2 Alberto is a retailer and has provided the following statement of financial position at 31 August 2014.

	$
Assets	
Non-current assets	350 000
Current assets	
Inventory	65 000
Trade receivables	45 000
	110 000
Total assets	460 000
Capital and liabilities	
Owner's capital	420 000
Current liabilities	
Bank overdraft	18 000
Trade payables	22 000
	40 000
Total capital and liabilities	460 000

The following additional information is also available for the year ended 31 August 2014.

	$
Inventory at 1 September 2013	50 000
Purchases (all on credit)	280 000
Revenue (all on credit)	425 000

REQUIRED

(a) Complete the following table.

Ratio	mula	Calculation
Inventory turnover (in days)		
Trade receivables turnover (in days)		
Trade payables turnover (in days)		
Non-current asset turnover		
Current ratio		

[13]

Additional information

Credit terms negotiated with both customers and suppliers are 30 days net. Last year Alberto's inventory turnover was 60 days.

REQUIRED

(b) Evaluate Alberto's performance in respect of the following ratios.

(i) Inventory turnover ....

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.... [3]

(ii) Trade receivables turnover ....

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.... [3]

(iii) Trade payables turnover ....

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.... [3]

Additional information

Alberto is considering expanding his business by forming either a partnership or a private limited company.

REQUIRED

(c) State **two** advantages and **two** disadvantages of **each** option.

Partnership

Advantages:

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Disadvantages:

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Private limited company

Advantages:

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Disadvantages:

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.... [8]

(b) Prepare the income statement for **each** of the months February and March 2015 using marginal costing.

[9]

Additional information

Colebrook Limited is considering changing to absorption costing.

(c) Calculate the overhead absorption rate per unit produced.

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.... [1]

(d) Prepare the income statement for **each** of the months February and March 2015 using absorption costing.

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.... [11]

(e) Prepare a statement reconciling the marginal costing profit with the absorption costing profit for February **only.**

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.... [3]

(f) Explain why there is a difference in the profit between the two methods.

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.... [4]