

22 A company has the following information in its balance sheet:

	\$000
taxation due	40
debtors	150
bank overdraft	90
stock	110
proposed dividend	70
creditors	80

What is the liquidity (acid test or quick) ratio?

- A** 0.54 : 1 **B** 0.88 : 1 **C** 0.93 : 1 **D** 1.85 : 1

23 A business has cash sales of \$69 030 and credit sales of \$1 406 070 in a year (360 days). The debtors' collection period is 40 days.

What is the closing debtors' balance?

- A** \$35 152 **B** \$36 878 **C** \$156 230 **D** \$163 900

24 A firm has calculated the following accounting ratios for the year ended 30 June:

	year ended	
	30 June 2005	30 June 2006
gross profit on sales	30 %	33 %
net profit on sales	15 %	14 %

What could explain the changes in the percentages?

- A** A fall in interest payments was equal to an increase in administration costs.
B An increase in raw material costs was covered by an increase in selling price.
C An increase in the advertising budget has allowed the firm to increase the selling price.
D An increase in the advertising budget has led to a rise in sales volume.