Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**2.3.3 Business failure**

1. Identify whether each of the following statements are true or false. Justify your answer.

|  |  |
| --- | --- |
| Statement | True/False |
| A profitable business can fail because of cash flow problems. |  |
| Justification: |
| A business with an acid test ratio of less than 1 will automatically fail. |  |
| Justification: |
| A business may fail because of external factors outside of its control. |  |
| Justification: |
| Competitors’ actions are an internal cause of business failure. |  |
| Justification: |
| Lack of entrepreneurial experience is a non-financial factor contributing towards business failure. |  |
| Justification: |
| Failure to comply with legislation is a non-financial, internal factor that can cause business failure. |  |
| Justification: |
| A business that makes a loss will fail. |  |
| Justification: |
| Cash is more important than profit to business survival. |  |
| Justification: |
| All of a shareholders’ personal assets are at risk if they have invested in a business that fails. |  |
| Justification: |
| Lack of market research is an internal factor contributing to business failure. |  |
| Justification: |

2. Complete the table below with two examples for each reason for failure.

|  |  |  |
| --- | --- | --- |
|  | Financial | Non-financial |
| Internal |  |  |
| External |  |  |