

- 1 Naomi's financial year ends on 30 September. The following information was provided.

	2021 \$	2022 \$	2023 \$
<u>Current Assets</u>			
Inventory	8 000	15 000	35 000
Trade receivables	5 000	7 000	12 000
Cash at bank	4 000	600	
Total current assets	17 000	22 600	47 000
<u>Current Liabilities</u>			
Short-term borrowings			10 000
Trade payables	3 000	7 500	9 000
Total current liabilities	3 000	7 500	19 000

REQUIRED

- (a) Explain what is meant by the liquidity of a business. [2]

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- (b) Calculate the following ratios for the year ended 30 September 2023. Your answers should be corrected to **two** decimal places.

- (i) Working capital (current) ratio [2]

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- (ii) Quick (acid test) ratio [2]

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The following information relates to the three years ended 30 September 2021 and 2022.

		2021	2022
1	Working capital (current) ratio	5.67	3.01
2	Quick (acid test) ratio	3.00	1.01

- (c)** Taking into account the above information and your answers to **(a)(i) and (ii)**,
(i) Comment on the liquidity position of Naomi's business for the year ended
 30 September 2023. [5]

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- (ii) Suggest **two** reasons to explain the liquidity position of Naomi's business for the year ended 30 September 2023. [2]

[illegible]

- (d) Advise Naomi on **two** measures she may take to improve her liquidity position. **[2]**

- (e) Explain why the quick (acid test) ratio is a more accurate measure of the liquidity than the working capital (current) ratio. **[2]**

The business profit has remained the same over the three years ended 30 September 2021, 2022 and 2023.

REQUIRED

- (f) Advise Naomi why the liquidity of the business has changed even though profit has remained the same over the three years. **[2]**

Naomi is considering comparing the profitability of her business with that of a competitor.

REQUIRED

(g) Name **one** profitability ratio which Naomi could use. [1]

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[Total: 20]

2 Abrahm runs a retail business with a financial year end of 31 July. The following ledger account has been prepared at 31 July 2024.

Sale of motor vehicles				
Date		Debit	Credit	Balance
2024		\$	\$	\$
July 31	Motor vehicles	24 000		24 000 Dr
	Accumulated depreciation of motor vehicles		11 712	12 288 Dr
	Other receivables: Hybrid		10 800	1 488 Dr
	Income summary		1 488	-

REQUIRED

(a) Interpret **each** of the entries in the sale of motor vehicles account.

(i) Motor vehicles [1]

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(ii) Accumulated depreciation of motor vehicles [1]

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(iii) Other receivables: Hybrid [1]

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(iv) Income summary [1]

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During the year Abrahm had extended his shop premises at a cost of \$17 500, which included \$1500 for repairs to the existing shop premises. He had included the total cost in the business's statement of financial performance.

REQUIRED

(b) State the effect and amount of including the cost of the shop extension in the statement of financial performance on the following:

(i) Profit for the year **[2]**

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(ii) Non-current assets **[2]**

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[Total: 8]

- 3 Emmie is a sole trader. Her business buys and sells on credit.

The following information relates to Mattie's account in Emmie's ledger for the month of July.

During July, Emmie's business had the following transactions with Mattie.

2024

- July 1 Mattie owed Emmie, \$1567.
- 5 Emmie sold goods to Mattie at a list price of \$6280 less 15% trade discount.
- 14 Mattie returned goods bought on July 5, \$1950, as faulty. This is the value **after** taking into account the trade discount.
- 28 Mattie paid a cheque for \$2425 after deducting 3% cash discount.

REQUIRED

- (a) State one reason why Emmie offered Mattie a trade discount on July 5. [1]

- (b) Calculate the amount of trade discount at July 5. [1]

- (c) Calculate the amount of cash discount at July 28. [1]

- (d) Prepare Mattie's account for the month of July 2024 in Emmie's ledger. [6]

Mattie

(e) State **three** reasons why a cheque would be returned by the bank as dishonoured.

[3]

1

2

3

[Total: 12]