

- 2 Ayesha has provided the following extracts from her business's financial statements.

Extract from the Income Statement for the year ended 31 December 2019

	\$	\$
Revenue		145 500
Opening inventory	11 440	
Purchases	<u>120 120</u>	
	131 560	
Closing inventory	<u>14 560</u>	
Cost of sales		<u>117 000</u>
Gross profit		<u>28 500</u>

Extract from the Statement of Financial Position at 31 December 2019

	\$
Current assets	
Inventory	14 560
Trade receivables	9 300
Cash and cash equivalents	<u>4 240</u>
	<u>28 100</u>
Current liabilities	
Bank overdraft	8 000
Trade payables	<u>10 400</u>
	<u>18 400</u>

All purchases are on credit. Two-thirds of all sales are on a credit basis.

REQUIRED

- (a) Calculate the following ratios. State the formula used.

- (i) Trade payables turnover (in days)

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Calculation

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(ii) Trade receivables turnover (in days)

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Calculation

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(iii) Current ratio (to **two** decimal places)

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Calculation

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Additional information

Ayesha is concerned about her business's liquidity. She has provided the following ratios based on the year ended 31 December 2018.

Trade payables turnover	34 days
Trade receivables turnover	32 days
Current ratio	1.90 : 1

(b) Analyse the trend in Ayesha's business's liquidity.

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(c) State **two** factors that should be considered when choosing businesses with which to compare a business.

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