

(a) Define 'cash flow forecast'.

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[2]

Reason 1:

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Reason 2:

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[2]

Function 1:

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Function 2:

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Function 3:

Function 4:

[4]

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Explanation:

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Way 2:

Explanation:

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[6]

[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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- 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:

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Way 2:

..... [2]

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

X:

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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]

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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]