

2.3.2 Liquidity

Starter

* You owe some people money, this is your financial liability
* Which one item that you own do you think would be the quickest to sell if you needed to raise cash in a hurry? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
* This is your most liquid item; it is an asset to you
* You can turn your assets into cash to pay your liabilities

Write a definition of liquidity here:

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Liquidity – turning assets into cash

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Write a definition of the statement of financial position here:

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Measuring liquidity

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Write the current ratio formula here:



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| **2016** |  |
| 2017 |  |

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Write the acid test ratio formula here:



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| **2016** |  |
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Ways liquidity can be improved

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**Working capital and its management: the importance of cash**

Write a definition of working capital here:

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Working capital cycle:







