

**22** Which transactions would decrease short term liquidity, as measured by the liquid (acid test) ratio?

- 1 buying non-current assets for cash
- 2 buying inventory for cash
- 3 paying creditors using the bank overdraft
- 4 selling goods on credit

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

**23** The following information relates to the financial statements of a business.

	\$000
opening inventory	2 470
closing inventory	2 156
cost of sales for year	12 500
revenue for year	21 660

What was the inventory turnover in days?

**A** 39      **B** 63      **C** 68      **D** 72

**24** A company has the following gross profit and net profit ratios for two years.

	year 1	year 2
gross profit %	26	29
net profit %	13	10

The company's turnover has remained unchanged for both years.

What is a correct interpretation of these ratios?

	cost of sales		overheads	
	increased	decreased	increased	decreased
<b>A</b>	✓	x	✓	x
<b>B</b>	✓	x	x	✓
<b>C</b>	x	✓	x	✓
<b>D</b>	x	✓	✓	x