Solutions

Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

2.1

- gross profit = revenue − cost of sales (2 for the correct formula; 1 for a partial idea)

2.2

- \$400,000 − \$250,000 = \$150,000 (2; award 1 for a correct method with the wrong figure)

2.3

- spreading the cost of a non-current (fixed) asset over the years it is used, rather than all at once (2 for a clear definition; 1 for a partial idea)

3.1

- *[3]* **AO1** 1 — give a reason (it is a legal requirement; to inform shareholders; for tax). **AO2** up to 2 — develop it, e.g. publishing the accounts lets shareholders see the profit and return
- they can decide whether to keep their shares
- meeting the legal duty of a company (2 developed / 1 limited)

3.2

- *[8]* For **each** of two stakeholders: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *a lender*: reads the statements
- checks profit and existing debt
- decides whether the firm can repay a new loan. *An investor*: reads the profit and ROCE
- judges the return on their money
- decides to buy or sell shares. Maximum 4 per stakeholder, 8 total

3.3

- *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **For:** statements give clear, comparable figures on profit, assets and debt that show financial health. **Against:** they use past data, ignore non-money factors (brand, staff morale, market position) and can be window-dressed. Judgement: statements are essential but not enough on their own — a full view also needs ratios over time and non-financial information; their usefulness depends on what they are compared with