

Edexcel GCSE - Business (9-1) worksheet

1.3.3. Cash and cash flow

The importance of cash to a business

Importance of cash - To pay suppliers

Suppliers – those businesses which supply the company with _____ or other supplies such as _____ for a printer. If a supplier is not paid on time they may _____ to deal with the company in the future

Importance of cash - To pay overheads

Yes - overhead	No – not overhead



Importance of cash - To pay employees

What happens if a business does not pay its employees:

A) _____

B) _____



Importance of cash - To prevent business failure (insolvency)

- “Cash is _____” is an expression some business people may use – this is a way of showing how _____ it is
- A business needs to make sure that its _____ are paid on time so that it has _____ to pay its own suppliers
- When a business runs out of _____ to pay everyone and cannot raise finance in time it may _____

The difference between cash and profit

Cash:

Profit:



Cash flow forecast is a prediction

Cash inflows and outflows

Cash inflows and outflows

Inflows

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Outflows

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Cash flow forecast uses

In which 2 months are there a cash shortfall? (Circle the two months)

	June	July	August	September
	£	£	£	£
Balance brought forward	0	(20 900)	(11 200)	10 700
INCOME				
Sale of T-shirts	6 000	14 000	28 000	1 000
TOTAL	6 000	(6 900)	16 800	11 700
EXPENDITURE				
Purchase of T-shirts	25 000	0	0	0
Retail and distribution costs	1 200	2 800	4 000	400
Administration	700	1 500	2 100	300
TOTAL EXPENDITURE	26 900	4 300	6 100	700
Balance carried forward	(20 900)	(11 200)	10 700	11 000

Fig. 6 Cash flow forecast for the sale of T-shirts related to the 2017 Festival



Inflows and outflows



- Inflows of cash into the business

- Outflows of cash from the business

Net cash flow – circle it on the diagram below:

	June	July	August	September
	£	£	£	£
Balance brought forward	0	(20900)	(11200)	10700
INCOME				
Sale of T-shirts	6000	14000	28000	1000
TOTAL	6000	(6900)	16800	11700
EXPENDITURE				
Purchase of T-shirts	25000	0	0	0
Retail and distribution costs	1200	2800	4000	400
Administration	700	1500	2100	300
TOTAL EXPENDITURE	26900	4300	6100	700
Balance carried forward	(20900)	(11200)	10700	11000

Fig. 6 Cash flow forecast for the sale of T-shirts related to the 2017 Festival

Opening and closing balances

Opening: _____

Closing: _____

Cash flow forecast for XYZ Garage Ltd				
	Jan	Feb	Mar	April
	£	£	£	£
Balance brought forward	25000			
INCOME				
Sale of goods	100000	80000	60000	70000
Rental income	10000	10000	10000	10000
TOTAL INCOME				
EXPENDITURE				
materials	50000	80000	60000	40000
energy costs	5000	20000	5000	5000
wages	10000	20000	20000	10000
transport	10000	15000	10000	5000
TOTAL EXPENDITURE				
balance carried forward				

The table below shows the cash-flow forecast for a small business.

(c) Complete the table with the **two** missing figures.

(2)

	August (£)	September (£)
Receipts	17 400	21 770
Raw materials	8 050	9 340
Fixed costs	2 120	2 340
Total payments	10 170	(ii)
Net cash flow	(i)	10 090
Opening balance	5 300	12 530
Closing balance	12 530	22 620