

- 2 (a) Complete the following table stating the formula used to calculate the ratio, what the ratio measures and reasons why it may change.

Ratio	mula	What the ratio measures	Why the ratio may change
Gross profit ratio			
Inventory turnover			
Quick (acid test) ratio			
Return on capital employed			
Trade receivables turnover			

[20]

(b) State and explain **five** limitations of using ratio analysis as an indicator of business performance.

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