

- 19** A business purchases stock on credit.

Which of the following is now true?

	current ratio	acid test
<b>A</b>	decreases	decreases
<b>B</b>	increases	increases
<b>C</b>	unchanged	decreases
<b>D</b>	unchanged	increases

- 20** A business has a gross profit to sales ratio of 40%, and a net profit to sales ratio of 10%.

If the sales volume increases by 8% which of the following will generally be true?

	gross profit to sales ratio	net profit to sales ratio
<b>A</b>	increases	decreases
<b>B</b>	increases	increases
<b>C</b>	unchanged	decreases
<b>D</b>	unchanged	increases

- 21** The current ratio of a company increases from 1.4 to 1.9.

Which of the following could explain this movement?

- A** an issue of more share capital for cash
- B** the giving of more generous credit terms to customers
- C** the granting of cash discounts to customers
- D** the purchase of some short-term investments

- 22** A company's stock turnover ratio is calculated using the cost of goods sold and the average of opening and closing stocks.

In each of the last two financial years, closing stock was valued at \$5000 more than the corresponding opening stock.

In both years, the stock turnover was ten times and in the earlier year the cost of goods sold was \$125 000.

What was the cost of goods sold in the second year?

- A** \$200 000      **B** \$175 000      **C** \$150 000      **D** \$125 000