A-LEVEL BUSINESS • EXERCISE SHEET

10.1 Financial statements

Name: ____________ Class: ________ Date: __________ **Total: 29 marks**

KEY WORDS statement of financial position 财务状况表 • balance sheet 资产负债表 • financial statements 财务报表 • income statement 利润表 • depreciation 折旧

Objective

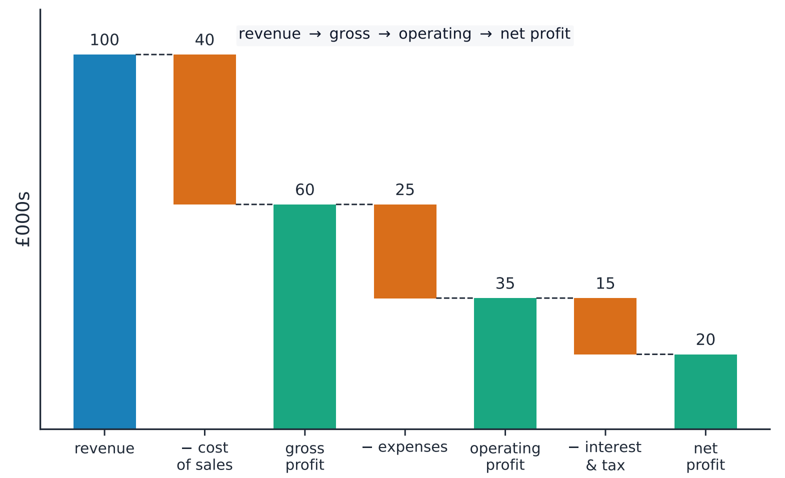
Build the skills to answer exam questions on **financial statements** 财务报表 — the **income statement** 利润表, the **statement of financial position** 财务状况表 (balance sheet), and **depreciation** 折旧.

You must be able to:

- calculate gross, operating and net profit
- describe what the statement of financial position shows
- analyse and evaluate how stakeholders use financial statements

1 Worked examples

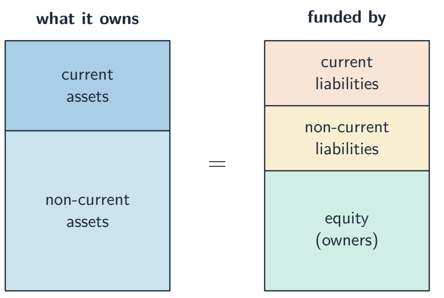
■ Income statement and balance sheet



Revenue − cost of sales = gross profit; − expenses = operating profit; − interest and tax = net profit

$$\text{gross profit} = \text{revenue} - \text{cost of sales}$$

- **Worked:** revenue \$500,000, cost of sales \$300,000 → gross profit = \$200,000.
- **Statement of financial position:** assets = liabilities + equity (it always balances).



The statement of financial position: assets = liabilities + equity

- **Depreciation:** spreads a fixed asset's cost over its life, so profit is not overstated.

Depreciation spreads a fixed asset's cost over its useful life

Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State the formula for *gross profit*. [2]

2.2 A firm has revenue of \$400,000 and cost of sales of \$250,000. Calculate its gross profit. [2]

2.3 Define the term *depreciation*. [2]

3 Exam-style questions

3.1 Explain one reason why a company must publish its financial statements. [3]

3.2 Analyse how two different **stakeholders** would use a firm's financial statements. [8]

3.3 'Financial statements alone show how well a business is performing.' Evaluate this view. [12]