

21 A company is operating in a very competitive market.

Which ratios represent the reaction to the competition?

	gross profit percentage	period of credit allowed to customers
A	20 %	30 days
B	20 %	60 days
C	25 %	30 days
D	25 %	60 days

22 The balance sheet of a business at 30 June includes the following items:

	Year 1	Year 2
trade receivables	47 000	63 000
other receivables	1 900	2 700

Total sales for Year 2 amounted to \$450 000 of which \$85 000 were cash sales.

What is the average trade receivables collection period during the year ended 30 June Year 2?

A 44 days **B** 51 days **C** 55 days **D** 63 days

23 The opening inventory of a business is \$10 000 and the cost of goods sold is \$200 000.

Using the average figure of opening and closing inventory, what value of closing inventory is needed to give an inventory turnover of 10 times?

A \$10 000 **B** \$20 000 **C** \$30 000 **D** \$40 000

24 What are major assumptions in contribution/ sales (c/s) analysis?

- 1 Costs can be identified as either variable or fixed.
- 2 Fixed cost per unit is constant as activity rises.
- 3 Variable cost per unit fluctuates with the volume of activity.
- 4 Volume of activity is the only factor that affects revenue and variable costs.

A 1 and 2 **B** 1 and 4 **C** 2 and 3 **D** 2 and 4