

Fact Finder - Cash Flow (Solution)

Below are 12 statements about cash flow. Your task is to find the facts by identifying which statements are true and which are false!

If you think a statement is true, write the word "FACT" in the last column. If you think the statement is false, write the word "FICTION".



| STATEMENT | FACT OR FICTION? |
|--|------------------|
| 1) Cash flow is really important in a business, as it tells you how much profit is being made | FICTION |
| 2) Net cash flow is the difference between cash inflows and cash outflows | FACT |
| 3) A cash flow forecast is a prediction of the money expected to come in and go out of a business | FACT |
| 4) Producing a cash flow forecast will prevent a business becoming insolvent | FICTION |
| 5) The closing balance of one month is the opening balance of the following month | FACT |
| 6) Cash inflows will include money from selling products | FACT |
| 7) A cash flow forecast can help avoid problems, as it can show when a business might be short of cash | FACT |
| 8) An error in one month of a cash flow forecast will not affect any other months | FICTION |
| 9) A spreadsheet is always used to produce a cash flow forecast | FICTION |
| 10) A cash flow forecast is a planning tool | FACT |
| 11) The opening balance of one month becomes the closing balance of the next month | FICTION |
| 12) Cash outflows refers to cash coming into a business from outside | FICTION |

An interactive version of this activity is available at https://www.businessed.co.uk/activities/fact_finder/cash_flow/index.html