

- 2 The following information has been extracted from the financial statements of Thaw Limited at 31 December 2015.

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Revenue	156 000
Purchases	88 000
Inventory at 31 December 2015	42 000
Operating expenses	48 000
Trade receivables	39 000
Other receivables	2 000
Cash in hand	1 000
Trade payables	29 000
Other payables	8 000
Bank overdraft	10 000
8% debenture (2019 – 2021)	6 000

Additional information

- 1 Inventory at 1 January 2015 was valued at \$34 000.
- 2 All sales and purchases were on credit.

REQUIRED

(a) Calculate the following ratios for Thaw Limited.

(i) Current ratio to **two** decimal places.

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..... [1]

(ii) Liquid (acid test) ratio to **two** decimal places.

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..... [1]

(iii) Trade receivables turnover (days)

[1]

(iv) Trade payables turnover (days)

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[1]

(v) Inventory turnover (days)

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..... [1]

(b) Discuss the ratios calculated in part **(a)** in respect of Thaw Limited's liquidity and comment on the overall position.

[4]

(c) Explain **three** limitations of ratio analysis.

[6]