2 CPW is a private sector business which has many objectives. It sells electrical goods including kettles and ovens in its 36 shops in country X. CPW also offers a delivery service. The business buys all its inventory from local suppliers to avoid import tariffs. The Finance Director is analysing CPW's statement of financial position. An extract is shown in Table 2.1. He has been asked to find a source of finance to purchase 10 new delivery vehicles.

Table 2.1

Extract from CPW's statement of financial position for 2024 ($ million)	
Non-current assets	120
Current assets	70
Current liabilities	110
Non-current liabilities	75

(a) Define 'import tariff'.

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.... [2]

(b) Identify **one** non-current asset and **one** current liability.

Non-current asset: ....

....

Current liability: ....

.... [2]

(c) Outline **two** ways the information in Table 2.1 might be useful to CPW.

Way 1: ....

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Way 2: ....

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.... [4]

(d) Explain **two** factors CPW should consider when deciding on a source of finance for the new vehicles.

Factor 1: ....

....

Explanation: ....

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Factor 2: ....

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Explanation: ....

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.... [6]

(e) Explain **two** objectives a private sector business might have. Which objective is likely to be the most important? Justify your answer.

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.... [6]

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]

4 Talula owns a hairdressing salon. She also rents out part of her property to Sheila, who offers a range of beauty treatments. Talula provided the following information for the year ended 30 September 2025.

	$
Salaries	81 500
Electricity charges	23 500
Water charges	4 150
Income from hairdressing	124 700
Insurance	2 067
General expenses	952
Property tax	3 045
Rent received from Sheila	6 400

Additional information:

1 Insurance of $2067 is for the period from 1 October 2024 to 31 October 2025.

2 Sheila commenced renting property from Talula on 1 October 2024. There remains two months of rental payments in arrears.

3 Property tax of $3045 is for the period 1 October 2024 to 31 December 2025.

REQUIRED

(a) Prepare Talula's income statement for the year ended 30 September 2025.

Talula
Income Statement for the year ended 30 September 2025

	$	$
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....

[5]

Talula has been notified by her electricity supplier that costs of electricity will increase by 15% with effect from January 2026.

REQUIRED

(b) Suggest **two** courses of action that Talula might take to ensure that her profit for the year is **not** affected. For **each** course of action, state what impact the course of action might have on Talula's business. An example has been provided in the table.

Suggested course of action	Impact on the business
Increase service prices	*Reduced number of customers*

[4]

Talula currently operates on a cash only basis. The hairdressers are required to calculate a customer's bill and to take payment. Talula banks the cash taken twice a week. Over the last year, Talula has received many requests from customers who would prefer to pay using a debit or credit card.

To allow debit and credit card payments, Talula would need to incur the following costs:

Digital cash register	$550
Card payment machine (hired)	$20 per month
Transaction charge	1.5% of the value of each transaction

REQUIRED

(c) Advise Talula whether or not she should accept card payments. Justify your answer by providing **two** arguments for and **two** arguments against Talula accepting debit and credit card payments.

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.... [5]

Sheila, who rents part of Talula's premises, has asked Talula if she would be interested in forming a partnership.

REQUIRED

(d) State **three** advantages for Talula of forming a partnership with Sheila.

1 ....

....

2 ....

....

3 ....

....

[3]

(e) Identify **three** clauses (other than how profit or loss will be shared) that the partnership agreement should cover if Talula agrees to the partnership with Sheila.

1 ....

....

2 ....

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3 ....

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[3]

[Total: 20]