

## **Chapter 15**

### ***Level I***

**E15.9** *Time allowed – 45 minutes*

(i) Describe the operating cycle with the aid of a simple diagram.

(ii) Use the profit and loss accounts for the year ended 30 September 2001 and the balance sheets as at 30 September 2001 for Small plc and Big plc from Exercise E5.6 to calculate the operating cycles in days and percentage, assuming the following changes to working capital:

	Small plc	Big plc
Debtors	- 10%	+10%
Creditors	-15%	+15%
Stocks	- 20%	+20%

(iii) Prepare a brief report that compares the working capital performance of the two companies, following the changes in (ii) above, and suggest some reasons for any differences.

## ***Level II***

### **E15.10** *Time allowed – 45 minutes*

The following information relates to a major UK plc:

- ◆ The company sells on credit terms of 30 days from invoice date.
- ◆ There are always problems with slow moving stocks.
- ◆ Some customers are having difficulties in settling their accounts.
- ◆ The sector in which the plc operates is highly competitive.
- ◆ The sector is affected by external financial factors, e.g. exchange rate and interest rate movements.
- ◆ The company's factories are primarily based in the South of England.
- ◆ The company operates from out of town sites, but only close to major cities.

**(i) What are the possible implications for a shareholder, a lender, a customer, and an employee, with regard to this information?**

**(ii) What questions may be raised by the users of financial information regarding the above statements?**

**(iii) Which statement is most relevant to which user of financial information?**