

- 2 The following balances occur in Delboi's books of account at 30 September 2006.

	\$000
Purchases	154
Sales	240
Stock at 1 October 2005	24
Fixed assets	77
Debtors	31
Creditors	33
Bank	15 (dr)
Long-term loan from bank at 10% per annum	20
Loan interest paid	1
Operating costs	62
Drawings	20
Capital	?

Additional information:

Stock at 30 September 2006 was valued at \$12 000.

From the above information the following trading and profit and loss account has been prepared.

Trading and Profit and Loss Account for year ended 30 September 2006		
	\$000	\$000
Sales		240
Less cost of sales		
Opening stock	24	
Purchases	<u>154</u>	
	178	
Closing stock	<u>12</u>	<u>166</u>
Gross profit		74
Operating costs	62	
Loan interest	2	<u>64</u>
Net Profit		<u>10</u>

REQUIRED

- (a)** Prepare Delboi's Balance Sheet at 30 September 2006, showing his net current assets.

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- (b)** Calculate the following to **two** decimal places.

- (i) Net profit ratio
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(ii) Current ratio

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(iii) Acid test (quick) ratio

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(iv) Rate of Stockturn

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(v) Return on owner's capital employed

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(vi) Return on total capital employed

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(vii) Debtors' collection period in days

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(viii) Creditors' payment period in days

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Delboi's gross profit ratio for the year ended 30 September 2006 is 30.83 %, but has in previous years been constant at 35 %. He discovers that his new assistant, Rodders, is stealing goods.

REQUIRED

(c) Calculate, at cost price, the value of goods that Rodders is stealing.

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REQUIRED

(d) State and explain **one** advantage and **one** disadvantage of using ratio analysis as a means of evaluating performance.

(i) Advantage

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(ii) Disadvantage

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