Y10 | BUSINESS | CASH FLOW FORCASTING

Key Terms

Cash – the money a business holds in notes and coins and in its bank accounts

Cashflow – the movement of money in and out of a bank account

Insolvency – when a business lacks the cash to pay its debts

Overdraft – the amount of an agreed overdraft facility that a business uses; when a business has a negative bank balance

Overdraft facility – the maximum amount that a business is allowed to into negative balance on its bank account

Cash inflows – money entering the bank account, e.g. from sales

Cash outflows – money leaving the bank account, e.g. bills for supplies

Net cash flow – inflows minus outflows

Opening balance – the amount of money at the start of the month

Closing balance – the amount of money at the end of the month; Opening balance ADD net cash flow

Core Knowledge

A business will **predict** the amount of money that will enter and leave the business each month.

This allows the business to identify any periods of shortfall, to plan how to deal with this.

Businesses need cash to pay suppliers, employees and all the overheads.

Difficulty can arise if businesses allow customers to pay on **credit**.

Cash needs to be managed by arranging an overdraft, keeping costs down, keeping inflows up

Improve cash flow by cutting stock levels, increase credit from suppliers, reduce credit to customers

Equations

Net cash flow =
inflows - outflows

Closing Balance
= Opening + Net

Opening Balance
= last month's

Wider Business Links

Retailers – they often have seasonal or unsteady cash flow as they need to buy stock before they can sell it

Hotels / restaurants - may have seasonal business, so it will be important to build up a balance to support them through periods of low sales

Links

Costs & Revenue – know which items are revenue (inflows) and which are costs (outflows)

Sources of finance – if outflows are greater than inflows, short

Y10 | BUSINESS | THE MARKETING MIX

Core Knowledge

1. **Product** – this must meet the customer needs and be developed based on market research. A business will need to consider its range, brand and USP. The design, aesthetics and function must all work together

2. **Price** – what will be charged. This must be appropriate for the target market, and quality of the product. Usually, high quality products have higher prices.

3. **Promotion** – the combination of activities that create awareness, boost sales, build a brand and communicate features, including advertising, special offers, publicity and public relations

4. **Place** – the methods that are used to get the product from the manufacturer to the consumer, for example through a specialist shop, the internet or a general retailer

Remember
Place is not the same as location
Promotion is not just advertising
Lower priced products do not always sell more; quality is also important

The 4 P'S

The marketing mix also referred to as the 4Ps. All factors must work together to enable a product to be successful.

1. Price
2. Product
3. Place
4. Promotion

Changing Needs

Changing customer needs will impact on a marketing mix. For example, an increase in customers wanting plant-based food, will mean that food manufacturers will need to develop new products.

Changes in technology, have impacted on all aspects of the marketing mix: a business can use social media to conduct research to develop products; customers can compare prices more easily; promotion can be digital.

Product – the actual specific item produced by the business
Price – what the customer will pay for the product
Promotion – the mix of methods that are used to persuade customers to buy
Place – how and where the product gets to the consumer from the supplier
Customer – person or business that buys the product
Consumer – the end user of the product
Retailer – a business that buys from the manufacturer and sells then onto the customer
Wholesaler – a business that buys in bulk from manufactures and sells in smaller quantities to retailers
e-tailer – an online retailer
USP – unique selling point; something that is unique to that product and makes it stand out against the competition
Target market – the specific group of customers a business is targeting in terms of gender, income, lifestyle, age

Technological influences – the introduction of the internet has affected the place

Customer needs – the product needs to meet these

Market research – will need to be effective for the business to decide on each P

External influences – may affect customer income, affecting the price a business can charge