

**23** The table shows an extract from a company's final accounts:

|               | \$     |
|---------------|--------|
| purchases     | 28 000 |
| cost of sales | 24 000 |
| creditors     | 4 200  |
| accruals      | 1 100  |

What is the creditors' collection period for the year?

- A** 55 days      **B** 64 days      **C** 69 days      **D** 81 days

**24** A company has the following gross profit and net profit ratios for two years.

|                | Year 1 | Year 2 |
|----------------|--------|--------|
| gross profit % | 26 %   | 29 %   |
| net profit %   | 13 %   | 10 %   |

The company's turnover has remained unchanged for both years.

What is a correct interpretation of these ratios?

|          | cost of sales |           | overheads |           |
|----------|---------------|-----------|-----------|-----------|
|          | increased     | decreased | increased | decreased |
| <b>A</b> | ✓             | x         | ✓         | x         |
| <b>B</b> | ✓             | x         | x         | ✓         |
| <b>C</b> | x             | ✓         | x         | ✓         |
| <b>D</b> | x             | ✓         | ✓         | x         |

**25** A firm has \$10 000 in the bank and buys stocks for \$6000 paying by cheque.

What will be the effect on its current ratio and quick (acid test) ratio?

|          | current ratio | quick (acid test) ratio |
|----------|---------------|-------------------------|
| <b>A</b> | no effect     | no effect               |
| <b>B</b> | decreases     | increases               |
| <b>C</b> | decreases     | no effect               |
| <b>D</b> | no effect     | decreases               |