

- 3 N Limited provided the following information for the year ended 31 August 2022.

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6% debentures (2022)	20 000
Bank overdraft	9 430
Cash in hand	650
Closing inventory	64 800
Finance costs	1 400
Opening inventory	45 600
Operating expenses	96 000
Other payables	4 340
Other receivables	6 080
Purchases	172 000
Revenue	292 000
Trade payables	10 100
Trade receivables	19 800

Cash sales accounted for 20% of revenue.

Cash purchases accounted for 25% of purchases.

REQUIRED

- (a) Calculate the following efficiency ratios, showing the formula used.

Ratio	mula	Workings
Trade receivables turnover (days)		
		Answer:
Trade payables turnover (days)		
		Answer:

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

Ratio	mula	Workings
Current ratio		
		Answer:
Liquid (acid test) ratio		
		Answer:

[4]

Additional information

The directors have reported a 5% increase in profit for the year ended 31 August 2022 and are satisfied with the results.

REQUIRED

- (c)** Advise the directors whether or not they are correct to be satisfied. Justify your answer and support it by considering the efficiency ratios and liquidity ratios in **(a)** and **(b)**.

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- (d) State **two** limitations of using accounting ratios to compare the results of two businesses.

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[2]