

- 2 Wiggins has provided the following summary financial information for the year ended 30 April 2017:

	\$
Bank overdraft	19 000
Cash in hand	1 725
Inventory at 1 May 2016	?
Inventory at 30 April 2017	152 000
Purchases	860 000
Revenue	1 042 500
Trade receivables	31 275

Additional information

- 1 40% of sales are on a cash basis. All remaining sales are on a credit basis.
- 2 All purchases are on credit.
- 3 The gross margin on all sales was 20%.
- 4 The trade payables turnover (days) for the year ended 30 April 2017 was 54.75 days (to two decimal places).

REQUIRED

- (a) State **two** limitations of using ratio analysis to analyse the performance of a business.

- 1
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- 2
- [2]

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

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- [4]

..... [1]

[4]

Additional information

Wiggins wishes to expand his business by taking a bank loan of \$30 000 repayable over five years.

REQUIRED

(e) Advise Wiggins whether or not he should take the loan. Justify your answer.

[4]

[4]

Additional information

The statement of financial position for the partnership at 31 March 2016 was as follows:

Amit, Wang and Susi
Statement of Financial Position at 31 March 2016

	\$
Assets	
Non-current assets	
Freehold premises	109 000
Fixtures and fittings	<u>64 900</u>
	<u>173 900</u>
Current assets	
Trade receivables	14 500
Bank account	<u>5 600</u>
	<u>20 100</u>
Total assets	<u>194 000</u>
Capital and liabilities	
Capital accounts	
Amit	40 000
Wang	40 000
Susi	<u>40 000</u>
	<u>120 000</u>
Current accounts	
Amit	27 600
Wang	18 500
Susi	<u>22 200</u>
	<u>68 300</u>
Current liabilities	
Trade payables	5 100
Other payables	<u>600</u>
	<u>5 700</u>
Total capital and liabilities	<u>194 000</u>

On 1 April 2016 Amit retired from the partnership and the following was agreed:

- 1 Goodwill was valued at \$42 000. A goodwill account is not to be maintained in the books of account.
- 2 Assets were revalued at the following amounts:

	\$
Freehold premises	120 000
Fixtures and fittings	62 200
Trade receivables	13 700
- 3 Amit received \$15 000 from the partnership bank account. The remaining balance owed to him was left as an interest-free loan to the partnership to be repaid by 31 March 2021.
- 4 Wang and Susi agreed to continue in partnership and to share profits and losses equally.

REQUIRED

- (b)** Prepare the partners' capital accounts to record the retirement of Amit from the partnership.

Amit, Wang and Susi
Capital accounts

[6]

Additional information

Amit has recently advised the partners that he is having financial difficulties. He has asked Wang and Susi for the payment of the balance on his loan account as soon as possible.

REQUIRED

- (c)** Advise Wang and Susi whether or not they should agree to Amit's request. Justify your answer.

[5]