5. Financial information and decisions

Starter Quiz ·

IGCSE Business Studies Name: _____ Score: _____

1. Capital needed to finance day-to-day business operations is called:
   - ☐ start-up capital
   - ☐ working capital
   - ☐ a fixed asset
   - ☐ profit
2. Inflows are 40 and outflows are 52. What is the net cash flow?

   _____
3. Revenue is 200 and cost of sales is 130. What is the gross profit?

   _____
4. Which is an asset?
   - ☐ money owed to a supplier
   - ☐ a bank loan
   - ☐ machinery the business owns
   - ☐ a tax bill
5. Gross profit is 80 and revenue is 200. What is the gross profit margin (%)?

   _____
6. Which is an internal source of finance?
   - ☐ a government grant
   - ☐ a share issue
   - ☐ a bank loan
   - ☐ retained profit
7. Opening balance 15, net cash flow −6. What is the closing balance?

   _____
8. Gross profit is 70 and expenses are 45. What is the profit?

   _____

9. Which is a current asset?
   - ☐ cash
   - ☐ a long-term loan
   - ☐ a factory
   - ☐ machinery

10. The profit margin for the year is calculated as:

    - ☐ revenue ÷ profit for the year
    - ☐ profit for the year ÷ total assets
    - ☐ profit for the year ÷ revenue × 100
    - ☐ gross profit ÷ expenses

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Answers ·

IGCSE Business Studies

1. **working capital**

   Working capital finances day-to-day operations and equals current assets minus current liabilities. It includes stock and receivables, so it is not the same as cash available today.

2. **-12**

   Net cash flow = $40 - 52 = -12$.

3. **70**

   Gross profit = $200 - 130 = 70$.

4. **machinery the business owns**

   Assets are what the business owns; the others are liabilities.

5. **40**

   $80 \div 200 \times 100 = 40\%$.

6. **retained profit**

   Retained profit comes from within the business.

7. **9**

   Closing = opening + net cash flow = $15 + (-6) = 9$.

8. **25**

   Profit = $70 - 45 = 25$.

9. **cash**

   Cash is a current asset; buildings and machinery are non-current.

10. **profit for the year ÷ revenue × 100**

    Profit margin = profit for the year ÷ revenue × 100. Gross profit would give the gross margin instead.