

18 The following are extracts from a company's financial statements.

| | \$ |
|--|---------|
| profit for the year before finance charges | 100 000 |
| issued share capital | 200 000 |
| reserves | 80 000 |
| non-current liabilities | 260 000 |

What is the company's return on capital employed?

- A** 18.5 % **B** 21.7 % **C** 35.7 % **D** 50.0 %

19 Owusu Limited has a constant level of annual sales and a constant gross margin. Each year the inventory increases.

What effect does this have on inventory holding and inventory turnover?

| | inventory holding (in days) | inventory turnover (times) |
|----------|--------------------------------|-------------------------------|
| A | decrease | decrease |
| B | decrease | increase |
| C | increase | decrease |
| D | increase | increase |

20 Which item accounts for the difference between the current and liquid ratios?

- A** cash and cash equivalents
B inventory
C trade payables
D trade receivables

21 Arun wishes to invest in a business with a skilled workforce which will make a profit in each of the next five years.

Which aspect of financial statements helps Arun to decide where to invest?

- A** Financial statements deal with past performance.
B Historic cost is based on objective figures.
C Non-monetary values are excluded.
D Provisions can be based on estimates.