

3 Financial statements provide information to enable users to evaluate the financial performance of a business.

(a) State **three** reasons why it might be difficult to compare financial ratios between businesses in the same industry.

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X Limited is a wholesaler of sports goods. The directors of the company have provided the following information for the year ended 30 April 2019.

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Revenue	742 630
Cost of sales	(459 991)

- 1 the year ended 30 April 2019 the rate of inventory turnover was 7.5 times. The value of inventory at 1 May 2018 was \$57 682.
- 2 At 30 April 2019 the trade receivables turnover was 35 days and the trade payables turnover was 32 days.
- 3 All sales are made on credit. Credit purchases amounted to 80% of the value of cost of sales.

REQUIRED

(b) Calculate at 30 April 2019:

(i) closing inventory

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(ii) trade receivables

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(iii) trade payables.

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Additional information

X Limited has an operating expenses to revenue ratio of 30%. Distribution costs are twice as much as administrative expenses. Finance costs are 5% of the profit for the year.

REQUIRED

- (c) Prepare the income statement for X Limited for the year ended 30 April 2019.**

[3]

Additional information

On 1 October 2018 X Limited paid a dividend of \$25 000 on the basis of \$0.08 per ordinary share of \$1 each.

On 1 February 2019 X Limited made a rights issue of 1 ordinary share for every 5 held at a premium of \$0.50. This was the first time that X Limited had issued new shares. The rights issue was fully subscribed.

REQUIRED

(d) Calculate the proceeds received by X Limited from the rights issue.

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