

**17** A business has noticed a significant increase in its trade receivables collection period.

What would be the most appropriate action to help the firm improve its liquidity position?

- A** factoring
- B** issue of shares
- C** long-term bank loan
- D** reducing sales

**18** 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

**19** The following are extracts from a company's financial statements.

	\$
profit for the year before finance charges	100 000
issued share capital	200 000
reserves	80 000
non-current liabilities	260 000

What is the company's return on capital employed?

- A** 18.5%      **B** 21.7%      **C** 35.7%      **D** 50.0%

**20** Owusu Limited has a constant level of annual sales and a constant gross margin. Each year the inventory increases.

What effect does this have on inventory holding and inventory turnover?

	inventory holding (in days)	inventory turnover (times)
<b>A</b>	decrease	decrease
<b>B</b>	decrease	increase
<b>C</b>	increase	decrease
<b>D</b>	increase	increase