

**21** 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

**22** The balance sheet of a business at 30 June includes the following items:

	Year 1	Year 2
trade receivables	47 000	63 000
other receivables	1 900	2 700

Total sales for Year 2 amounted to \$450 000 of which \$85 000 were cash sales.

What is the average trade receivables collection period during the year ended 30 June Year 2?

**A** 44 days      **B** 51 days      **C** 55 days      **D** 63 days

**23** The opening inventory of a business is \$10 000 and the cost of goods sold is \$200 000.

Using the average figure of opening and closing inventory, what value of closing inventory is needed to give an inventory turnover of 10 times?

**A** \$10 000      **B** \$20 000      **C** \$30 000      **D** \$40 000

**24** What are major assumptions in contribution/ sales (c/s) analysis?

- 1 Costs can be identified as either variable or fixed.
- 2 Fixed cost per unit is constant as activity rises.
- 3 Variable cost per unit fluctuates with the volume of activity.
- 4 Volume of activity is the only factor that affects revenue and variable costs.

**A** 1 and 2      **B** 1 and 4      **C** 2 and 3      **D** 2 and 4