

Name: _____ **Date:** _____

Chapter 20: Base knowledge worksheet

Full sentence answers are **not** required: SL/HL 36 marks, 36 minutes

- 1 Give an equation for working capital. (1)
- 2 Define working capital in terms of business operation. (2)
- 3 Draw a diagram of the working capital cycle. (4)
- 4 Define 'liquidity'. (2)
- 5 What is the difference between profit and cash flow? (2)

6 List **five** possible cash inflow categories. **(5)**

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7 List **five** possible cash outflow categories. **(5)**

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8 What does 'insolvent' mean? **(2)**

9 Give **two** reasons why cash-flow forecasting may be inaccurate. **(2)**

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10 State **three** reasons why cash-flow planning is important. **(3)**

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- 11** There are only two ways to improve cash flow: raise inflows and/or reduce outflows. Give **two** examples of each. **(4)**

Raise inflows by:

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Reduce outflows by:

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- 12** State **four** reasons why new businesses often have cash-flow problems. **(4)**

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