

**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