2 OTK is a small jewellery shop in the centre of Main City. The business does not currently use ecommerce. OTK buys its jewellery from local suppliers. It pays for the jewellery 30 days later. The shop manager is analysing OTK's cash flow forecast. She is concerned that the business might have a short-term cash flow problem.

(a) Define 'cash flow forecast'.

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.... [2]

(b) Identify **two** reasons why cash is important for a business.

Reason 1: ....

....

Reason 2: ....

.... [2]

(c) Identify **four** functions of management.

Function 1: ....

....

Function 2: ....

....

Function 3: ....

....

Function 4: ....

.... [4]

(d) Explain **two** ways OTK could overcome a short-term cash flow problem.

Way 1: ....

....

Explanation: ....

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Way 2: ....

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Explanation: ....

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.... [6]

(e) Explain **two** threats to a business of using ecommerce. Which threat is likely to be the most important? Justify your answer.

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.... [6]

3 **(a)** Explain **two** reasons why working capital is important to LB.

Reason 1: ....

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Explanation: ....

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Reason 2: ....

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Explanation: ....

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[8]

(b) Using Appendix 2 and other information, consider the **three** employees that LB could make redundant. Which employee should LB choose? Justify your answer.

- Naga
- Reeta
- Amy

Naga: ....

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Reeta: ....

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Amy: ....

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Recommendation: ....

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[12]

2 Jonathon is a sole trader. He owns a shop selling office equipment including printers. To encourage sales Jonathon allows customers 4 weeks to pay for the office equipment. Jonathon thinks his business is likely to remain small. He knows managing cash flow is important for his business and he has prepared a cash flow forecast. An extract is shown in Table 2.1.

Table 2.1

Extract from Jonathon's cash flow forecast July - September 2025 ($000)			
	July	**August**	**September**
Cash inflow	60	80	**Y**
Cash outflow	90	95	70
Net cash flow	(30)	**X**	20
Opening balance	20	(10)	(25)
Closing balance	(10)	(25)	(5)

(a) Identify **two** ways to measure the size of a business.

Way 1: ....

....

Way 2: ....

.... [2]

(b) Calculate **X** and **Y**.

X: ....

....

Y: ....

.... [2]

(c) Outline **two** reasons (other than finance) why Jonathon's business is likely to remain small.

Reason 1: ....

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Reason 2: ....

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.... [4]

(d) Explain **two** reasons why Jonathon's business might have a cash flow problem.

Reason 1: ....

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Explanation:..

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Reason 2: ....

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Explanation: ....

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.... [6]

(e) Do you think the advantages of operating as a sole trader business are greater than the disadvantages? Justify your answer.

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.... [6]

4 **(a)** Explain **two** cash inflows and **two** cash outflows that are likely to be included in CR's cash flow forecast for its first year of trading.

Cash inflow 1: ....

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....

....

Cash inflow 2: ....

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Cash outflow 1: ....

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Cash outflow 2: ....

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[8]

(b) Using Appendix 3 and other information, consider the effects on CR of the decrease in taxes and the increase in interest rates in country P. Which change is likely to have the greatest effect on CR's profit in its first year? Justify your answer.

Decrease in taxes: ....

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Increase in interest rates: ....

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Conclusion: ....

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[12]