5.1 Business finance

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

KEY WORDS cash 现金 • working capital 营运资本 • profit 利润 • capital expenditure 资本性支出 • revenue expenditure 收益性支出

Objective

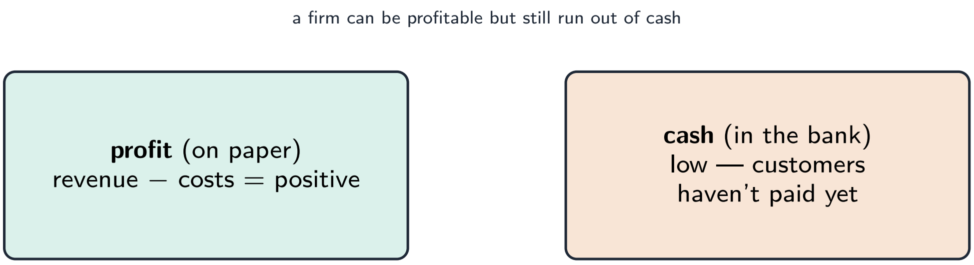
Build the skills to answer exam questions on **business finance 企业资金 — capital and revenue expenditure 资本性支出和收益性支出**, **working capital 营运资本**, and the key idea that **cash is not the same as profit 现金不等于利润**.

You must be able to:

- distinguish capital from revenue expenditure
- calculate **working capital** and explain why it matters
- explain why a profitable business can still run out of cash

1 Worked examples

Working capital, and cash versus profit



Profit (on paper) and cash (in the bank) are different

$$\text{working capital} = \text{current assets} - \text{current liabilities}$$

- **Worked:** current assets \$80,000, current liabilities \$50,000 → working capital = \$30,000.
- **Capital expenditure** = fixed assets (machines, buildings); **revenue expenditure** = day-to-day (wages, rent).
- A profitable firm can run out of cash if customers have not yet paid — **profit ≠ cash**.

> **Answer shapes:** AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

2 Practice

2.1 Define the term *working capital.* [2]

2.2 A firm has current assets of $60,000 and current liabilities of $45,000. Calculate its working capital. [2]

2.3 State the difference between *capital* and *revenue* expenditure. [2]

3 Exam-style questions

3.1 Explain one reason why a profitable business might still run short of cash. [3]

3.2 Analyse two reasons why working capital is important to a business. [8]

3.3 'A business should always hold as much cash as possible.' Evaluate this view. [12]