A-LEVEL BUSINESS • EXERCISE SHEET

5.3 Forecasting and managing cash flows

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

KEY WORDS cash-flow forecast 现金流量预测 • net cash flow 净现金流 • closing balance 期末余额 • cash inflows 现金流入 • cash outflows 现金流出

Objective

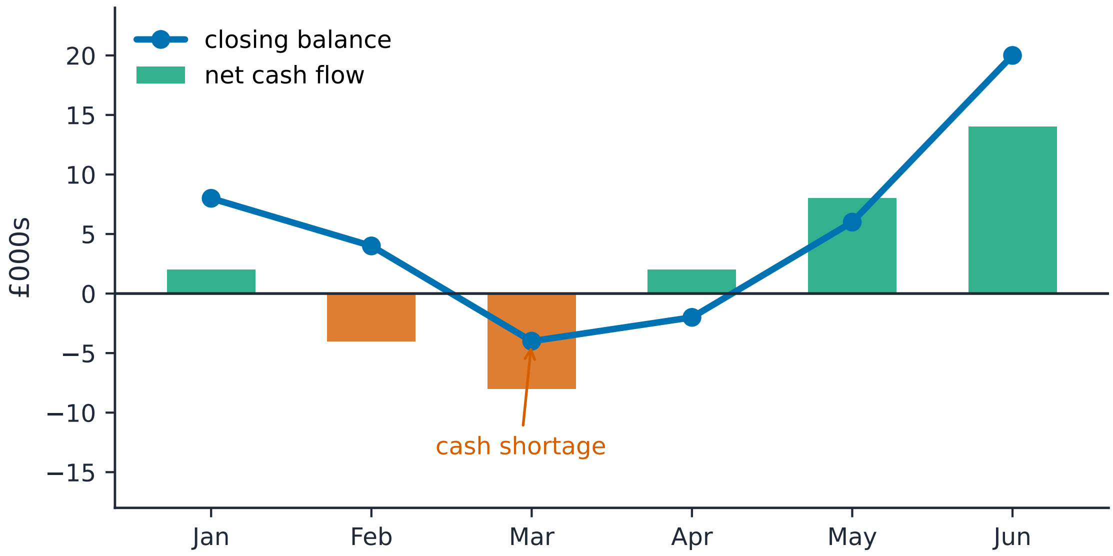
Build the skills to answer exam questions on **cash-flow forecasting 现金流量预测** — **cash inflows and outflows 现金流入和流出**, **net cash flow 净现金流**, the **opening and closing balance 期初和期末余额**, and how to fix cash-flow problems.

You must be able to:

- calculate net cash flow and the closing balance
- explain the causes of cash-flow problems (including **overtrading 过度交易**)
- analyse and evaluate ways to improve cash flow

1 Worked examples

■ Reading a cash-flow forecast



closing = opening + net · negative = cash shortage

Each month's closing balance carries forward as next month's opening balance

$$\text{net cash flow} = \text{cash inflows} - \text{cash outflows}$$

$$\text{closing balance} = \text{opening balance} + \text{net cash flow}$$

- **Worked:** opening \$8,000; inflows \$30,000; outflows \$25,000 → net = \$5,000, closing = \$13,000.
- **Improve cash flow by:** bringing cash in sooner (faster payment, discounts), delaying cash out (longer trade credit), an overdraft, or holding less stock.

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

2 Practice

2.1 Define the term *net cash flow*. [2]

2.2 A month opens with \$4,000. Inflows are \$20,000 and outflows are \$23,000. Calculate the closing balance. [2]

2.3 State two causes of cash-flow problems. [2]

3 Exam-style questions

3.1 Explain one benefit to a business of producing a cash-flow forecast. [3]

3.2 Analyse two ways a business could improve its cash flow. [8]

3.3 A business has forecast a cash shortage in three months' time. Evaluate the best way for it to deal with this. [12]