Income = Coming into the business.

Expenditure = Going out of a business.

Is a negative cash flow balance a problem?

A negative cash-flow balance may:-

- Only be temporary so may not cause a problem for the business.
- Requires the business to obtain additional finance in the form of an overdraft.
- Means that the business has to delay payment of money owed until finance is available.
- Results in the business being unable to buy equipment until its cash position improves.

Why forecast cash flow?

To identify when the business is likely to have a shortage or surplus of cash and what it might do about the situation.

To help the business plan for the future.

To provide targets to be achieved by employees of the business. If employees don't reach their targets then the business might run into cash –flow problems.

Problems with Cash Flow:

1. The prices of goods sold and for the cost of materials may be different to the forecast.
2. The possibility exists that a new competitor may enter the market and take sales away from the business.
3. The tastes of customers may change meaning that fewer goods are sold.
4. New technology may allow new and better products to be developed.
5. The figures in the cash-flow forecast are only estimates.
6. Estimates are likely to be more accurate when based on previous experience.
7. The forecast will need updating at regular intervals.

Forecasting cash inflows and outflows:

- Cash tends to flow out of a business before cash flows back from sales.

Ethics/Ethical Business:

Ethics is about what is morally right and wrong. Ethics is concerned with many areas of business activity.

Some businesses have a strict ethical trading policy whereas some don't.

Examples:

Lush – no animal testing.

Primark – treat workers unfairly.

Ethical Issues:

- Bribing others to buy from you or sell to you.
- Business executives giving themselves large bonuses even if business isn't doing well.
- Discriminating against workers because of their gender, age or race.
- Preventing workers from being members of a trade union.
- Spying on workers.
- Having poor health and safety at work practices.

Ethical decisions:

- Employers – Have a right to make fair profit. They have a responsibility to look after their employees and to care for the environment.
- Workers – Have the right not to be exploited. They have a responsibility to do a good job.
- Customers – Have the right not to be exploited. They may decide not to buy from unethical producers.
- Government – Has the responsibility to protect and provide for its citizens.

Spying on workers:

Advantages:

- Improves job performance.
- Increases customer satisfaction.
- Provides feedback.

- TNC'S = Trans National Corporations (Many branches throughout the world).

<u>Pros:</u>

- Keep competition going so it causes inflation to be kept low.
- Creates jobs.

<u>Cons:</u>

- Widen the poor and rich gap in certain countries.
- Exploit the need of jobs in third world countries.

<u>Examples of TNC's:</u>

- McDonalds - Pizza Hut
- - Blackberry - Apple

  Globalisation affects everyone.

- LEDC – Less economically developed country.
- MEDC – More economically developed country.

<u>Other advantages:</u>

- The wages from the TNC's help the economy of LEDC's.
- TNC's give people a variety of goods to choose from.

<u>Other disadvantages:</u>

- TNC'S often do not care about their workers and pay them low wages.
- Work is not always permanent.

Developing Countries – BRIC countries have a lot of cheap labour. They now make a lot of manufactured goods that used to be produced in developed countries such as clothes, toys, furniture etc. They are also improving their education systems which will help them to grow even more. China predicted to be manufacturing giant in 20 years.

Developed Countries – From Europe, North America and Japan also have manufacturing businesses which compete with UK firms and are competing with the developing countries.

<u>Service Businesses:</u>

The service businesses are not competing with firms overseas – i.e. hairdressers, restaurants, leisure centres (local businesses)

But other types of service businesses are facing competition from abroad:-

Growth of internet shopping – retailers have to compete with overseas sellers.

Competition in financial services such as banking, insurance, pensions and savings.

The newly developing countries are starting to compete by e.g. providing call centres for banks and insurance companies and services such as IT and accountancy – India is forecast to be the service business centre in 20 years.

<u>How UK firms can succeed – compete to supply the goods and services.</u>

To compete, UK firms need to sell in the UK and in exports and markets across the world. They have to use the following strategies:-

1. Produce the right goods and services – do market research and create new goods and services that meet the needs of customers. They are looking for innovation from research and development.
2. Producing at the right price – need to keep costs low. Improved productivity – increasing the output of each worker leads to lower costs. Productivity can be improved by investing in new technology and improving the skills of their workers.
3. Good marketing – create a strong brand image for their products.
4. Deliver the goods and services at the right time – plan production carefully and efficiently so goods are delivered on time.
5. Outsourcing or moving production abroad when necessary – some UK businesses may survive by having some parts of their work done abroad to reduce their costs.
6. High value – added – take materials and components and make them worth much more. Can they compete with China who make goods like plastic toys so cheaply. These are "low value added" goods. The high-value added businesses which require a lot of technical expertise i.e. engines for planes, cars, drugs, telecommunications and chemicals.