

2 Jonathon is a sole trader. He owns a shop selling office equipment including printers. To encourage sales Jonathon allows customers 4 weeks to pay for the office equipment. Jonathon thinks his business is likely to remain small. He knows managing cash flow is important for his business and he has prepared a cash flow forecast. An extract is shown in Table 2.1.

Table 2.1

Extract from Jonathon's cash flow forecast July - September 2025 (\$000)			
	July	August	September
Cash inflow	60	80	Y
Cash outflow	90	95	70
Net cash flow	(30)	X	20
Opening balance	20	(10)	(25)
Closing balance	(10)	(25)	(5)

(a) Identify **two** ways to measure the size of a business.

Way 1:

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Way 2:

[2]

(b) Calculate **X** and **Y**.

X:

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Y:

[2]

(c) Outline **two** reasons (other than finance) why Jonathon's business is likely to remain small.

Reason 1:

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Reason 2:

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[4]

(d) Explain **two** reasons why Jonathon's business might have a cash flow problem.

Reason 1:

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Explanation:.....

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Reason 2:

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Explanation:

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[6]

(e) Do you think the advantages of operating as a sole trader business are greater than the disadvantages? Justify your answer.

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[6]