

2 Nibali has provided the following information for the year ended 31 July 2019.

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Closing inventory	50 000
Opening inventory	30 000
Revenue	750 000
Trade receivables	65 000
Trade payables	31 850

Cash sales are 10% of total revenue.

Cash purchases are 25% of total purchases.

Gross margin is 20%.

Nibali’s standard credit terms with both customers and suppliers are 30 days.

Industry average inventory turnover is 15 days.

**REQUIRED**

(a) Calculate:

(i) inventory turnover in days

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(ii) trade receivables turnover in days

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(iii) trade payables turnover in days.

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(b) Discuss the liquidity of Nibali's business based on the available information.

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(c) Identify **three** drawbacks for a business of holding too much inventory.

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