

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

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

	net current assets	profits
A	decrease	decrease
B	decrease	increase
C	increase	decrease
D	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
A	decrease	no effect
B	increase	no effect
C	no effect	decrease
D	no effect	increase