

**BS CUP(4)**

1. What is the difference between capital income and revenue income? Give examples to support your answer. (4)

Capital income is *money invested by the owners and other investors e.g. Loans, Mortgages, Shareholders, Debentures.*

*Revenue income is money generated on a day to day basis from trading activities e.g. Sales revenue, rent received and commission received.*

1. Identify a disadvantage of venture capital (1)

*Loss of ownership and control/ disagreements can occur re day to day decisions.*

1. Identify an advantage of a mortgage as a source of capital (1)

*Large amounts of capital can be paid back over a long period of time*

1. What is the formulae for calculating-

* Net Current assets/ working capital

*Current assets – Current liabilities*

* Net Assets

*Non-current assets – Net Current assets – Non-Current Liabilities*

* Trade receivable days

*(Trade receivables/ credit sales) x 365*

* Return on Capital Employed

*Net profit (before tax and interest) / Capital employed*

* Trade payable days (5)

*(Trade payables/ credit purchases) x 365*

1. In a cash flow forecast how do you calculate net cash flow? (1)

*Cash inflows – Cash outflows*

1. How do you calculate the Closing balance? (1)

*Opening balance + Net cash flow*

1. State 3 specific ways a business can improve its cash flow? (1)

* Change price (up/ down)
* Reduce expenditure
* Source of finance e.g. loan

1. What is the break-even formula? (1)

*FC/ SP – VC (per unit)*

1. How do you calculate total contribution? (1)

*Selling price – VC per unit*

1. What is the margin of safety? (1)

*Actual output – B.E output*

1. What is the meaning of capital employed? (1)

*The total amount of capital used for the acquisition of profits. It is calculated as ((fixed assets + current assets) - current liabilities).*

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| **Definition** | **Key term** |
| Attracting investment from a large number of speculative investors many of whom may invest relatively small amounts | *Crowd funding* |
| The difference between the selling price and the variable cost per unit | *Contribution per unit* |
| Opening inventory + purchases – closing stock | *Cost of goods sold* |
| When an expense is paid in advance of the period to which it relates | *Pre-payment* |
| An accounting concept used to spread the cost of an asset over its useful life | *Depreciation* |

(5)

**EBI:- Mark \_\_\_\_\_\_ / 25**

**Definitions:**

**Knowledge:**