

21 A company provides the following information.

	\$
ordinary share capital	50 000
retained earnings at the end of the year	11 000
8% debentures (2020-2022)	15 000
bank overdraft	8 000
profit from operations	17 700
profit for the year	16 500

What is the return on capital employed?

- A** 21.07% **B** 21.71% **C** 23.29% **D** 27.05%

22 A business purchases inventory by cash.

Which effects will this have on liquidity ratios?

	current ratio	liquid (acid test) ratio
A	decrease	decrease
B	decrease	increase
C	no change	decrease
D	no change	increase

23 X supplies goods on credit. He looked at the financial statements of two other businesses to see if he wanted to trade with them. He found the following information.

business	credit purchases \$	trade payables \$
G	21 800	2320
H	49 500	5750

X only trades with businesses with a trade payables turnover of 42 days or less.

With which business(es) did X decide to trade?

- A** both G and H
B G only
C H only
D neither G nor H