

**17** The following statement describes a type of preference share.

‘Shareholders are entitled to a fixed annual dividend with any unpaid dividends being paid out of future profits’.

Which type of preference share does it describe?

- A** cumulative
- B** non-cumulative
- C** participating
- D** redeemable

**18** Why does a business have a higher gross profit margin than its rivals?

- A** Its rivals pay less for goods.
- B** Its rivals pay more for goods.
- C** Its rivals spend less on advertising.
- D** Its rivals spend more on advertising.

**19** How is mark up calculated?

- A**  $\text{gross profit} / \text{cost of sales} \times 100$
- B**  $\text{gross profit} / \text{revenue} \times 100$
- C**  $\text{profit for the year} / \text{cost of sales} \times 100$
- D**  $\text{profit for the year} / \text{revenue} \times 100$

**20** A business has a gross profit ratio (margin) of 40%, and a net profit ratio (percentage) of 10%. The business has significant fixed costs.

Sales volume increases by 8%. How will the ratios be affected?

|          | gross profit ratio<br>(margin) | net profit ratio<br>(percentage) |
|----------|--------------------------------|----------------------------------|
| <b>A</b> | increase                       | decrease                         |
| <b>B</b> | increase                       | increase                         |
| <b>C</b> | unchanged                      | decrease                         |
| <b>D</b> | unchanged                      | increase                         |