

- 14** A company has an issued share capital of 200 000 6% cumulative preference shares of \$1 each fully paid and 800 000 ordinary shares of \$1 each fully paid.

Assuming that the company earns no profit in the year, which statement is correct?

- A** Both preference and ordinary shares are paid a dividend in the year.
- B** The unpaid dividends for both preference and ordinary shares are carried forward to a future year.
- C** The unpaid preference dividend is carried forward to a future year.
- D** The preference shares are paid a total dividend of \$12 000 in the year.

- 15** 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

- 16** 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

- 17** Which accounting ratio is used to assess working capital management?

- A** gross profit ratio
- B** net profit ratio
- C** rate of inventory turnover
- D** return on capital employed