

Chapter 8

MULTIPLE CHOICE

Each multiple choice question for Chapter 8 requires the calculation of an accounting ratio for Q Ltd, whose summarised financial statements for the year to 31 December 200X are shown below. In cases where a ratio can be defined in more than one way, please use the definition given in the textbook.

Q Ltd	
Profit and loss account for the year to	
31 December 200X	
	<i>£000</i>
Turnover	9,100
Cost of sales	<u>6,660</u>
Gross profit	2,440
Operating expenses	<u>800</u>
Profit before interest and taxation	1,640
Interest payable	<u>200</u>
Profit before taxation	1,440
Taxation	<u>420</u>
Profit after taxation	<u>1,020</u>

Q Ltd		
Balance sheet as at 31 December 200X		
	<i>£000</i>	<i>£000</i>
Fixed assets		3,640
Current assets		
Stocks	1,380	
Trade debtors	1,520	
Cash at bank	<u>680</u>	
	<u>3,580</u>	
Current liabilities		
Trade creditors	940	
Taxation	420	
Proposed dividends	<u>600</u>	
	<u>1,960</u>	
Net current assets		<u>1,620</u>
		5,260
Long-term loans		<u>2,000</u>
Net assets		<u>3,260</u>
Shareholders' funds		<u>3,260</u>