

3.1 Cash, finance and appraisal: supported rehearsal

Name: _____ Class: _____ Date: _____

Total: 6 marks

Objective

Supported preparation: Calculate and interpret costs, revenue, profit, liquidity and cash flow; Compare finance and investment appraisal using assumptions. This is original rehearsal, not completion of the assessed task.

1 Key knowledge and worked examples

Profit records revenue and expenses; cash flow records receipts and payments. A profitable sale on credit may not supply cash today. Match finance duration, cost, control and repayment to the need. Appraisal must state forecast assumptions and uncertainty.

Cash-flow bridge: timing matters



Net cash flow = receipts – payments = −1200

Closing cash = opening cash + net cash flow = 800

Original case: opening cash 1,500 currency units, receipts 2,800, payments 3,600. Compute closing cash and evaluate paying 900 for equipment immediately.

Net cash flow = receipts – payments = 2,800 – 3,600 = −800 units. Closing cash = opening cash + net cash flow = 1,500 – 800 = 700 units. An immediate 900-unit purchase creates a 200-unit cash gap unless other timings or finance change. Forecast later receipts,

consider staged purchase or suitable finance and compare repayment with expected benefits. A positive accounting profit cannot resolve this timing gap.

2 Practice

2.1 For the worked case, identify the evidence and a conclusion it can support. Explain one material limit. [3]

3 Exam-style questions

3.1 Project A repays sooner; project B produces larger later inflows. Is payback sufficient for choosing? Give a reasoned answer, evidence or method, and a relevant qualification. [3]