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

**14. Summary assessment 3 Mark: /20**

|  |
| --- |
| Cash flow table for Fabric Deluxe Ltd |
|  | Month 1 £000s | Month 2 £000s | Month 3 £000s |
| Cash sales | 440 | 300 | h |
| Credit sales | a | 150 | 50 |
| Total cash inflow | 440 | d | 370 |
| Raw materials | 300 | 0 | 0 |
| Wages & salaries | 85 | e | 85 |
| Marketing | 10 | 20 | 20 |
| Utilities | 40 | 0 | 0 |
| Other expenses | 25 | 25 | 25 |
| Total cash outflow | 460 |  |  |
| Net cash flow | b | 205 | 240 |
| Opening balance | c | f | 25 |
| Closing balance | (180) | g | i |

1. Complete the cash flow table by calculating the figures for
	1. /8 marks
2. Fabric Deluxe Ltd currently buys 3 months of raw materials at a time, imported from India. It currently has to pay on delivery of the raw materials. What would happen to the closing balance for months 1, 2 and 3 if it could delay payment until month 2? /6 marks
3. Credit sales are payments received from customers 1 month after the purchase. Assuming it cannot agree delayed payment to its suppliers, what would happen to the closing balance for month 1 and 2 if all sales were made in cash? /6 marks

Why might delaying payments to suppliers help cash flow but hinder profit?