

3 Rushil is a trader and has provided his statement of financial position at 30 September 2025.

	\$	\$
Non-current assets		220 000
Current assets		
Inventory	34 000	
Trade receivables	44 000	
Other receivables	6 500	
Cash	<u>8 400</u>	<u>92 900</u>
		<u>312 900</u>
Capital and liabilities		
Capital – opening balance	199 100	
Profit for the year	<u>36 000</u>	
	235 100	
Less: Drawings	<u>12 000</u>	223 100
Non-current liabilities		
Long-term bank loan	49 000	49 000
Current liabilities		
Trade payables	31 000	
Bank	<u>9 800</u>	<u>40 800</u>
		<u>312 900</u>

Rushil has provided the following additional information:

- 1 Inventory at 1 October 2024 was \$30 000.
- 2 The profit for the year in his statement of financial position was after having deducted loan interest charges of \$2450.
- 3 For the year ended 30 September 2025:
  - sales totalled \$482 000 (\$387 000 were on credit; the remainder were cash sales)
  - purchases totalled \$310 000 (all on credit).

**REQUIRED**

(a) Complete the following table.

Return on capital employed (ROCE)	Answer (correct to <b>two</b> decimal places)
Workings	
Rate of inventory turnover	Answer (correct to <b>two</b> decimal places)
Workings	
Trade receivables turnover (days)	Answer (round up to the next <b>whole</b> day)
Workings	
Trade payables turnover (days)	Answer (round up to the next <b>whole</b> day)
Workings	
Current ratio	Answer (correct to <b>two</b> decimal places)
Workings	

[8]

(b) (i) Suggest **two** ways that Rushil might improve his return on capital employed (ROCE).

- 1 .....
- 2 .....

[2]

(ii) Suggest **two** ways that Rushil might improve his inventory turnover rate.

- 1 .....
- 2 .....

[2]

Included in Rushil's closing inventory valuation were some items that had been damaged. These were included at a reduced value.

**REQUIRED**

(c) (i) State why the inventory was included at a reduced value.

..... [1]

(ii) Name the accounting principle that is being applied.

..... [1]

(iii) Complete the table by indicating with a tick (✓) the effect on Rushil's gross profit of including his damaged inventory at a reduced value.

effect on Rushil's gross profit	
increase	decrease

[1]

Rushil is concerned that his credit customers are taking too long to pay him. He is considering allowing a 2.5% cash discount on all credit sales if paid within 21 days.

**REQUIRED**

(d) Advise Rushil whether or not he should allow his credit customers a cash discount if they make payment to him within 21 days. Justify your answer with arguments for and against Rushil allowing his credit customers a cash discount if they make payment to him within 21 days.

..... [5]

[Total: 20]