

22 A company has a current ratio of 2:1.

Which transactions would always increase the ratio?

- 1 buying goods on credit
- 2 debtors paying their account to us
- 3 converting an overdraft to a long-term bank loan
- 4 selling non-current assets for cash

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

23 A company wants to increase its return on capital employed in the short-term.

Which course of action will achieve this?

- A** invest in new plant and machinery
- B** reduce the level of dividends paid to investors
- C** reduce the level of overhead expenses
- D** revalue freehold land and buildings upwards

24 Beatrice calculates some ratios to help her understand her financial statements.

What helps her interpretation of the ratios?

- A** availability of previous results
- B** changes in the economic conditions
- C** her employment of an inexperienced book keeper
- D** the fact that Beatrice is a sole trader

25 A business employs machinists to make children's sunhats.

As demand increases more machinists are employed. Every time eight extra machinists are employed, one extra supervisor is needed.

How are total labour costs best described?

	machinists	supervisors
A	fixed	variable
B	stepped	variable
C	variable	fixed
D	variable	stepped