mula	Calculation

[3]

(iii) Return on capital employed (to **two** decimal places)

mula	Calculation

[3]

(iv) Non-current asset turnover (to **two** decimal places)

mula	Calculation

[2]

(b) Explain the importance of this non-current asset turnover to the directors of N Limited.

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(c) Explain **one** reason why shareholders will be interested in the financial statements of a company.

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