

18 The following are extracts from a company's financial statements.

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profit for the year before finance charges	100 000
issued share capital	200 000
reserves	80 000
non-current liabilities	260 000

What is the company's return on capital employed?

- A** 18.5 % **B** 21.7 % **C** 35.7 % **D** 50.0 %

19 Owusu Limited has a constant level of annual sales and a constant gross margin. Each year the inventory increases.

What effect does this have on inventory holding and inventory turnover?

	inventory holding (in days)	inventory turnover (times)
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	increase	increase

20 Which item accounts for the difference between the current and liquid ratios?

- A** cash and cash equivalents
B inventory
C trade payables
D trade receivables

21 Arun wishes to invest in a business with a skilled workforce which will make a profit in each of the next five years.

Which aspect of financial statements helps Arun to decide where to invest?

- A** Financial statements deal with past performance.
B Historic cost is based on objective figures.
C Non-monetary values are excluded.
D Provisions can be based on estimates.