

- 3 Haniya wished to compare some ratios for her business. The following information is available for the year ended 30 November 2021.

Acid test ratio	0.8:1
Trade receivables turnover (days)	34 days
Trade payables turnover (days)	36 days

The following extract was taken from the statement of financial position at 30 November 2022.

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Current assets	
Inventory	11 500
Trade receivables	9 600
Cash at bank	6 250
	<u>27 350</u>
Current liabilities	
Bank loan	10 000
Other payables	1 720
Trade payables	6 580
	<u>18 300</u>

the year ended 30 November 2022 credit sales totalled \$94 800 and credit purchases totalled \$88 300.

REQUIRED

- (a) Calculate **each** of the following ratios for the year ended 30 November 2022.

- (i) Acid test ratio (to **two** decimal places)

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- (ii) Trade receivables turnover (days)

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(iii) Trade payables turnover (days)

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(b) Explain the importance of the acid test ratio to a business.

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(c) Identify **two** ways in which the owner of a business could improve the acid test ratio.

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[2]

(d) Discuss the changes that have occurred in the trade receivables turnover (days) ratio and the trade payables turnover (days) ratio for Haniya's business during the year ended 30 November 2022.

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