

1.3.3 Edexcel Business

Edexcel GCSE Business

1.3.3 Cash and cash-flow

Multiple Choice Question Test Bank

MCQ Test 5

This MCQ test contains 13 questions covering the specification content for 1.3.3: Cash and cash-flow

Instructions:

- **There are 13 questions in this test.**
- **Your teacher will determine how long you have to complete this test and under what conditions.**
- Only **one** answer per question is allowed for **questions 1-11 inclusive.**
- **Two** answers should be selected for questions **12 and 13.**
- For each answer, completely fill in the circle alongside the appropriate answer(s).
- If you want to change your answer, you must cross out your original answer.
- If you wish to return to an answer previously crossed out, ring the answer you now wish to select.

0 1 For a future time period, a cash-flow forecast predicts :

- A The profit or loss a business will make
- B The break even level of output
- C The money flowing into and out of the business
- D The margin of safety

[1 mark]

0 2 Which **one** of the following statements is true in relation to cash-flow and/or profit?

- A Cash-flow and profit have the same meaning in business
- B Businesses should always be more concerned about profit than cash
- C The profit figure is always shown in the cash-flow forecast
- D A positive cash flow is important to ensure business survival

[1 mark]

0 3 A negative figure on the closing balance of a cash-flow forecast is called a:

- A Surplus
- B Profit
- C Deficit
- D Loss

[1 mark]

0 4 The correct formula to calculate net cash flow in a cash-flow forecast is:

- A Total cash inflows – total cash outflows in a given period
- B Total cash outflows – total cash inflows in a given period
- C Opening balance - closing balance
- D Opening balance + closing balance

[1 mark]

0 5 An extract from a business' cash-flow forecast for March is shown in the table below:

	March (£)
Receipts (cash)	52,654
Total payments	61,987
Net cash flow	
Opening balance	5,000
Closing balance	

Based on this information, the opening balance for April will be:

- A (£4,333)
- B (£14,333)
- C £109,641
- D £119,641

[1 mark]

0 6 Which **one** of the following is a reason why a business should construct a cash-flow forecast?

- A It informs owners if the business is making a profit/loss
- B It helps managers to prepare for any future cash shortfall
- C It enables managers to calculate the break even point
- D It enables the owners to assess past financial performance

[1 mark]

- 0 7** A business has provided the following information for the months of September and October.

	September (£)	October (£)
Opening cash balance	7,000	10,200
Receipts (cash)	5,500	7,800
Sales (due in 60 days)	3,800	3,900
Total payments	2,300	2,500

Using the information provided in the table, which **one** of the following represents the value of total payments as a percentage of cash receipts in September?

- A 24.73%
 B 32.05%
 C 41.82%
 D 60.53%

[1 mark]

- 0 8** An extract from a business' cash-flow forecast for June and July is shown in the table below:

	June (£)	July (£)
Total receipts (cash)	125,000	110,000
Total payments	39,000	34,000
Net cash flow		
Opening balance	12,000	
Closing balance		

Based on this information, the closing balance for July will be:

- A £98,000
 B £150,000
 C £174,000
 D £320,000

[1 mark]

0 9 A business is experiencing cash flow problems. It currently has the following trade credit terms in operation with its suppliers and customers:

	Credit period
Suppliers	30 days
Customers	60 days

Based on this information, which of the following would be a suitable way for the business to improve its cash flow position?

- A Increase customer credit period and reduce supplier credit period
- B Reduce customer credit period and increase supplier credit period
- C Increase credit period with both customers and suppliers
- D Reduce credit period with both customers and suppliers

[1 mark]

1 0 Below is an extract from a business’s cash-flow forecast.

	January (£'000s)
Total receipts (cash)	
Total payments	100
Net cash flow	
Opening balance	90
Closing balance	120

Based on this information, the total receipts for January will be:

- A £70,000
- B £100,000
- C £130,000
- D £210,000

[1 mark]

1 1 The table below shows financial information for four different business.

	Business A (£'000s)	Business B (£'000s)	Business C (£'000s)	Business D (£'000s)
Total receipts (cash)	70	60	80	75
Total payments	50	80	65	90
Opening balance	(20)	20	(10)	18

Based on this information, which **one** of the following businesses has the most favourable closing balance?

- A Business A
- B Business B
- C Business C
- D Business D

[1 mark]

1 2 Which **two** of the following are benefits to a business of having a positive cash flow?
Select **two** answers:

- A The business will be guaranteed to make a profit
- B The business will no longer need to produce a cash-flow forecast
- C All employees in the business will be highly productive
- D It will help to prevent insolvency
- E It will help to secure business survival

[2 marks]

1 3 Which **two** of the following are ways a business could improve its cash flow position?
Select **two** answers:

- A Increase overheads
- B Negotiate discounted prices with suppliers
- C Reduce receipts
- D Increase payments
- E Reduce stock levels in the business

[2 marks]

ANSWERS TO THIS MCQ TEST

Q	CORRECT
1	C
2	D
3	C
4	A
5	A
6	B
7	C
8	C
9	B
10	C
11	C
12	D, E
13	B, E