

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

The business has significant fixed costs.

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

	gross profit ratio	net profit ratio
<b>A</b>	increase	decrease
<b>B</b>	increase	increase
<b>C</b>	unchanged	decrease
<b>D</b>	unchanged	increase

- 19** The following data is available for a business for the year ended 30 September 2010.

opening inventory	\$1 000 000
purchases for the year	\$2 500 000
closing inventory	\$1 500 000
mark up	50 %
trade receivables collection period	60 days

Sales are on credit and accrue evenly over a 360-day accounting period.

What is the value of trade receivables at 30 September 2010?

- A** \$500 000      **B** \$625 000      **C** \$666 667      **D** \$750 000

- 20** A company is operating in a very competitive market.

Which ratios represent the reaction to the competition?

	gross profit percentage	period of credit allowed to customers
<b>A</b>	20 %	30 days
<b>B</b>	20 %	60 days
<b>C</b>	25 %	30 days
<b>D</b>	25 %	60 days