

- 16** A company raises finance by issuing debentures.

What is the effect on net current assets and short term profits?

	net current assets	profits
<b>A</b>	decrease	decrease
<b>B</b>	decrease	increase
<b>C</b>	increase	decrease
<b>D</b>	increase	increase

- 17** A business finds that it is unable to pay its trade payables because of a poor cash flow.

What should it do to improve its cash flow?

- A** factor its trade receivables
  - B** increase its trade receivables
  - C** increase its inventory
  - D** repay its overdraft
- 18** For some years a business has given 2% cash discount to its customers and lost 3% of its inventory to pilferage by staff.

On 1 January, the business changed the rate of cash discount to 5% and introduced a new inventory control system that stopped the pilferage.

Which effect do these changes have on the gross profit to sales ratio?

	change in cash discount	new inventory control system
<b>A</b>	decrease	no effect
<b>B</b>	increase	no effect
<b>C</b>	no effect	decrease
<b>D</b>	no effect	increase