

- 1 The final accounts of Jarvis, Cocker and Co Ltd for two years were as follows.

Trading and Profit and Loss Accounts for years ended 31 December

		<b>2002</b>		<b>2003</b>
	\$000	\$000	\$000	\$000
Sales		2700		3600
less Cost of Sales				
Opening stock	110		120	
Purchases	<u>1900</u>		<u>3140</u>	
	2010		3260	
less Closing stock	<u>120</u>	<u>1890</u>	<u>530</u>	<u>2730</u>
Gross Profit		810		870
less Operating expenses		<u>426</u>		<u>468</u>
Profit before interest		384		402
Interest payable		<u>84</u>		<u>84</u>
Net Profit		300		318
Dividends payable	126		138	
Transfer to General Reserve	<u>162</u>	<u>288</u>	<u>174</u>	<u>312</u>
Retained profit for year		12		6
Retained profit b/f		<u>72</u>		<u>84</u>
Retained profit c/f		<u>84</u>		<u>90</u>

Balance Sheets as at 31 December

		<b>2002</b>		<b>2003</b>
	\$000	\$000	\$000	\$000
Fixed Assets at Net Book Value		2790		3216
Current Assets				
Stock	120		530	
Debtors	456		882	
Bank	<u>192</u>	768	<u>- - -</u>	1412
Current Liabilities				
Creditors	192		730	
Dividends due	126		138	
Interest due	84		84	
Bank	<u>- - -</u>	<u>402</u>	<u>340</u>	<u>1292</u>
Net Current Assets		<u>366</u>		<u>120</u>
		<u>3156</u>		<u>3336</u>
Financed by				
Ordinary Share Capital (Fully Paid)		1800		1800
General Reserve	432		606	
Retained Profits	<u>84</u>	<u>516</u>	<u>90</u>	<u>696</u>
10% Debentures		<u>840</u>		<u>840</u>
		<u>3156</u>		<u>3336</u>

All sales and purchases were on credit.

**REQUIRED**

- (a) each year calculate the following to **two** decimal places (show your working in the boxes):

	<b>2002</b>	<b>2003</b>
<b>(i)</b> Acid test (liquid/quick) ratio		
<b>(ii)</b> Stock turnover		
<b>(iii)</b> Debtors collection period		
<b>(iv)</b> Gross profit ratio		
<b>(v)</b> Net profit ratio		
<b>(vi)</b> Return on capital employed		

[12]

- [illegible]

(c) Comment briefly on the advantages and disadvantages of using ratios.

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