Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

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

2.1

- **net cash flow** is inflows minus outflows over a period (K)

2.2

- net cash flow $= \$18\,000 - \$20\,000 = -\$2\,000$
- closing $= \$5\,000 + (-\$2\,000) = \$\mathbf{3\,000}$ (K)

2.3

- any **one** of: customers have not paid yet / too much stock bought / too much spent on assets at once (K)

3.1

- any **two** of: overdraft / delay paying suppliers / customers pay sooner / sell spare assets / cut spending (K, K)

3.2

- for **each** of two benefits: K + An, max 3 each
- e.g. **spot a shortage early**: arrange finance in time → avoid running out of cash
- e.g. **plan and control**: shows when money is tight → delay spending

3.3

- **for an overdraft**: fast and flexible for a short gap
- **against**: high interest; a large or long shortage needs chasing debtors or cutting stock
- **judgement (Ev)**: an overdraft is good for a short, small shortage — it depends on size and length