NOTES

WABOLL (What a Bad One Looks Like)…..

Businesses, Like Hugh’s may achieve an improved cash flow by cutting down on expenditure such as fuel and wages. He could also cut down on his electricity bill as this would save him money to put back into the business. He could try and maximise his profits. He could also expand as this would decrease his money at first but if it was going well then he make more profit. He could also do a little more on advertisement which would bring more customers in to the shop and hopefully increase his profits

One way to improve his cash flow is to find a new supplier of fuel. This way Hugh can reduce his payments when he finds a supplier who sells fuel at a lower price. However, it is possible that a cheaper fuel would be of lower quality. That would mean Hugh would need to use more fuel, which means his payments could increase instead.

Another option is for Hugh to put more capital towards advertising. Advertising through media such as television or radio could bring in more customers. If this happens then his turnover would also increase. The problem with this is that his payments would also increase, therefore increase in net cash flow may not be as high as expected.

A third option for Hugh is to decrease the wages paid to his employees. This would mean his payments decrease which would increase net cash flow. Unfortunately this could reduce employee motivation. If his employees are demotivated then they are less likely to work effectively or put effort into their work. This could result in poorer service to customers, which would decrease turnover as customers would stop going on boat trips. It could also build a bad reputation for the business. Overall this is not a good solution.

Something different Hugh could try is to increase the price of his boat trips. This would increase his turnover per customer. However it could also result in a lower demand because customers are not willing to pay the higher prices. Therefore it is unlikely that this would increase total turnover very much.

Therefore, I believe that the best option for Hugh is to spend more on advertising. Although this will be costly at first, in the long run it will result in higher turnover as there will be more customers

***QUESTION***

*Hugh Lewis would like to improve the expected cash flow position. Evaluate ways in which businesses, such as Hugh’s, may achieve an improved cash flow*

*(June 2014- 9e)*

WAGOLL (What a Good One Looks Like)……

**AO3 Analysis & Evaluation**

Analysis - Explain the impact on a business and its stakeholders (so what? why?)

Evaluation – Make a judgement

**AO2 Application**

Using your knowledge of a topic and applying it to a certain scenario

**AO1 Knowledge & Understanding**

What you know about a given business concept or issue

Answering8 / 10 Mark Questions