

Business objectives: financial

1. Missing words

An objective is a _____ or goal. An individual or business aims to achieve it at some point in the future. A financial objective is measured by money, usually either by cash flow or by _____. Financial objectives are likely to change over time. When a business is first set up, its main financial objective is likely to be cash _____. Once there is enough cash to pay the bills, the decisions are more likely to focus on increasing profits. Setting clear financial objectives provides targets for everyone within the business. These can be used to _____ how well the business is doing.

Hint: words from – measure, target, flow, profit

2. Financial objectives - multiple choice questions:

Fraser Doherty is a young, award-winning entrepreneur who used his grandmother's secret recipe to set up SuperJam, a highly successful business within the highly competitive UK jam market.

2.1 Which **two** of the following would have been realistic financial objectives for the business when it was first set up?

- a) To obtain a 50% share of the UK jam market within six months.
- b) To generate enough finance to survive the first year of trading.
- c) To launch all of SuperJam's product range in Europe and the USA within the first year of trading.
- d) To generate enough revenue to cover all costs within the first two years of trading.
- e) To work no more than four hours a day during the first year of trading.

2.2 Which **three** of the following are likely financial objectives for SuperJam, now that it is an established business?

- a) To increase profits by 10% each year over the next five years.
- b) To ensure that all the ingredients used are organic and come from Fairtrade suppliers.
- c) To help set up a project to encourage young entrepreneurs.
- d) To achieve a 5% share of the UK jam market within the next three years.
- e) To increase overseas sales by 20% in two years time.
- f) To win more awards for enterprise in the future.

3. Financial objectives – matching definitions

Match each of the definitions on the left to the correct key term on the right:

Definitions	Key terms
1. A target or goal set by a business which it aims to achieve in the future.	a) Value analysis
2. Generating a level of revenue that is greater than the costs incurred by a business over a period of time.	b) Enterprise
3. A short term business objective, which means generating enough money to pay any debts that fall due.	c) Entrepreneur
4. An individual who is good at spotting business opportunities and taking risks.	d) Market share
5. An aim that an individual is passionate about, creating a sense of duty or purpose.	e) Mission
	f) Objective
	g) Profit
	h) Survival

4. Financial objectives – true or false?

- 4.1 All businesses should have clear financial objectives when they are first set up.
- 4.2 Many businesses focus on survival when they are first set up, rather than making a profit.
- 4.3 A business offering a product with high value added is likely to make more profits than a business with low value added.
- 4.4 A business that is able to prevent other firms from copying its ideas is guaranteed to be profitable.

6. ANSWERS – Business objectives: financial

1. target ... profit ... flow ... measure

2.1 b) d)

2.2 a) d) e)

1. f)

2. g)

3. h)

4. c)

5. e)

4.1 TRUE

4.2 TRUE

4.3 TRUE

4.4 FALSE

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