BTEC Business Studies
'Cash Flow' Mini Quiz

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

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

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(2) **Distinguish** the difference between cash flow **forecast** and cash flow **statement** (1)

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(3) Why is cash flow forecasting **important** for businesses? (1)

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(4) **Distinguish** the difference between **receipts** and **payments** (1)

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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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(7) Tiffanie is planning the launch of her new business venture selling aftershaves and perfumes in Mill Hill. **Fill in her cash flow** using the following information.

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				
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. ____
2. ____

(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

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L1 Pass	L2 Pass	Merit	Distinction	D*
>46%	**<46%**	**<65%**	**<80%**	**< 90%**

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