

- 20** A company's gross profit ratio (margin) for the year ended 31 December 2013 was 25%. This increases to 28% for the year ended 31 December 2014.

What could have been responsible for the increase?

- A** an increase in the cost of purchases during 2014
 - B** an increase in the volume of sales during 2014
 - C** an over-valuation of inventory at 31 December 2014
 - D** an under-valuation of inventory at 31 December 2014
- 21** Which ratio will give the best indication of short term liquidity?
- A** current ratio
 - B** liquid (acid test) ratio
 - C** trade payables turnover (days)
 - D** trade receivables turnover (days)
- 22** An investor is looking at the financial statements of a company in which he may decide to invest.
- Which item helps him to rely on the financial statements?
- A** consistency of accounting policies from one period to the next
 - B** estimation of accounting provisions relying on the opinion of managers
 - C** inflation in the currency in which the financial statements are prepared
 - D** lapse of time since the date of the statement of financial position