**Topic 3.4 Forecasting Cash Flows: Activity**

**Read the following key terms and then answer the questions below:**

|  |  |
| --- | --- |
| **Key Terms:** | **Description:** |
| **Cash** | Notes. Coins and money in the bank. |
| **Cash Flow** | The flow of cash into and out of a business. |
| **Inflow** | The cash flowing into a business, its receipts. |
| **Outflow** | The cash flowing out of a business, its payments. |
| **Net Cash Flow** | The receipts of a business minus its payments. |

1. **Calculate the net cash flow of the following business:**

|  |  |
| --- | --- |
|  | **Jan (£)** |
| **Receipts/ Inflows** |  |
| Sales | **500** |
| Personal Savings | **1,000** |
| Loan | **2,000** |
| **Total Receipts:** |  |
|  |  |
| **Payments/ Outflows** |  |
| Equipment | **500** |
| Wages | **200** |
| Bills | **400** |
| Interest | **50** |
| Materials | **100** |
| Advertising | **200** |
| **Total Payments:** |  |
| **Net Cash Flow (inflows less outflows)** |  |

1. **Calculate the net cash flow of the following business:**

|  |  |
| --- | --- |
|  | **Feb (£)** |
| **Receipts/ Inflows** |  |
| Sales | **1,000** |
| Personal Savings | **800** |
| Loan | **2,200** |
| **Total Receipts:** |  |
|  |  |
| **Payments/ Outflows** |  |
| Equipment | **1,000** |
| Wages | **500** |
| Bills | **300** |
| Interest | **200** |
| Materials | **500** |
| Advertising | **500** |
| **Total Payments:** |  |
| **Net Cash Flow:** |  |

1. **Calculate the net cash flow of the following business:**

|  |  |
| --- | --- |
|  | **Feb (£)** |
| **Receipts/ Inflows** |  |
| Sales | **1,500** |
| Personal Savings | **500** |
| Loan |  |
| **Total Receipts:** | **4000** |
|  |  |
| **Payments/ Outflows** |  |
| Equipment | **500** |
| Wages |  |
| Bills | **500** |
| Interest | **100** |
| Materials | **700** |
| Advertising | **2,000** |
| **Total Payments:** | **4800** |
| **Net Cash Flow:** |  |

1. **Give THREE reasons why it is important to have cash in business.**

|  |  |
| --- | --- |
| **Reason:** | **Explanation:** |
|  |  |
|  |  |
|  |  |

**5. What different things can affect cash flow?**

|  |  |
| --- | --- |
| Reason | Explanation |
| Sales can change |  |
|  |  |
|  |  |
|  |  |