**25. Liquidity Mark: /14**

1. Fill in the gaps to complete the statement of financial position for Zavolla Coffee Ltd.

/6 marks

|  |
| --- |
| Statement of financial position for Zavolla Coffee Ltd. |
|  | 2016 (£ms) | 2015 (£ms) |
| Non-current assets | 2.3 | 2.1 |
| Current assets |  |  |
| Stock | 0.5 | 0.4 |
| Debtors | 0.3 | 0.4 |
| Cash | 0.2 | 0.1 |
| Current liabilities | 0.6 | 0.4 |
| Non-current liabilities | 1.5 | 1.7 |
| Net worth | **1.2** | **0.9** |
| Share capital | **0.7** | 0.6 |
| Retained profit | 0.5 | **0.3** |
| Total equity | **1.2** | **0.9** |

2016

Net worth

2.3 + (0.5 + 0.3 + 0.2) – (0.6 + 1.5) = £1.2m

Share capital + retained profit = total equity

Share capital + 0.5 = 1.2

1.2 – 0.5 = £0.7m

2015

Net worth

2.1 + (0.4 + 0.4 + 0.1) – (0.4 + 1.7) = £0.9m

Share capital + retained profit = total equity

0.6 + retained profit = 0.9

0.9 – 0.6 = £0.3m

1. Calculate the current ratio for 2015 and 2016. /4 marks

Current ratio = Current assets/current liabilities

2016

(0.5 + 0.3 + 0.2)/0.6 = 1.66

**1.66: 1**

2015

(0.4 + 0.4 + 0.1)/0.4 = 2.25

**2.25: 1**

1. Calculate the acid test ratio for 2015 and 2016. /4 marks

Acid test = Current assets – stock/current liabilities

Or

Debtors + cash/current liabilities

2016

(0.3 + 0.2)/ 0.6 = 0.83

**0.83:1**

2015

(0.4 + 0.1)/0.4 = 1.25

**1.25:1**