

- 21** A business has \$10 000 in the bank and buys inventory for \$6000 paying by cheque.

What is the effect of this on its current ratio and quick (acid test) ratio?

	current ratio	quick (acid test) ratio
A	decrease	increase
B	decrease	no effect
C	no effect	decrease
D	no effect	no effect

- 22** A supplier wishes to see the financial statements of a customer to help decide whether to continue trading with him.

Which figure would be most useful in making that decision?

- A** closing inventory
 - B** inventory turnover
 - C** trade payables turnover
 - D** trade receivables turnover
- 23** A business increased its sales revenue by 50% in one year whilst its cost of sales has increased by 60% over the same period.

What is the explanation for the change in profit margin?

- A** an increase in marketing expenses
 - B** an increase in sales price
 - C** an increase in sales volume
 - D** an increase in supplier price
- 24** A business has a year end of 31 December. It expects to achieve sales in 2014 of \$450 000. On 31 December 2013 its non-current assets were \$306 000. On 1 July 2014 it purchased new machinery at a cost of \$180 000, in order to increase its sales by an extra \$20 000 each month.

What is the expected rate of non-current asset turnover in 2014? (Ignore depreciation.)

- A** 1.17 times
- B** 1.42 times
- C** 1.44 times
- D** 1.74 times