



3.6 Efficiency ratio analysis (HL)

Terminology exercise

Check that you understand the terminology used in this subtopic by dragging the correct word into each space.

Different _____ ratios show how well the business is managing its operations related to the working capital cycle.

The _____ ratio measures the number of times, on average, that a company sells and therefore replenishes its stock. The _____ measures the efficiency with which the company collects its debts. The _____ measures the average number of days it takes the company to settle its debts. Finally, the _____ measures how much of the company's capital employed is financed by long-term debt.

The term _____ refers to a situation whereby a business cannot pay its debts. The term _____ refers to a situation whereby an insolvent business has to follow a legal process to settle its debts. This could mean liquidation of current and non-current assets, or it could mean developing a plan to become solvent again under supervision of an authority.

creditor days

bankruptcy

gearing ratio

efficiency

stock turnover

debtor days

insolvency

✓ Check

