Solutions

Marking: **M1** a correct method, **A1** the correct answer, **B1** an independent mark.

Each answer shows the steps, then the **result**.

2.1

cash: the money actually held by the business or in its bank account at a point in time; profit: revenue minus costs over a period, which may include sales on credit not yet paid

2.2

current assets minus current liabilities; the money available for day-to-day running of the business

2.3

net cash flow: January −2 000, February +1 000, March −5 000; closing balance: January 3 000, February 4 000, March **−1 000**

2.4

e.g. it sells on credit, so revenue is counted as profit before cash arrives / spends heavily on stock or equipment / overtrading; explained: outflows (wages, suppliers) must be paid before cash from customers comes in

3.1

award up to [10]: the closing balance becomes negative in December (−1 000) and worse in January (−5 000); causes: seasonal fall in sales; the oven purchase; delay or lease the oven: removes the $3,000 outflow, but may limit menu or raise long-term costs; overdraft for the winter months: flexible and repaid in summer, but interest costs; cut outflows: fewer staff hours or a shorter opening time in winter, but may lose regular customers; raise inflows: winter promotions, events, takeaway service; negotiate later payment with suppliers; judgement, e.g. delay the oven and arrange a small overdraft, as the problem is seasonal and short-term

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