

- 21** A business increases its provision for doubtful debts.

What is the effect on the current and acid test ratios?

	current ratio	acid test ratio
A	decrease	decrease
B	decrease	no change
C	no change	decrease
D	no change	no change

- 22** Which accounting ratio is used to assess working capital management?

- A** gross profit ratio
- B** net profit ratio
- C** return on capital employed
- D** stock turnover ratio

- 23** A company's gross profit ratio for the year ended 31 December 2003 was 25 %. This increases to 28 % for the year ended 31 December 2004.

What could have been responsible for the increase?

- A** an increase in the cost of purchases during 2004
- B** an increase in the volume of sales during 2004
- C** an over-valuation of stock at 31 December 2004
- D** an under-valuation of stock at 31 December 2004