GCSE Business Studies

‘Cash Flow’ Mini Mock Exam

Name:................................................. Date:......................

(1) **Define** cash flow (2)

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(2) **Distinguish** the differencebetween cash flow **forecast** and cash flow **statement** (2)

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(3) Why is cash flow forecasting **important** for businesses? (2)

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(4) **Distinguish** the difference between **receipts** and **payments** (2)

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(5) **Categorise** the following as either **inflow** or **outflow** for a business (7):

|  |  |
| --- | --- |
| Wages |  |
| Sales revenue |  |
| Purchase of stock |  |
| Credit sales |  |
| Bank loan |  |
| Bank loan repayments |  |
| Sale of an asset |  |

(6) Diksha started a business on 1st July 2005. She placed all her savings of £20,000 as initial capital into the business bank account in June 2005. **Fill in her cash flow** using the following information (the first month has been done for you).

* Her projected sales of stock are July/ £17000, August/ £18000, September/ £20500 and October/ £21500
* Her predicted purchases of stock are July/ £9000, August/ £10500, September/ £11000 and October/ £12000
* Business rates: £15,000 per year, to be paid in twelve equal monthly installments.
* Rent: paid monthly as follows: £700 in July to be increased by £100 from August onwards.
* Estimated gas usage for three months is £500, payable in October.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **July** | **August** | **September** | **October** |
|  | £ | £ | £ | £ |
| Opening Balance | 20000 |  |  |  |
| **Receipts** |  |  |  |  |
| Sales | 17,000 |  |  |  |
| **Total Receipts** | 17,000 |  |  |  |
| **Payments** |  |  |  |  |
| Purchases | 9000 |  |  |  |
| Rent | 1250 |  |  |  |
| Rates | 700 |  |  |  |
| Gas | 0 |  |  |  |
| **Total Payments** | 10950 |  |  |  |
| Closing Balance | 26050 |  |  |  |

(9)

Is Diksha’s cash flow positive or negative? **Explain** why. (2)

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What would you warn Diksha about in regards to the main **disadvantage** of cash flow forecasting (2)

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Tiffanie has savings of £2000 to invest and plans to get a bank loan of £5000, all before September. She does not forecast any sales in September, but knows she must purchase £500 worth of stock in September, £3000 in October, £3200 in November and £3500 in December. Salaries and wages of £2000 are outgoing every month whilst loan repayments of £275 (including interest) has to be repaid as from October. Monthly overheads are £150. Tiffanie forecast sales of £500 in October, £2000 in November and £3000 in December.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **September** | **October** | **November** | **December** |
|  | £ | £ | £ | £ |
| Opening Balance |  |  |  |  |
| **Receipts** |  |  |  |  |
|  |  |  |  |  |
| **Total Receipts** |  |  |  |  |
| **Payments** |  |  |  |  |
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|  |  |  |  |  |
| **Total Payments** |  |  |  |  |
| Closing Balance |  |  |  |  |

(12)

Do you think Tiffanie is wise to launch this business? **Give reasons** for your answers. (3)

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**Explain** a suitable **source of finance** to help a business solve a cash flow deficit problem? (3)

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(8) Suggest two ways of a business can improve its cash flow by **speeding up inflows**. (2)

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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(9) Suggest two ways a business can improve its cash flow by **slowing down outflow**. (2)

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(10) **Explain** in your own words the difference between **cash** and **profit**. (4)

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**END**

**\_\_\_**

**54**

**Solutions**

**(6)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **July** | **August** | **September** | **October** |
|  | £ | £ | £ | £ |
| Opening Balance | 20000 | 26050 | 31500 | 38950 |
| **Receipts** |  |  |  |  |
| Sales | 17,000 | 18,000 | 20500 | 21500 |
| **Total Receipts** | 17,000 | 18,000 | 20500 | 21500 |
| Payments |  |  |  |  |
| *Purchases* | 9000 | 10500 | 11000 | 12000 |
| *Rates* | 1250 | 1250 | 1250 | 1250 |
| *Rent* | 700 | 800 | 800 | 800 |
| *Gas* | - | - | - | 500 |
| **Total Payments** | 10950 | 12550 | 13050 | 14550 |
| Closing Balance | 26050 | 31500 | 38950 | 45900 |

**(7)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **September** | **October** | **November** | **December** |
|  | £ | £ | £ | £ |
| Opening Balance | 7000 | 4350 | (575) | (4200) |
| **Receipts** |  |  |  |  |
| Sales | 0 | 500 | 2000 | 3000 |
| **Total Receipts** | 7000 | 4850 | 1425 | (1200) |
| Payments |  |  |  |  |
| *Stock* | 500 | 3000 | 3200 | 3500 |
| *Salaries and wages* | 2000 | 2000 | 2000 | 2000 |
| *Loan repayment* | 0 | 275 | 275 | 275 |
| *Overheads* | 150 | 150 | 150 | 150 |
| **Total Payments** | 2650 | 5425 | 5625 | 5925 |
| Closing Balance | 4350 | (575) | (4200) | (7125) |