

21 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

22 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.

23 A company is going to sell a surplus non-current asset.

Which term describes the net book value of the non-current asset in respect of the decision to sell?

- A** a fixed cost
- B** a stepped cost
- C** a sunk cost
- D** a variable cost

24 What usually makes up the total cost of a manufactured product for inventory valuation purposes?

- A** cost of production and selling and distribution overhead
- B** direct materials and direct labour
- C** direct materials and manufacturing overhead
- D** prime cost and manufacturing overhead