

**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)
<b>A</b>	decrease	decrease
<b>B</b>	decrease	increase
<b>C</b>	increase	decrease
<b>D</b>	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.