

1. Acid test ratio	If a high proportion of current assets is held in inventory it may be difficult to liquidate these quickly. Taking inventory away from current assets gives a better measure of liquidity. As a rule the ratio should be 1.	18. Current ratio	This measure how easily a business can meet its immediate financial obligations. Should be between 1.5 and 2. If the ratio is too low the business may have difficulty paying its debts. If it is too high then it suggests money is being tied up unprofitably.
2. Asking debtors to pay more quickly	This will increase cash inflows in the short term, but debtors may change to another business that offers them more time to pay.	19. Cutting costs	This may increase efficiency, but it may negatively impact product quality.
3. Attracting new investors	This will provide a business with more cash, but may affect the ownership of the business	20. Delaying or canceling the purchase of capital equipment	This will decrease cash outflows in the short term, but the long-term efficiency of the business could decrease without up-to-date equipment.
4. Balance sheet	A financial statement which shows the assets, liabilities and capital of a business a particular date (what it owns and what it owes).	21. Delaying payments to suppliers	This will decrease cash outflows in the short term, but suppliers could get angry and refuse to supply or reduce discounts for late payments.
5. Bank loans	These provide a business with cash, but loans have to be repaid with interest.	22. Developing new products	This may attract more customers, but this could take a long time and requires investment.
6. Bank loans	Money can be borrowed from banks.	23. Factoring of debts	Specialist agencies buy business debts - this gives the business immediate cash.
7. Capital expenditure	The money spent on fixed assets.	24. Fixed assets	Assets that are kept for longer than one year.
8. Cash flow	The movement of money in and out of a business.	25. Grants and subsidies	Outside agencies may lend the business money.
9. Cash flow forecast	Shows the opening balance at the start of each month and the closing balance at the end.	26. Gross profit	How much money it is making from selling things without subtracting the cost of making the things it is selling.
10. Cash inflow	The money that enters the business.	27. gross profit - fixed and variable expenses	[equation] Net profit
11. Cash outflow	The money that leaves the business.	28. Gross profit margin	This shows the percentage profit from sales which is available to pay for overheads. If the ratio is falling over time it could be due to a failure to pass on cost increases to customers or an attempt to increase market share by keeping prices down.
12. Closing balance	The cash available at the end of a month.	29. (gross profit / sales revenue) x 100	[equation] Gross profit margin
13. Current assets	Assets that are kept for less than one year.	30. Income statements	These indicate to managers, business owners and other account users whether the business has made a profit or loss over a period of time.
14. current assets - current liabilities	[equation] Working capital	31. Insolvency	Describes a situation when a profitable business is unable to pay its debts.
15. (current assets / current liabilities)	[equation] Current ratio		
16. (current assets - inventory) / current liabilities	[equation] Acid test ratio		
17. Current liabilities	Liabilities due to be repaid in less than one year.		

32. Issue of shares	Shares can be issued by limited companies.	49. Sale of inventories	Inventories can be sold in order to reduce inventory levels.
33. Liabilities	Amounts owed by the business.	50. sales revenue - cost of goods sold	[equation] Gross profit
34. Liquidity	How easily assets can be turned to cash. It can also refer to the ability of a business to pay its debts.	51. Selling debentures	Long-term loan certificates issued by limited companies.
35. Long-term finance	The type of finance includes any source of finance with a maturity of at least one year.	52. Short-term finance	This type of finance includes any source of finance with a maturity of one year or less.
36. Long-term liabilities	Liabilities due to be repaid over more than one year.	53. Start-up capital	The initial investment of capital in a business.
37. Net cash flow	The difference between the total cash inflow and the total cash outflow.	54. Working capital	The finance needed by a business to pay its day-to-day costs, for example, wages, raw materials and electricity.
38. Net profit	How much money it is making from selling things after the cost of making the things it is selling is subtracted		
39. (net profit / capital employed) x 100	[equation] Return on capital employed		
40. Net profit margin	This shows the percentage profit from sales that is left over after all the business' expenses have been paid. If the ratio is falling over time it could be due to a rise in the running costs of the business or a drop in the level of productivity or efficiency of the workforce.		
41. (net profit / sales revenue) x 100	[equation] Net profit margin		
42. Opening balance	The cash available at the start of a month.		
43. Owner's savings	A sole trader or partnership member can put their own savings into the business.		
44. Profit	The extra money made by the business when a product is sold for a higher price than it took to make it.		
45. Retained profit	The profit kept in the business after the owners and shareholders have taken their share of the profits.		
46. Return on capital employed	This is also a measure of operational efficiency. If ROCE is lower than interest rates then it is unsatisfactory since it indicates the business would be better by depositing the money in the bank!		
47. Revenue expenditure	The money spent on day-to-day expenses.		
48. Sale of existing assets	Existing assets that are redundant or surplus can be sold for money.		

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