



C
Pass

Understand how a

Business can be more successful

B
Merit

Name.....

A/A*
Distinction



Identify ways in which a business
Can increase profit

Analyse financial statements for a
small business

Evaluate the actions a business can
take to succeed

So far in unit 2 we have looked at lots of different formulas and financial documents. It is important that a business can use the financial documents such as Cash Flow Forecast, income statements and balance sheets to help them become more successful.

Businesses need to make sure they increase PROFIT. They can do this by increasing SALES or decreasing COSTS

Increasing Sales

Three ways in which a business can increase sales	Advantage	Disadvantage
1.		
2.		
3.		

Decreasing Costs

Three ways in which a business can decrease costs	Advantage	Disadvantage
1.		
2.		
3.		

Using a Cash Flow to plan

2013	January (£)	February (£)	March (£)
Total Receipts	12 000	12 500	11 500
Total Payments	9850	19 400	10 600
Net Inflow/Outflow	2150	(6900)	900
Opening Balance	1250	3400	(3500)
Closing Balance	3400	(3500)	(2600)

What does this tell us?

What do you notice about the inflows?
What happens in February? What does this lead to?

Remember!
Like the weather forecast a cash flow forecast is only a prediction

(a) Using the information in the cash flow forecast, recommend **one** action the business can take to manage its finances for these three months. (1)
Type your answer in the box.

(b) Explain how the action will benefit the business. (2)
Type your answer in the box.

Go the extra mile.....
What could be the disadvantages of your suggestions?

Give three Ways Tarique could improve his net Profit

- 1.
- 2.
- 3.

Below is an income statement.

- 1) What has increased for the business?
- 2) What has decreased for the business?
- 3) Why has this decreased?

Profit and Loss Account Tariques Toys Ltd

	2013	2012
Sales	£99,126	£74,412
Cost of sales		
Opening Stock	£29,726	£14,665
Purchases	£43,752	£41,021
	<u>£73,478</u>	<u>£55,686</u>
Minus Closing Stock	£27,797	£29,726
Cost of Sales	£45, 681	£25,960
Gross Profit	£53,445	£48,452
Minus Expenses		
Wages	£31,000	£25,000
Rent	£17,520	£7, 951
Total Expenses	£48,520	£32,951
Net Profit	£4925	£15,501

Using a Balance Sheet to plan for success

What is a debtor and what does this show us about the business?

What do these two figures tell us about the business?

From looking at the balance sheet do you think the business is in a good financial position? Explain your answer.....

	£		£	
IMGE Phones				
Fixed Assets				
Delivery Van			£5000	
Current Assets				
Stock	£800			
Debtors	£4200			
Cash	£300			
Total Current Assets	£5300			
Current Liabilities				
Creditors	£900			
Working Capital				
(Net current assets)			£4400	
Net Assets			£9400	
Financed by				
Share Capital			£6100	
Retained Profit			£1500	
Long Term Liabilities				
Bank Loan			£1800	
Capital Employed			£9400	

What is this and why might it be a problem for the business?

What is a creditor and what does this show us about the business?

How could the business improve the financial position it is in?