Chapter 14: Unit 3.1 Introduction to Finance

Short Response Questions

1. What is the primary role of finance in a business?
2. Define "working capital."
3. What is the significance of financial management?
4. How does finance relate to business strategy?
5. What is the difference between capital expenditure and revenue expenditure?

Long Response Questions

1. Discuss the importance of financial planning in business.
2. Explain the concept of working capital management and its impact on business operations.
3. Analyze the role of financial managers in business decision-making.
4. Evaluate the relationship between finance and business growth.
5. How does effective financial management contribute to achieving business objectives?

Chapter 15: Unit 3.2 Sources of Finance

Short Response Questions

1. What are internal sources of finance?
2. Define "equity finance."
3. What is debt finance?
4. How does leasing serve as a source of finance?
5. What is the difference between short-term and long-term finance?

Long Response Questions

1. Discuss the advantages and disadvantages of equity finance for businesses.
2. Explain the role of debt finance in business growth and expansion.
3. Analyze the factors businesses should consider when choosing between internal and external sources of finance.
4. Evaluate the importance of matching the type of finance to specific business needs.
5. How can businesses balance the use of debt and equity finance to optimize their capital structure?

Chapter 16: Unit 3.3 Costs and Revenues

Short Response Questions

1. What is the difference between fixed costs and variable costs?
2. Define "contribution per unit."
3. What is the break-even point?
4. How does the concept of economies of scale affect costs?
5. What is the significance of revenue management in a business?

Long Response Questions

1. Discuss the impact of fixed and variable costs on business profitability.
2. Explain the importance of break-even analysis for decision-making.
3. Analyze the relationship between costs, revenue, and profitability.
4. Evaluate the role of economies of scale in achieving cost efficiency.
5. How can businesses use contribution analysis to make pricing and production decisions?

Chapter 17: Unit 3.4 Final Accounts

Short Response Questions

1. What are final accounts?
2. Define "income statement."
3. What is the purpose of a balance sheet?
4. How does the cash flow statement differ from the income statement?
5. What is the significance of final accounts for stakeholders?

Long Response Questions

1. Discuss the importance of preparing accurate final accounts for a business.
2. Explain the relationship between the income statement and the balance sheet.
3. Analyze the role of the cash flow statement in financial management.
4. Evaluate the impact of final accounts on business decision-making.
5. How do final accounts contribute to transparency and accountability in business?

Chapter 18: Unit 3.5 Profitability and Liquidity Ratio Analysis

Short Response Questions

1. What is profitability ratio analysis?
2. Define "liquidity ratio."
3. What does the gross profit margin indicate?
4. How is the current ratio calculated?
5. What is the significance of the return on equity (ROE) ratio?

Long Response Questions

1. Discuss the importance of profitability ratio analysis for investors.
2. Explain how liquidity ratio analysis can be used to assess a company's financial stability.
3. Analyze the relationship between profitability and liquidity.
4. Evaluate the impact of profitability and liquidity ratios on business decision-making.
5. How can businesses improve their profitability and liquidity ratios?

Chapter 19: Unit 3.6 Debt/Equity Ratio Analysis

Short Response Questions

1. What is the debt/equity ratio?
2. How is the debt/equity ratio calculated?
3. Why is the debt/equity ratio important for investors?
4. What does a high debt/equity ratio indicate?
5. How can companies manage their debt/equity ratio?

Long Response Questions

1. Discuss the implications of a high debt/equity ratio for a company.
2. Explain how the debt/equity ratio impacts a company's cost of capital.
3. Analyze the role of the debt/equity ratio in strategic decision-making.
4. Evaluate the impact of industry norms on the debt/equity ratio.
5. How can the debt/equity ratio influence a company's ability to raise capital?

Chapter 20: Unit 3.7 Cash Flow

Short Response Questions

1. What is cash flow?
2. Why is cash flow important for a business?
3. What is a cash flow forecast?
4. How does positive cash flow differ from profit?
5. What are the three main types of cash flows?

Long Response Questions

1. Discuss the significance of cash flow management for business sustainability.
2. Explain how a cash flow forecast can help businesses avoid financial difficulties.
3. Analyze the relationship between cash flow and business growth.
4. Evaluate the impact of delayed payments on a company's cash flow.
5. How can businesses improve their cash flow position?

Chapter 21: Unit 3.8 Investment Appraisal

Short Response Questions

1. What is investment appraisal?
2. Name three common investment appraisal techniques.
3. What is the payback period?
4. How does net present value (NPV) differ from payback period?
5. Why is the internal rate of return (IRR) important in investment decisions?

Long Response Questions

1. Discuss the advantages and disadvantages of using the payback period as an investment appraisal method.
2. Explain how net present value (NPV) can guide investment decisions.
3. Evaluate the use of internal rate of return (IRR) in assessing investment projects.
4. Analyze the importance of considering qualitative factors in investment appraisal.
5. How can sensitivity analysis enhance the investment appraisal process?

Chapter 22: Unit 3.9 Budgets

Short Response Questions

1. What is a budget?
2. Why are budgets important for businesses?
3. What is the difference between a fixed budget and a flexible budget?
4. What is variance analysis in budgeting?
5. How does zero-based budgeting differ from traditional budgeting?

Long Response Questions

1. Discuss the role of budgets in financial planning and control.
2. Explain the benefits and challenges of implementing zero-based budgeting.
3. Evaluate the importance of flexible budgeting in dynamic business environments.
4. Analyze the impact of variance analysis on business performance.
5. How can businesses use budgets to support strategic decision-making