

Fundamental IT Engineer Examination

(Mgt & Strategy Morning)

April 2022

Question Nos.51-80

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Q51. The software reengineering process can be divided into four sub-processes: program modularization, program structure improvement, reverse engineering, and source code translation. Which of the following is a process that focuses on functional analysis and information extraction?

- a) Program modularization
- b) Program structure improvement
- c) Reverse engineering
- d) Source code translation

Answer: C

- Reverse-engineering is the act of dismantling an object to see how it works.
- It is done primarily to analyze and gain knowledge about the way something works but often is used to duplicate or enhance the object.
- Many things can be reverse-engineered, including software, physical machines, military technology and even biological functions related to how genes work

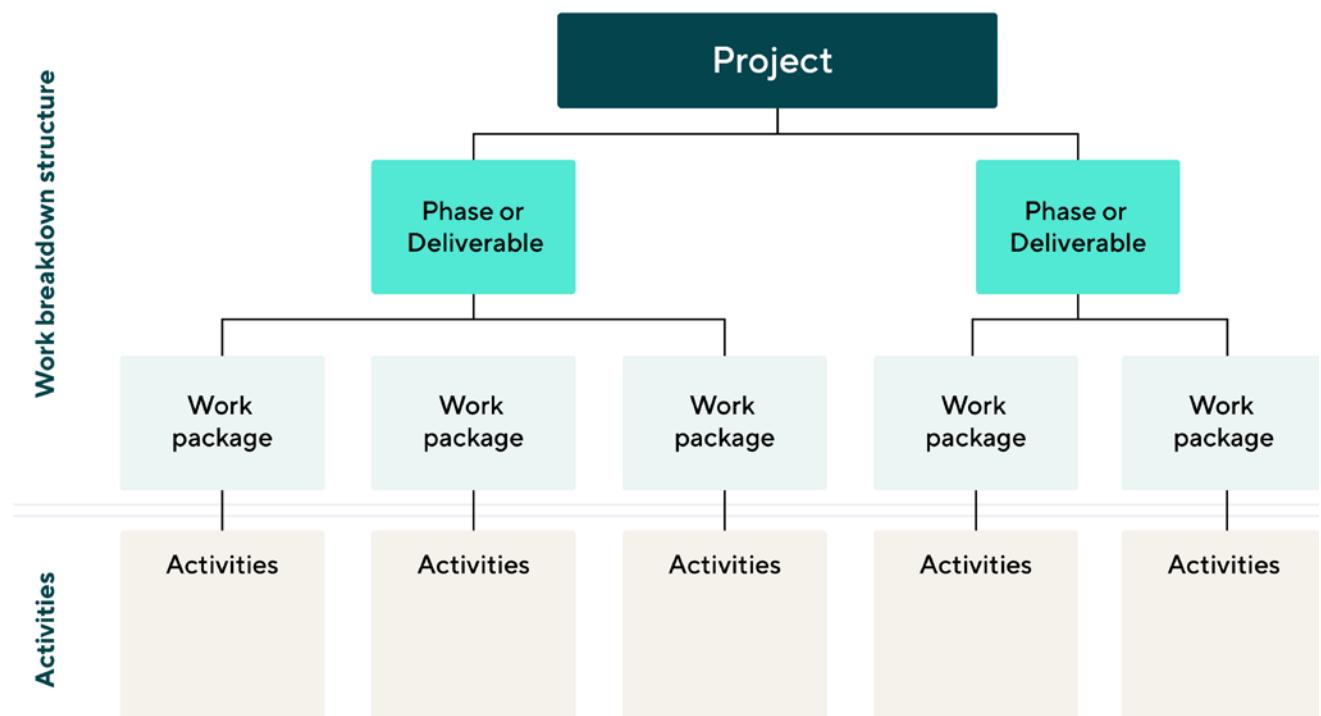
Q52. Which of the following is an appropriate tool that implements a deliverable-oriented decomposition of a project into smaller components?

- a) Critical path method (CPM)
- b) Gantt chart (Gantt)
- c) Program evaluation and review technique (PERT)
- d) Work breakdown structure (WBS)

Answer: d

WBS (Work Breakdown Structure) is a hierarchical structure diagram in which the activities necessary for achieving the purpose of the project are divided in a stepwise fashion with the deliverables as the main constituent.

On the basis of the project scope statement, the project deliverables are subdivided (or decomposed) into the **work package**, which is the lowest component. The work package is divided into more detailed **activities** and used when the cost and schedule are estimated.



Q53. Which of the following is an appropriate description of scope management?

- a) The process of determining and documenting a list of all project goals, tasks, deliverables, deadlines, and budgets as a part of the planning process
- b) The process of identifying, analyzing, and responding to any risk that arises over the life cycle of a project to help the project remain on track and achieve its goal
- c) The process of planning, estimating, budgeting, and controlling project costs
- d) The process of wisely managing the amount of time allocated to a project in order to meet the scheduled delivery date and conclude all work by or before the project completion date

Answer: a

What is project scope management?

Project scope management is a process that helps in determining and documenting the list of all the project goals, tasks, deliverables, deadlines, and budgets as a part of the planning process. In project management, it is common for a big project to have modifications along the way.

With the scope in the project management defined right in the beginning, it becomes much easier for project teams to manage and make the required changes.

Q54. When the triangular distribution formula in the three-point estimation technique is used, which of the following is the expected duration in days required for an activity? The estimates are as shown below.

Conditions – Estimates for the duration of the activity

Case 1: Two (2) days – if an experienced employee is assigned to this activity

Case 2: Four (4) days – if an average employee is assigned to this activity

Case 3: Twelve (12) days – if an inexperienced employee is assigned to this activity

- a) 4
- b) 5
- c) 6
- d) 7

Answer: C

Three-point estimating is a management technique to determine the probable outcomes of future events based on available information. The term refers to the three-points it measures: the **best-case estimate**, the **most likely estimate**, and the **worst-case estimate**. This technique is used in information systems and management applications.

There are many types of three-point formulas, but the most common are:

- **Triangular distribution** and
- **Beta distribution (PERT)**

Triangular Distribution

$$E = \frac{(O+P+M)}{3}$$

The triangular distribution is the easiest way to calculate the average outcome.

O – O indicates an optimistic estimate, also known as a best-case scenario

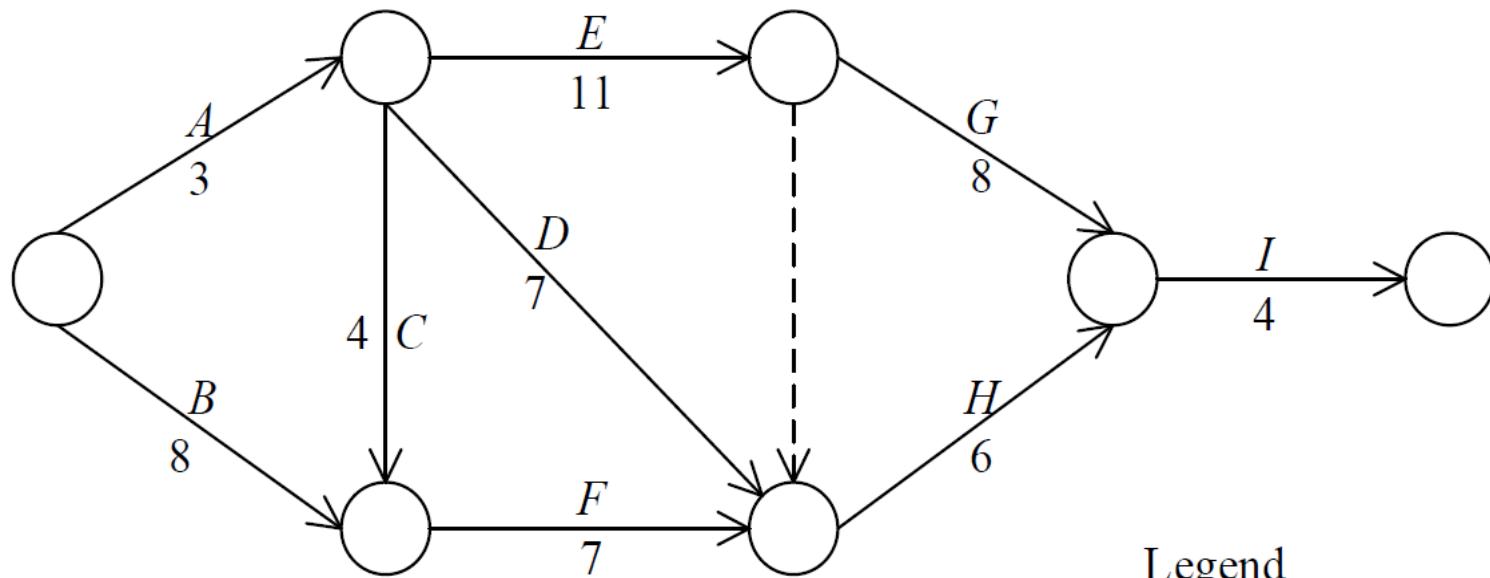
P – P indicates a pessimistic estimate, also known as a worst-case scenario

M – M indicates the most likely estimate. It falls between the optimistic and pessimistic estimates.

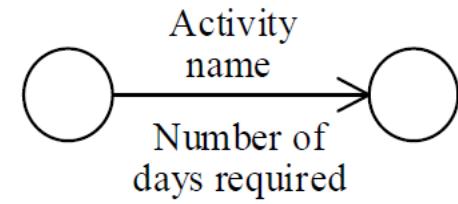
Beta Distribution (PERT)

$$E = \frac{O + 4M + P}{6}$$

Q55. The arrow diagram below shows a project's activities and milestones. Which of the following is the minimum project completion time in days?



Legend



- a) 20
- b) 24
- c) 25
- d) 26

Answer: d

- The **critical path method** is a technique that allows you to identify tasks that are necessary for project completion. The critical path in project management is the longest sequence of activities that must be finished on time to complete the entire project.
- The duration in the critical path is the minimum time that is required to complete the project.

Q56. IT services are provided under the conditions in the SLA shown below. What is the maximum number of hours of downtime in a month that can satisfy the SLA?

[Conditions in the SLA]

The number of business days per month is 30.

The service hours are from 7 AM to 11 PM on business days.

The agreed availability is 99% or more.

Maintenance time can be ignored.

- a) 1.2
- b) 3.0
- c) 4.8
- d) 7.2

Hints: Downtime: $1 - 99\% = 0.01$.

Maximum downtime: $30 \text{ days} \times 16 \text{ hours per-day} \times 0.01 =$

Answer: C

Q57. In the capacity management process of IT service management, which of the following is an appropriate precaution to observe when the utilization of an online system's capacity is monitored?

- a) Focus only on the maximum value of performance data in each time interval and check deviation from the management limit.
- b) Measure the performance during offline hours to avoid a decline in service level during online hours.
- c) Monitor multiple measurement items such as response time and CPU utilization on a regular basis.
- d) Record incidents concerning capacity and performance.

Answer: C

Capacity management

- In **capacity management**, the service provider identifies capacity and performance requirements, and maintains and manages the required capacity for fulfilling the requirements.
- The service provider prepares, implements, and maintains a **capacity plan** taking into consideration human, technical, information, and financial resources.
- The service provider monitors the usage status of capacity, analyzes data, and performs **tuning** to provide sufficient capacity to fulfill requirements agreed on with the customer.
- In this case, the following are used as the capacity management indexes, such as CPU utilization, memory utilization, file utilization, network utilization. This data is centrally managed in **CMDB (Capacity Management Database)**.

Q58. In IT service management, which of the following is the most appropriate functional organization that provides a single point of contact and tries to rapidly restore normal service operations to users?

- a) Service desk
- b) Service management
- c) Service provider
- d) Supplier

Answer: a

Service Desk

- Service desk is a SPOC (Single Point Of Contact) for inquiries (e.g., communication of fault, service request, complaint) from the service user (i.e., customer).
- The service desk offers convenience of service by responding to the inquiries from the users.
- Classification of service desk on the basis of the functions offered
 - Service Desk
 - Help Desk
 - Call Center
- Classification of service desk on the basis of structured form
 - Central Service Desk
 - Local Service Desk

Q59. Which of the following is an appropriate description of a checkpoint during the audit of a control for reducing the risk of system trouble regarding the application of a software patch?

- a) A database administrator is appointed and master data management procedures are specified.
- b) Capacity planning procedures are set out.
- c) Hardware maintenance records are created and managed by system administrators.
- d) The system's operation status is properly checked before commencing full-time operations.

Answer: d

Q60. Which of the following is subject to system audits that evaluate and verify internal controls related to IT?

- a) Methods for ensuring accuracy when the sales department inputs into and updates the database
- b) The process by which the business planning department leads the creation of a mid-term business plan
- c) The results of employee personnel evaluations led by the personnel department
- d) The status of production equipment review conducted by the manufacturing department for the purpose of reducing defects

- **Internal control** is a mechanism (e.g., internal regulations, institutions, procedures) of monitoring the organizational activities of all members of the organization, and if there are any problems, it makes improvements and increases the organizational capability.
- Internal control consists of six basic components: control environment, risk assessment and response, control activities, information and communication, monitoring, and response to IT (Information Technology).
- IT internal controls are **policies that provide assurance that technical systems operate as intended, provide reliable data, and comply with regulations**. Research suggests that firms with strong internal controls perform better than those with internal control weaknesses.

Q61. Which of the following is an explanation of enterprise architecture (EA)?

- a) It is a technique to abstract and express business processes with the four (4) basic elements of data flow, process, file, and data sources and absorption.
- b) It is a technique to analyze each business operation and information system through the four (4) systems of business, data, application, and technology, and reexamine it from the viewpoint of total optimization.
- c) It is a technique to analyze or design a system by using schematic diagrams such as a class diagram, and it is developed by integrating and standardizing various methods that support an object-oriented design.
- d) It is a technique to clarify the data structure and the relationship between data items by expressing the conceptual data model with entities and relationships.

Answer: b

Enterprise architecture is the process by which organizations standardize and organize IT infrastructure to align with business goals. These strategies support digital transformation, IT growth, and the modernization of IT.

Enterprise architecture (EA) is the practice of analyzing, designing, planning, and implementing enterprise analysis to successfully execute on business strategies. EA helps organizations structure IT projects and policies to achieve desired business results, to stay agile and resilient in the face of rapid change, and to stay on top of industry trends and disruptions using architecture principles and practices, a process also known as enterprise architectural planning (EAP).

Modern EA strategies now extend this philosophy to the entire business, not just IT, to ensure the business is aligned with digital transformation strategies and technological growth.

Enterprise Architecture (EA) is a practice that aims to align an organization's strategy and operating model. Enterprise Architecture outlines how an enterprise should organize and manage to achieve its objectives. As such, EA provides a blueprint to support the transformation of the enterprise - it is a journey and not a one-off project.

Business Architecture



Describe the company's strategy and the services offered, as well as the organization and the business capabilities required to deliver the services

Data Architecture



Understand which applications and systems support the processes and services delivered, as well as their interactions

Application Architecture



Document the organization's data assets, data flows and helps ensure data is managed properly to support business needs

Technology Architecture



Identify the technologies (software and hardware) that support the applications and data, and understand how they are deployed

Q62. When a workflow system is used for business improvement, which of the following is an appropriate effect that can be expected?

- a) Improved processing speed for office procedures, from document submission to approval
- b) The provision of a standard protocol used for data exchange between a company and its customers
- c) The provision of services such as a discount according to the amount of the customer's purchase
- d) Warehouse automation of shipping and receipt of stocked products

Answer: a

Workflow system

This is a system that automates routine processes. It includes systems that transmit computerized applications and reports according to a predetermined work procedure, and also perform approvals.

Q63. In computerization investment planning, which of the following is an explanation of ROI as an evaluation index for investment value?

- a) ROI is a measure that indicates market competitiveness in the event that a project is not implemented.
- b) ROI is a measure that is calculated by dividing the profit generated through factors such as sales increase and cost reduction by the investment amount.
- c) ROI is a measure that is calculated by subtracting the current value of cash outflow from the current value of cash inflow.
- d) ROI is a measure that is obtained by comparing some parameters, such as the sales to investment ratio and the amount of investment per employee, with that of other companies.

Answer: b

- Return on investment (ROI) is a performance measure used to evaluate the efficiency or profitability of an investment or compare the efficiency of a number of different investments. ROI tries to directly measure the amount of return on a particular investment, relative to the investment's cost.
- To calculate ROI, the benefit (or return) of an investment is divided by the cost of the investment. The result is expressed as a percentage or a ratio

- **ROI (Return On Investment)**

This is the ratio of profit to an investment amount.

$$\text{ROI} = \frac{\text{Profit}}{\text{Investment amount}}$$

$$\text{ROI} = \frac{\text{Current Value of Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$

Q64. Which of the following is a description that corresponds to CSR procurement?

- a) Choosing the product with the lowest price to minimize costs
- b) Having multiple suppliers to avoid situations in which procurement is impossible, such as after a disaster
- c) Indicating procurement standards that consider the environment, human rights, etc., and requesting that suppliers comply with these
- d) Using EDI to purchase goods in order to perform prompt and accurate procurement

- Corporate social responsibility (CSR) is a business initiative designed to meet specific goals related to ethics, sustainability and social impact. When executed well, it can enhance how your business is viewed and approached, helping to share your company's broader mission with the world.
- The idea that businesses have a responsibility to contribute to the betterment of society has expanded greatly. This responsibility is now a priority for companies of all sizes and industries.



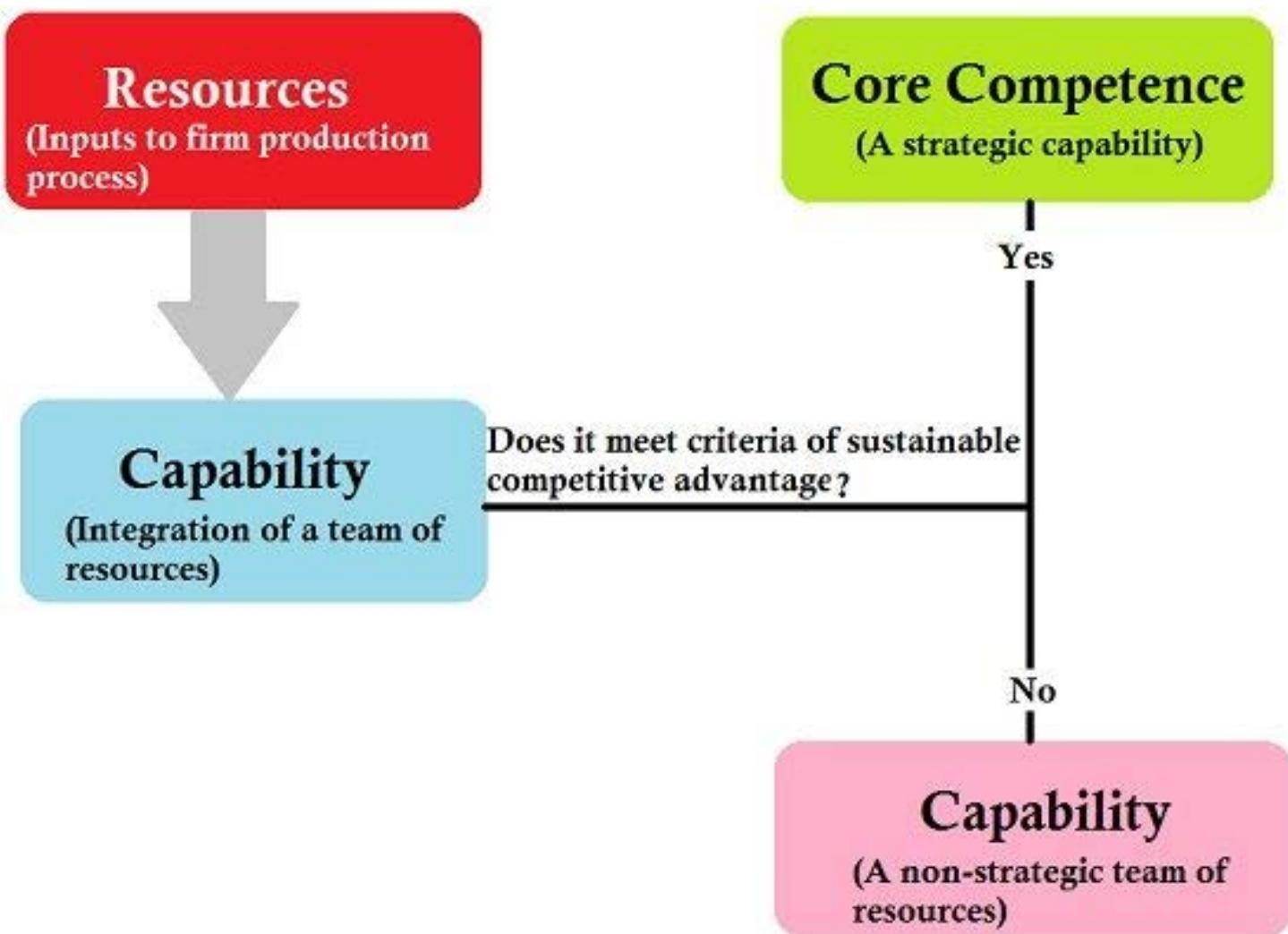
Q65. Which of the following is an explanation of the core competence?

- a) Corporate activities that comply with laws, various regulations, and social norms for managing business
- b) The business domain decided from the viewpoint of the market, technology, and products (or services)
- c) The overall business and system optimization methods for achieving the purpose of organizational activities
- d) The predominant abilities in the company's business area, which competitors cannot imitate

Answer: d

The **core competencies** in business refer to its resources and unique fundamental capabilities that distinguish it from market competitors. It is an essential component of marketing strategy leading to brand recognition and business growth. The concept serves to be useful for companies focusing on multiple product lines and operating more than one business unit at a time.

- The core competencies in business are its unique and fundamental capabilities, setting it apart from the competitors and making it the best in the market.
- It advocates the collaboration of diverse teams having unique skills to achieve one goal, i.e., producing the best end product.
- The term got its first appearance in the 1990 Harvard Business Review article “The Core Competence of the Corporation” by C.K. Prahalad and Gary Hamel.
- Brands like Apple, Amazon, Starbucks, Nike, etc., have established themselves as the best in their respective field by identifying their core capabilities and introducing innovative core or end products.



Q66. Companies are classified on the basis of their competitive position in the market.

There are typically four types: leader, challenger, follower, and nicher. Which of the following is the most appropriate characteristic of a leader's strategy?

- a) Applying a differentiation strategy to all aspects of products, services, advertising, price and distribution channels or indirectly attacking the competitor's weaknesses or the gaps in the competitor's market coverage
- b) Capturing a specific market that high-ranking companies do not target and concentrating management resources in order to secure and maintain predominance in the market
- c) Determining the challenger company's real ability in the market and prioritize securing stable profits over expanding the market share by doing as the leader company does
- d) Proposing a new product and its usage method to consumers in order to increase the total demand while maintaining or expanding the market share

Answer: d

Relative management resources		Quantity	
		Large	Small
Quality	High	Leader	Nicher
	Low	Challenger	Follower

Leader

Leader holds the top share of the industry with management resources that have excellent quantity and quality

Challenger

Challenger holds the second- to fourth -largest share of the industry that is qualitatively inferior to the leader although the management resources are quantitatively excellent

Nicher

Since the management resources are qualitatively excellent, the nicher dominates a specific market (or product) but is quantitatively inferior to the leader.

Follower

Since the management resources have an inferior quantity and quality, the follower trails behind the leader

Q67. Which of the following is an explanation of the introduction stage of the product life cycle?

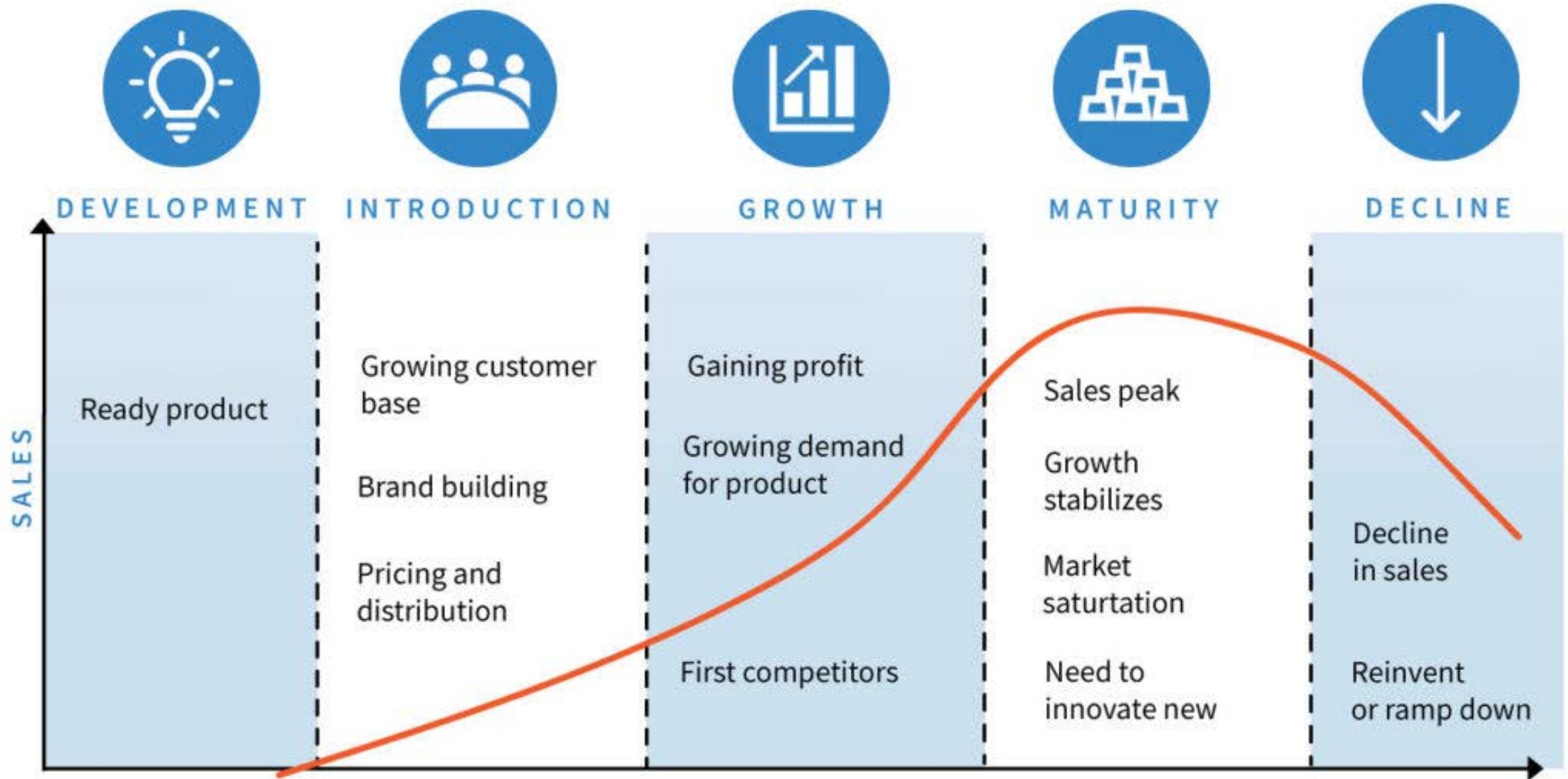
- a) It is the stage at which companies sell products to early adopters. Companies adopt strategies to enhance product recognition.
- b) It is the stage at which growth in demand slows. Companies try to maintain their market share and secure profits through various means, such as improving product quality.
- c) It is the stage at which sales and profit gradually decline. Companies refrain from making additional investments and consider withdrawing from the market.
- d) It is the stage at which sales increase rapidly. The market becomes active and competition intensifies because of new market participants.

Answer: a

PLC (Product Life Cycle)

This is the cycle from the time of introduction of a product into the market until its withdrawal, which is classified into four stages.

- 1) **Introduction stage**: This is the stage when a product has entered the market only a short while ago and profits cannot be expected.
- 2) **Growth stage**: This is the stage when the product has been accepted by customers and the profits keep increasing.
- 3) **Maturity stage**: This is the stage when the demand is saturated and both the growth rate and profits become stagnant.
- 4) **Decline stage**: This is the stage when the product deteriorates functionally and the profits start declining



Q68. Which of the following is the purpose of CRM?

- a) Acquisition of customer loyalty and maximization of customer lifetime value
- b) Ascertainment of the sales information for each product at the time of sales
- c) Determination of the order quantity and order timing of material required for manufacturing
- d) Reduction in loss of sales opportunities due to inventory shortage

Answer: a

- Customer relationship management (CRM) is the combination of practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle.
- The goal is to improve customer service relationships and assist in customer retention and drive sales growth.
- CRM systems compile customer data across different channels, or points of contact, between the customer and the company, which could include the company's website, telephone, live chat, direct mail, marketing materials and social networks.
- CRM systems can also give customer-facing staff members detailed information on customers' personal information, purchase history, buying preferences and concerns.



Q69. Which of the following is the appropriate description of process innovation?

- a) Development of an innovative new product on the basis of an original and high technology
- b) Development of innovative manufacturing procedures that improve the quality of a product
- c) Outsourcing manufacturing to another company that has a semiconductor manufacturing process
- d) Wide adoption after passing the competition, resulting in the establishment of a de facto standard

Answer: b

A process innovation is **the implementation of a new or significantly improved production or delivery method**. This includes significant changes in techniques, equipment and/or software.



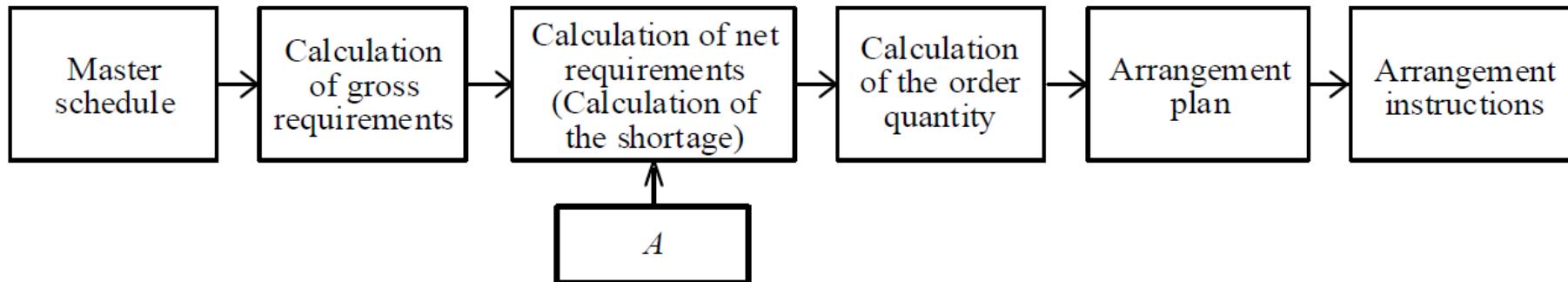
Q70. Basic elements and examples of devices and services when the IoT is used in a factory's equipment maintenance tasks are compiled as shown below. When a) through d) correspond to any one of A through D, which of the following corresponds to A?

Basic element	Example of device and service
Data collection	A
Data transmission	B
Data analysis	C
Data utilization	D

- a) Abnormal value judgment tool
- b) Display for work instructions
- c) Temperature sensor for equipment
- d) Wireless communication within the factory

Answer: C

Q71. The figure below shows the work procedure for MRP (Material Requirements Planning), a technique pertaining to a production management system. Which of the following is a necessary piece of information for calculating the net requirements to be inserted into A in the figure below?



- a) Bill of materials (configuration and requirements of each component in the final product)
- b) Inventory status (inventory amount, residual orders, in-process quantity)
- c) Ordering policy (lot organization method, ordering method, safety stock)
- d) Standard schedule (completion period, number of days of lead time)

Answer: b

Material Requirements Planning (MRP)

[mə-'tir-ē-əl ri-'kwī(-ə)r-mənts 'pla-nin̄]

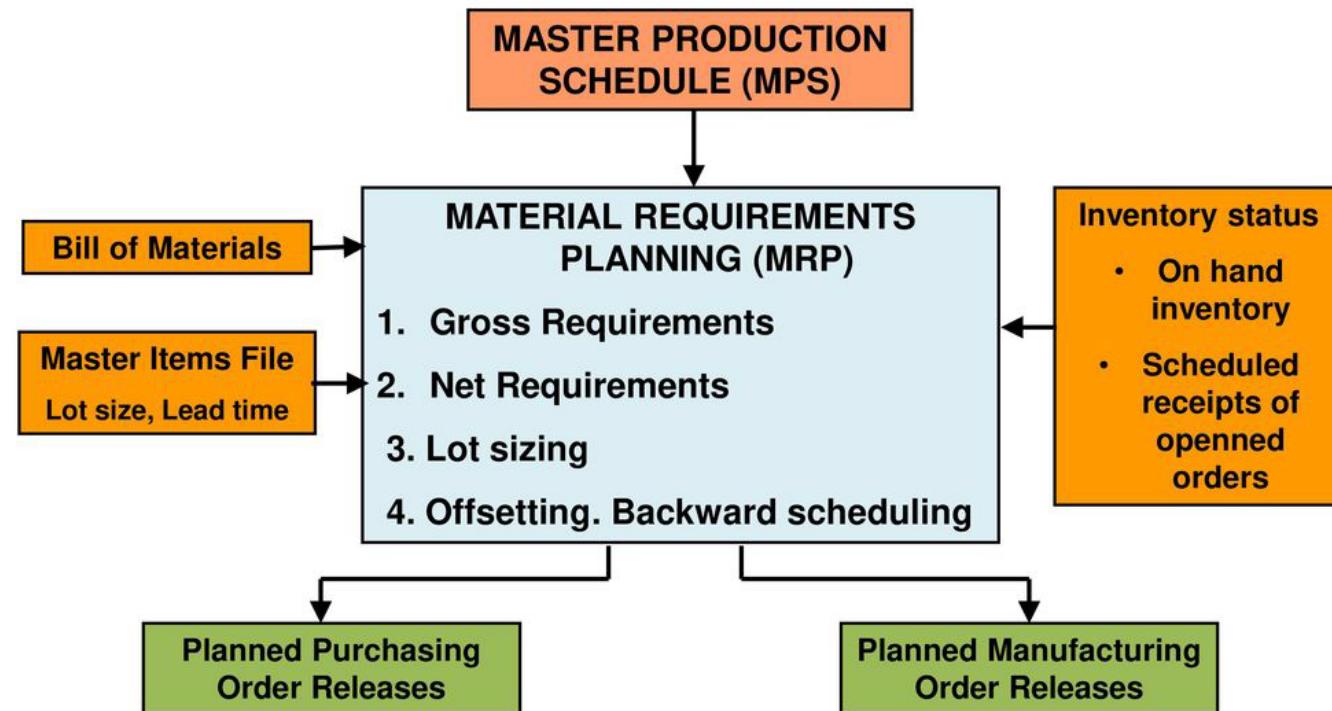
An approach to inventory management in which a company uses computers to predict the timing and quantity of materials needed to complete a production process.



MRP (Material Requirements Planning)

- This is a system by which the flow of resources from the raw material necessary for production up to the finished product is planned and managed on the basis of the production plan.
- The net requirement of the necessary resources is determined on the basis of the bill of materials, and the procurement plan of resources is created.

Basic Structure of MRP system



Q72. Which of the following is an appropriate description of an RFID system?

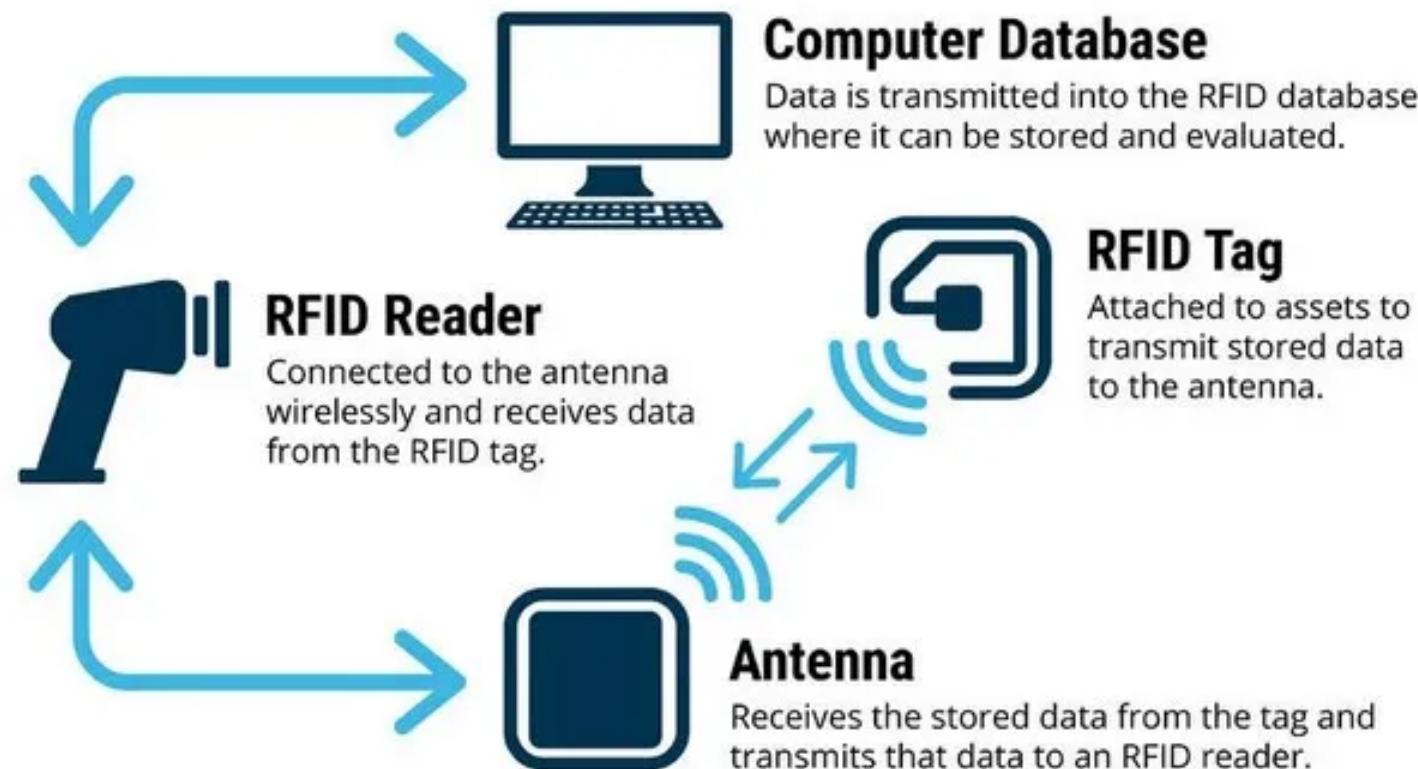
- a) Multiple RF Tags that are within range communicate with each other, and create a mesh network.
- b) RF readers/writers generate an electromagnetic field that charges the RF tags within range to allow transmission of information.
- c) RF tags process unique positioning information by using multiple satellites, allowing for item tracking by longitude and latitude coordinates.
- d) RF tag transmission does not provide error correcting codes but still acquires high reliability through a wired connection.

Answer: b

RFID (Radio Frequency Identification)

- This refers to a contactless automatic recognition technology that uses radio waves or electromagnetic waves.
- Information is exchanged without contact by using an IC chip equipped with an antenna called an IC tag.
- Since RFID is resistant to dust and can read the recorded information even from outside the package, it is applicable in **traceability systems** that trace the path from production to distribution of products, product management, and entry and exit control for a building.

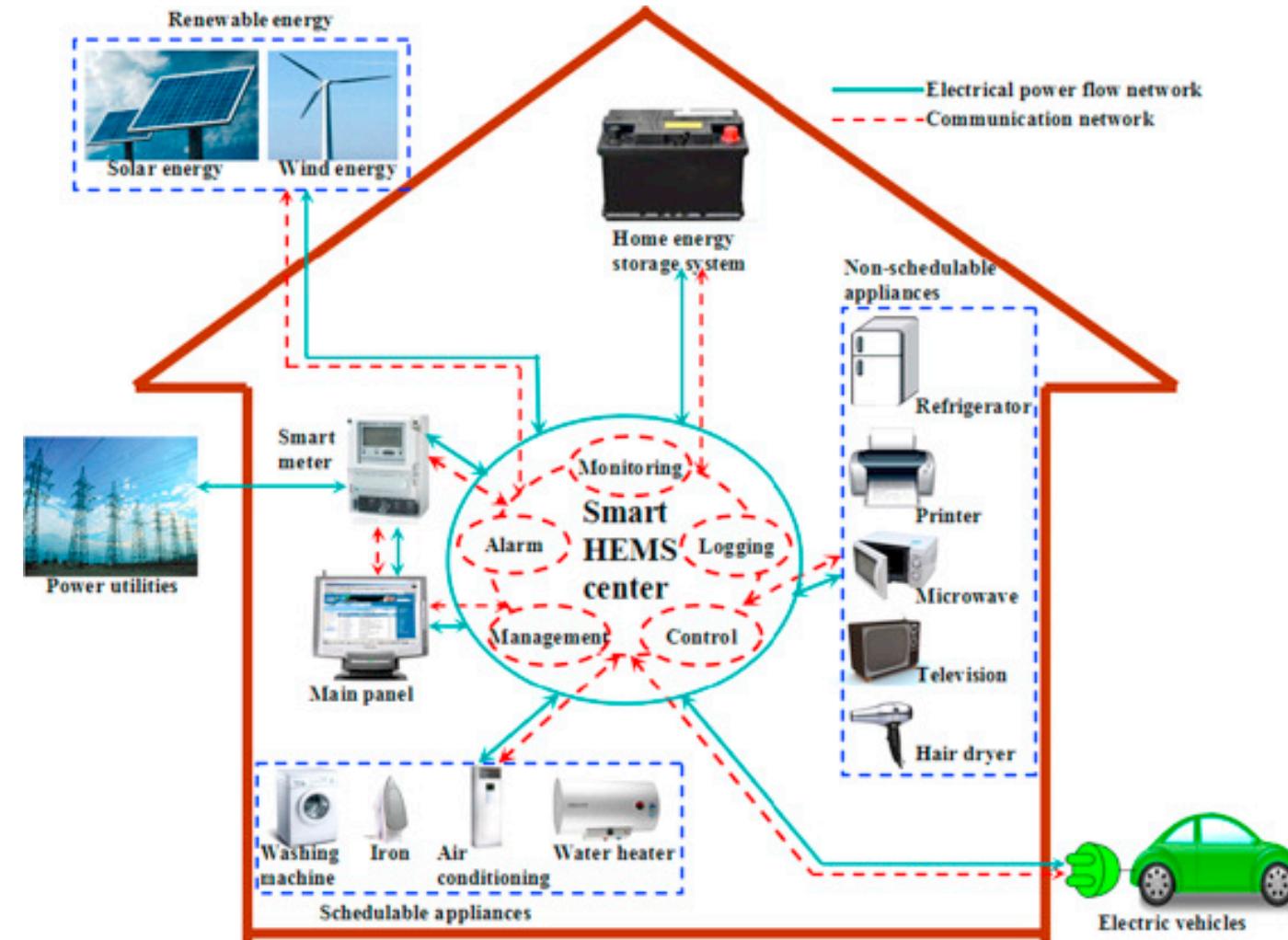
Radio Frequency Identification (RFID) refers to a **wireless system comprised of two components: tags and readers**. The reader is a device that has one or more antennas that emit radio waves and receive signals back from the RFID tag.



Q73. Among the IoT application examples, which of the following is an explanation of HEMS?

- a) Connecting energy devices such as solar power generators, consumer electronic devices, and sensors, etc., to a household communication network in order to visualize the energy used and optimally control consumption
- b) Fully utilizing information communication technology and environment technology in order to visualize the energy urban infrastructure uses, including public facilities such as street-lamps and the transportation system, and optimally controlling consumption
- c) Measuring data such as vehicular condition, road status, etc., with the sensors installed in the vehicle and saving and analyzing the data via a network in order to support efficient driving
- d) Regularly measuring vibrations, temperature, sound, etc., with the sensors installed in factory machines, analyzing the degraded condition of the machines on the basis of the collected data, and replacing parts at the appropriate time

- A home energy management system is a **combination of its hard- and software components** that work together to efficiently manage the energy usage of a home.
- The HEMS functions at the intersection of three different sectors within a home: home appliances, metering, and communication network.



Q74. Which of the following is a case using deep learning in order to improve the performance of an in-car device?

- a) An accelerometer detects the collision of the vehicle against a wall and causes the air bag to inflate, thus protecting the passenger from injury.
- b) By acquiring and processing numerous images, the driver assistance system can more reliably distinguish between a pedestrian and a vehicle.
- c) By installing equipment that automatically performs idling stops, the fuel efficiency improves as compared with a very experienced driver operating a vehicle.
- d) The navigation system updates the software via a mobile phone line and refreshes the map.

Answer: b

Q75. Which of the following is an explanation of accountability at the executive managerial level?

- a) A company has a responsibility to explain the content and performance of business activities to shareholders and other interested parties.
- b) A company quantifies the cost of environmental maintenance and its effects and announces them periodically as financial information.
- c) Investors and analysts must be provided with accurate information that is necessary for investment decisions in a timely manner and on an ongoing basis.
- d) Rules, manuals, and verification systems are established on the basis of corporate ethics, and corporate management is performed in accordance with the relevant laws.

Answer: a

Q76. Which of the following can secure employment and create employment opportunities across an entire society by shortening work hours per employee?

- a) Cafeteria plan
- b) Free agent system
- c) Work sharing
- d) Work-life balance

Answer: C

Work-sharing

Work-sharing is a system in which a limited bracket of employment is shared by multiple workers through different combinations of work opportunities, working hours, and wages.

Work sharing (also referred to as “shared work” or “short-time compensation”) is a type of unemployment benefit. Work sharing provides employers with an alternative to layoffs when they are faced with a temporary decline in business. Instead of laying off a portion of the workforce to cut costs, an employer may reduce the hours and wages of all employees or a particular group of workers.

Q77. Products *A*, *B*, *C*, and *D* are to be introduced to the market. The table below shows the expected profit for each product with three (3) sales forecasts (High, Medium, and Low) that are estimated to occur in accordance with the probability in the table. Which of the following is the product that is expected to make the highest profit according to the expected value principle?

Product	High		Medium		Low	
	Profit (\$)	Probability (%)	Profit (\$)	Probability (%)	Profit (\$)	Probability (%)
<i>A</i>	100,000	75	20,000	20	-40,000	5
<i>B</i>	130,000	60	30,000	30	-20,000	10
<i>C</i> <i>Answer: C</i>	150,000	50	40,000	30	-20,000	20
<i>D</i>	100,000	70	10,000	20	-50,000	10

- a) *A*
- b) *B*
- c) *C*
- d) *D*

Answer: b

Expected Profit Value =

Probability of High Profit + Probability of Medium Profit + Probability of Low Profit

Q78. A company sells two products, A and B , and makes a profit of 40 dollars and 30 dollars per unit on them respectively. They are produced through a common production process and are sold in two different markets. The production process has a total capacity of 3,000 person-hours. Product A 's production time is 3 person-hours that is three times longer than that of product B . Having surveyed the market, company officials feel that the maximum number of units of product A that can be sold is 8,000, while for product B the maximum number of units is 1,200. Subject to these limitations, products can be sold in any combination. When the linear programming model is applied, which of the following is the formulation result that obtains the production amount that maximizes the company's total profit? Here, the number of units of products A and B are x and y , respectively.

- a) Objective function $40x+30y \rightarrow$ to be maximized
 Constraints $3x+9y \leq 3,000$
 $x \geq 8,000$
 $y \geq 1,200$
 $x \geq 0, y \geq 0$
- b) Objective function $40x+30y \rightarrow$ to be maximized
 Constraints $3x+9y \leq 3,000$
 $x \leq 8,000$
 $y \leq 1,200$
 $x \geq 0, y \geq 0$
- c) Objective function $40x+30y \rightarrow$ to be maximized
 Constraints $3x+y \leq 3,000$
 $x \geq 8,000$
 $y \geq 1,200$
 $x \geq 0, y \geq 0$
- d) Objective function $40x+30y \rightarrow$ to be maximized
 Constraints $3x+y \leq 3,000$
 $x \leq 8,000$
 $y \leq 1,200$
 $x \geq 0, y \geq 0$

Answer: d

Q79. In financial statements, which of the following shows the company's assets, liabilities, and net assets at a certain point in time and indicates the company's financial situation?

- a) Balance sheet
- b) Statement of cash flows
- c) Statement of changes in equity
- d) Statement of profit or loss

Answer: a

- The term balance sheet refers to a financial statement that reports a company's assets, liabilities, and shareholder equity at a specific point in time.
- In short, the balance sheet is a financial statement that provides a snapshot of what a company owns and owes, as well as the amount invested by shareholders. Balance sheets can be used with other important financial statements to conduct fundamental analysis or calculate financial ratios.

What Does a Company Balance Sheet Tell You?

A balance sheet shows what a company owns and owes and how much shareholders have invested.

THE BALANCE SHEET FORMULA



Assets =

cash, inventory, property



Liabilities +

rent, wages, utilities, taxes, loans



Shareholders' Equity

retained earnings

Q80. Which of the following is an action that is taken in order to improve the cash flow?

- a) Pay the notes payable on a shorter timeline.
- b) Receive payment on the notes receivable on a longer timeline.
- c) Shorten the time period for collecting accounts receivable.
- d) Shorten the time period for making payments on accounts payable.

Answer: C

- The term **cash flow** refers to the net amount of cash and cash equivalents being transferred in and out of a company. Cash received represents inflows, while money spent represents outflows.

- Cash flow is the amount of cash that comes in and goes out of a company. Businesses take in money from sales as revenues and spend money on expenses. They may also receive income from interest, investments, royalties, and licensing agreements and sell products on credit, expecting to actually receive the cash owed at a late date.

