

Student 6: High Not Achieved
 NZQA Intended for teacher use only

Crusty Crayfish Business

	May	June	July	August	September	October	November	December
Cash Inflows								
Sales (cash)	0	0	51,000	51,000	51,000	51,000	51,000	51,000
Accounts Receivable	0	0	0	20,000	20,000	20,000	20,000	20,000
Loan			100,000					
Total Cash Inflow	0	0	151,000	71,000	71,000	71,000	71,000	71,000

Cash Outflows

Cray Fish Expenses	10,000	10,000	36,400	36,400	36,400	36,400	36,400	36,400
Accounts Payable		2,500	2,500	9,100	9,100	9,100	9,100	9,100
Quota			100,000					
Provisional Tax	8,000			8,000				
Personal drawings	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500
Wages - Employees	6,680	6,680	11,101	11,101	11,101	11,101	11,101	11,101
2 Advertising	500	500	500	500	500	500	500	500
1 Invoice Fee					50,000			
Loan Repayment			3,000	3,000	3,000	3,000	3,000	3,000
Total Cash Outflow	29,680	24,180	158,001	72,601	114,601	64,601	64,601	64,601

Opening Bank Bal	55,000	25,320	1,140	-5,861	-7,462	-51,063	-44,664	-38,265
Net Cash Flow	-29,680	-24,180	-7,001	-1,601	-43,601	6,399	6,399	6,399
Closing Bank Bal	25,320	1,140	-5,861	-7,462	-51,063	-44,664	-38,265	-31,866

The Ministry of Fisheries sent Crusty Crayfish an invoice of \$50,000 at the end of July which will decrease the business bank (closing) balance for September from -4,063 to -54,063.

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This is a huge increase of overdraft.

If Chris doesn't pay this invoice his remote monitoring and installation of cameras for his crayfish boats will not be operating. If it doesn't operate then he could receive a big fine for not following regulations.

To be able to afford the monitoring fee the business could cut back advertising from July to December from \$1,500 to \$500 and could save \$1,000 a month, so save \$6,000.

Chris can spend less money on advertising by doing direct advertising and target the customers he wants to attract to his crayfish business. For example, he could send fliers to restaurants or other businesses that could be interested in buying crayfish.

He could also use social media to advertise but platforms like Facebook and Instagram are probably not that relevant to a commercial crayfish business.

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The problem with reducing advertising is that sales and profit might be affected. However, once the effect of having to pay the \$50,000 fee has passed, he will be able to start advertising at the same level again.