

IB Business Management

Trimester Assessment Worksheet – 1.3 Business Objectives

Worksheet 4: Managing Cash Flow and Survival

Name: _____ Class: _____ Date: _____

Instructions: Answer all questions. Total marks: 50.

Section A: Multiple Choice (10)

1. Cash flow refers to:
 - A. Profit only
 - B. Cash inflows and outflows
 - C. Market share
 - D. Brand image
2. A long cash cycle means:
 - A. Customers pay instantly
 - B. Delay between paying costs and receiving revenue
 - C. No inventory
 - D. No fixed costs
3. A major risk of poor cash flow is:
 - A. Too much liquidity
 - B. Insolvency/liquidity crisis
 - C. Higher productivity
 - D. Higher morale
4. An early payment discount aims to:
 - A. Increase prices
 - B. Improve short-term cash inflow
 - C. Reduce customers
 - D. Increase debts
5. Short-term borrowing may include:
 - A. IPO
 - B. Overdrafts or short loans
 - C. Dividends
 - D. Patents
6. A cash forecast helps to:
 - A. Ignore spending
 - B. Plan liquidity needs
 - C. Stop competition
 - D. Replace strategy
7. High upfront costs with delayed payment are common in:
 - A. Event planning/manufacturing
 - B. Hairdressing
 - C. Retail checkout
 - D. Consultancy only
8. Offering discounts may:
 - A. Reduce revenue per sale

- B. Always increase profit
- C. Remove costs
- D. Eliminate risk

9. The survival objective is closely linked to:

- A. Cash flow control
- B. Vision only
- C. Advertising slogans
- D. Shareholder votes

10. Liquidity means:

- A. Ability to pay short-term bills
- B. Total assets
- C. Brand loyalty
- D. Market power

Section C: Data Response – Event planning company (15)

An event planning firm pays venues and suppliers months before events. Customers often pay after the event. The firm faces a cash shortfall and is considering offering a 10% early payment discount or using an overdraft.

1. Analyse one advantage and one disadvantage of offering early payment discounts. (6)

2. Analyse one advantage and one disadvantage of using an overdraft. (6)

3. Evaluate which option is better for survival in the next 3 months. (3)

Section D: Extended Response (10)

Answer ONE question.

1. Discuss how cash flow management supports long-term business objectives. (10)
2. Discuss the extent to which growth objectives increase cash flow risk. (10)

Answer Key + Marking Guidance

Section A answers

Q	Ans
1	B
2	B
3	B
4	B
5	B
6	B
7	A
8	A
9	A
10	A

Sections B–D indicative content

- Cash cycle = time between paying for inputs and receiving payment; long cycles pressure liquidity.
- Improve cash flow: early payment discounts, tighter credit control, negotiate supplier terms, short-term finance, forecasting.
- Profitable firms can fail if they run out of cash to pay bills (liquidity).
- Discounts: +faster cash; -lower margin and may set expectations.
- Overdraft: +fast access to cash; -interest costs and repayment risk.
- Evaluation: choose based on urgency, cost, customer behaviour, repayment ability; justify.

Rubric (10-mark responses)

Level	Descriptor
1–3	Descriptive; limited terms; weak example; weak judgement.
4–6	Clear explanation; some analysis; relevant example(s); some balance.
7–8	Strong analysis; good application; both sides; justified conclusion.
9–10	Sophisticated evaluation; key terms integrated; criteria-based judgement.