

Where does a business get its money, and will it have enough cash to pay its bills?

Syllabus sections 5.1 Business finance: needs and sources · 5.2 Cash-flow forecasting and working capital

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Running case: McDonald's · 55 minutes

How this topic is examined

Paper 1 • Short answer and data response

Define [2] • Identify [2] • Calculate [2]

Outline [4] • Explain [6]

Explain two... Recommend which... [6]

Do you think... Justify your answer [6]

Paper 2 • Case study

Explain two reasons why the cash-flow forecast is important to... [8]

Consider three sources of finance. Which should the business choose? Justify your answer [12]

Typical questions on this topic

Define 'working capital' or 'micro-finance'. [2]

Calculate the values of X and Y in the cash-flow forecast. [2]

Outline two reasons why obtaining finance might be difficult for [business]. [4]

Explain two ways [business] could improve its cash flow. Which should it use? [6]

Do you think a bank loan is the best source of finance for [business]? Justify your answer. [6]

Consider three sources of finance. Which should [business] choose? [12]

By the end of this lecture you can...

- 1 Explain why businesses need finance, short term and long term.
- 2 Describe internal and external sources of finance.
- 3 Choose a suitable source, and explain why finance can be hard to get.
- 4 Explain why cash matters, and how cash differs from profit.
- 5 Complete, amend and interpret a cash-flow forecast.
- 6 Explain ways to improve cash flow, and the importance of working capital.

END OF PREVIEW

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