

19 The table shows information from a company's accounts.

	\$ 000
Turnover	135
Gross profit	34
Profit before interest and tax	11
Profit after tax	8
Fixed assets	59
Current assets	50
Debentures	12
Current liabilities	40

What is the return on total capital employed?

- A** 8.1% **B** 11.3% **C** 14.0% **D** 15.9%

20 A company has a high liquidity ratio.

Which of the following will reduce liquidity?

- A** doubling the annual rates of depreciation
B making a bonus issue to existing shareholders
C converting loan stock into shares
D replacing machinery earlier than planned

21 A company has revalued its fixed assets upwards during the most recent accounting period.

What will be the effect of this?

- A** to increase capital employed and increase profits
B to increase capital employed and reduce profits
C to reduce capital employed and reduce profits
D to reduce capital employed and no effect on profits

22 Which statement correctly expresses the relationship between return on capital employed, net asset turnover and profit margin?

- A** net asset turnover = return on capital employed – profit margin
B $\frac{\text{profit margin}}{\text{net asset turnover}} = \text{return on capital employed}$
C profit margin + net asset turnover = return on capital employed
D return on capital employed = net asset turnover x profit margin