

- 17 The value of inventory for a limited company at 31 May 2020 was overstated by \$20 000.

What was the effect of this error on retained earnings?

	retained earnings at 31 May 2020	retained earnings at 31 May 2021
A	overstated by \$20 000	no effect
B	overstated by \$20 000	understated by \$20 000
C	understated by \$20 000	no effect
D	understated by \$20 000	overstated by \$20 000

- 18 What are limitations of using accounting ratios for comparisons between firms in the same industry?

- 1 Different businesses may have different accounting policies.
- 2 Efficiencies of different businesses cannot be compared.
- 3 Liquidity of the businesses cannot be assessed.

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

- 19 Abdul is assessing the profitability and efficiency of his business and is using these figures from the financial statements.

	\$
non-current assets at cost	70 000
net book value of assets	53 000
revenue	340 000
profit from operations	84 000

What is the non-current asset turnover?

A 1.20 times **B** 1.58 times **C** 4.86 times **D** 6.42 times

- 20 The following information was available for a business for the year ended 31 December.

annual sales	\$400 000
gross margin	20%
rate of inventory turnover	4 times
opening inventory	\$60 000

What was the value of closing inventory?

A \$70 000 **B** \$80 000 **C** \$100 000 **D** \$140 000