5 Cash flow and profit – Part 2 — Answers

Answers

Work through these after trying the questions yourself.

5.6 The money flowing into and out of a business.
5.7 Money from sales (or from a loan, or the owner's investment).
5.8 Paying rent, wages, suppliers or bills (any one).
5.9 Profit = total revenue − total costs.
5.10 The business makes a loss.

5.11 It may have made sales **on credit** (the cash has not arrived yet) while still having to pay wages, rent and suppliers **now**. So more cash flows *out* than *in* for a while — a cash-flow problem — even though the business is profitable overall.