Week 50

A-Level Business

Homework bundle for this week

本周作业合集

exercises.lol

Contents 目录

10. Finance and accounting (A Level)

Starter Quiz · 课前小测

A-Level Business Name: _____ Score: _____

1. Revenue is 250 and cost of sales is 160. What is the gross profit?

   _____

2. Depreciation spreads the cost of a:

   ☐ non-current asset over its useful life

   ☐ current asset over one month

   ☐ loan over its term

   ☐ wage over a year

3. Gross profit is 90 and revenue is 300. What is the gross profit margin (%)?

   _____

4. Cost of sales is 240 and average inventory is 40. What is the inventory turnover (times)?

   _____

5. An investment costs 24,000 and returns net cash of 6,000 a year. What is the payback period (years)?

   _____

6. To interpret a ratio, it is most useful to compare it with:

   ☐ past years, competitors and targets

   ☐ nothing — the number stands alone

   ☐ the weather

   ☐ the CEO's salary

7. Gross profit is 90 and expenses are 55. What is the operating profit?

   _____

8. Which decisions can financial analysis inform? (Select all that apply.)

   ☐ which products to keep or drop

   ☐ whether to invest or expand

   ☐ how to fund growth (debt vs equity)

   ☐ tomorrow's weather

   Tick every correct option.

9. On the statement of financial position, total assets always equal:

   ☐ liabilities plus equity

   ☐ revenue

   ☐ gross profit

   ☐ cost of sales

10. Depreciation reduces profit but is not a cash outflow in that year.

    ☐ True ☐ False

10. Finance and accounting (A Level)

Answers · 答案

A-Level Business

1. **90**

   Gross profit = 250 − 160 = 90.

2. **non-current asset over its useful life**

   Depreciation applies to long-lived non-current assets.

3. **30**

   90 ÷ 300 × 100 = 30%.

4. **6**

   240 ÷ 40 = 6 times a year.

5. **4**

   24,000 ÷ 6,000 = 4 years.

6. **past years, competitors and targets**

   Ratios mean little without comparison.

7. **35**

   Operating profit = 90 − 55 = 35.

8. **which products to keep or drop; whether to invest or expand; how to fund growth (debt vs equity)**

   Financial data guides product, investment and funding choices.

9. **liabilities plus equity**

   Assets = liabilities + equity — the balance sheet balances.

10. **True**

    The cash left when the asset was bought; depreciation is a non-cash charge.

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

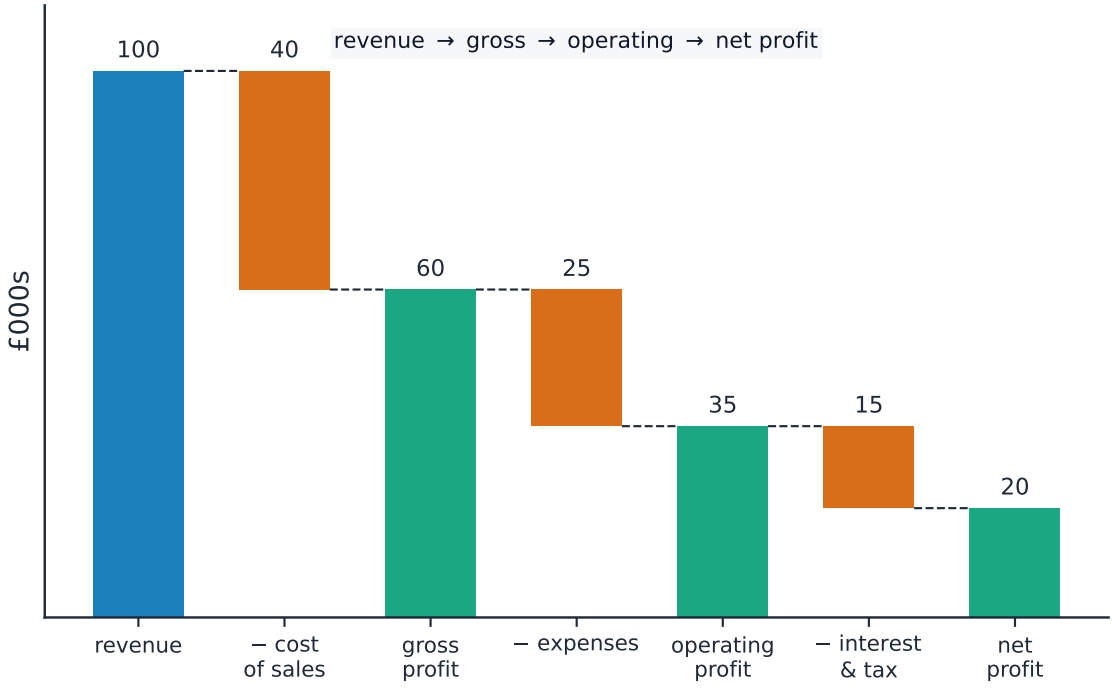
Build the skills to answer exam questions on **financial statements** 财务报表 — the **income statement** 利润表, the **statement of financial position** 财务状况表 (balance sheet), and **depreciation** 折旧.

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

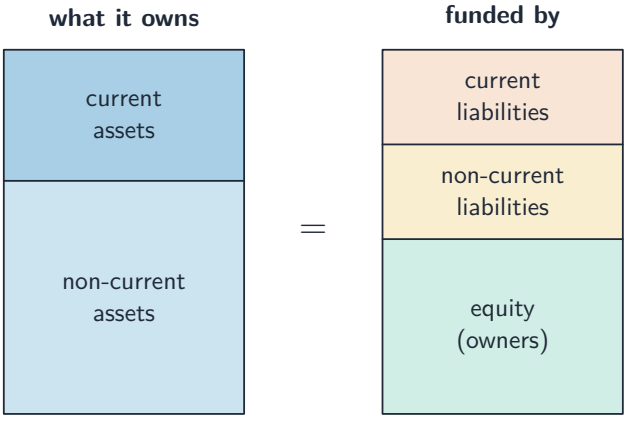
■ Income statement and balance sheet



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]

Solutions

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

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.

A-LEVEL BUSINESS • EXERCISE SHEET

10.2 Analysis of published accounts

Name: _____ Class: _____ Date: _____ **Total: 29 marks**

KEY WORDS gearing 杠杆 • current ratio 流动比率 • liquidity 流动性 • profitability 盈利能力 • ratio analysis 比率分析

Objective

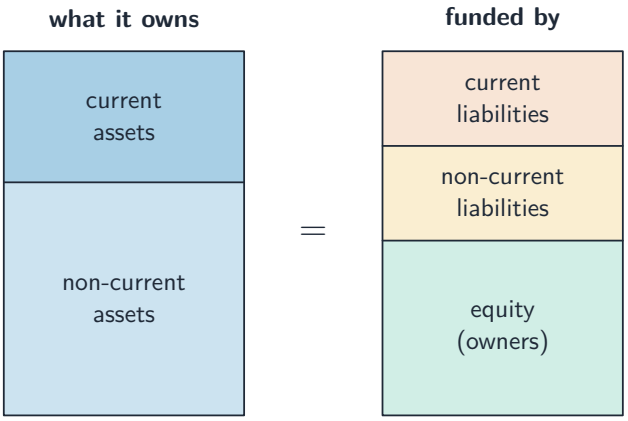
Build the skills to answer exam questions on **analysis of published accounts** 财报分析 — **ratio analysis** 比率分析: **profitability** 盈利能力 (gross/operating margin, ROCE), **liquidity** 流动性 (current and acid-test ratio), and **gearing** 杠杆.

You must be able to:

- calculate profitability, liquidity and gearing ratios
- explain what each ratio shows
- analyse and evaluate a firm's performance and the limits of ratios

1 Worked examples

■ Key ratios



Ratios link two figures from the statements to judge performance

$$\text{ROCE} = \frac{\text{operating profit}}{\text{capital employed}} \times 100\% \qquad \text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

- **Worked ROCE:** operating profit \$80,000, capital employed \$400,000 $\rightarrow \frac{80000}{400000} \times 100 = 20\%$.

- **Worked current ratio:** current assets \$60,000, current liabilities \$30,000 $\rightarrow$ $\frac{60000}{30000} = 2.0$ (about 1.5–2 is safe).
- **Gearing** = non-current liabilities ÷ capital employed × 100; high gearing is risky if interest rates rise.

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

2 Practice

2.1 State what the **current ratio** measures. [2]

2.2 A firm has operating profit of \$50,000 and capital employed of \$250,000. Calculate its ROCE. [2]

2.3 State one limitation of ratio analysis. [2]

3 Exam-style questions

3.1 Explain one reason why a business calculates its **gross profit margin**. [3]

3.2 A firm has current assets of $80,000 (including $30,000 of inventory) and current liabilities of $40,000.

(a) Calculate the current ratio. [2]

(b) Calculate the acid-test ratio. [2]

(c) Analyse what these two ratios suggest about the firm's liquidity. [4]

3.3 Evaluate the usefulness of ratio analysis for judging a business's performance. [12]

Solutions

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

2.1 how easily a firm can pay its short-term debts from its current assets (2 for a clear idea; 1 for a partial idea).

2.2 $\frac{50{,}000}{250{,}000} \times 100\% = 20\%$ (2; award 1 for a correct method with the wrong figure).

2.3 any one of: uses past data; ignores non-money factors (brand, staff); needs a similar firm/industry to compare fairly (2 for a developed point; 1 for a basic one).

3.1 *[3]* **AO1** 1 — give a reason (to see profit kept per sale; to compare with last year or rivals). **AO2** up to 2 — develop it, e.g. comparing the gross margin with last year shows whether costs of sales are rising → managers can act to control them → protecting profit (2 developed / 1 limited).

3.2 (a) current ratio = $\frac{80{,}000}{40{,}000} = 2.0$ (2). (b) acid-test = $\frac{80{,}000-30{,}000}{40{,}000} = 1.25$ (2; allow follow-through). (c) *[4]* AO2 1–2 + AO3 up to 2 — the current ratio of 2.0 looks safe, but removing inventory gives 1.25, still above 1, so the firm can meet short-term debts even without selling stock → liquidity is adequate but not excessive.

3.3 *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **Useful:** ratios turn raw figures into comparable measures of profitability, liquidity and gearing, and reveal trends over time. **Limited:** they use past data, ignore non-money factors, can be distorted by accounting choices, and need similar firms to compare fairly. Judgement: ratios are valuable when compared over time and against similar firms, but they must be read with non-financial information — their usefulness depends on the quality of the comparison.

A-LEVEL BUSINESS • EXERCISE SHEET

10.3 Investment appraisal

Name: _____ Class: _____ Date: _____ **Total: 27 marks**

KEY WORDS payback period 回收期 • accounting rate of return 会计回报率 • net present value 净现值 • discounting 折现 • investment appraisal 投资评估

Objective

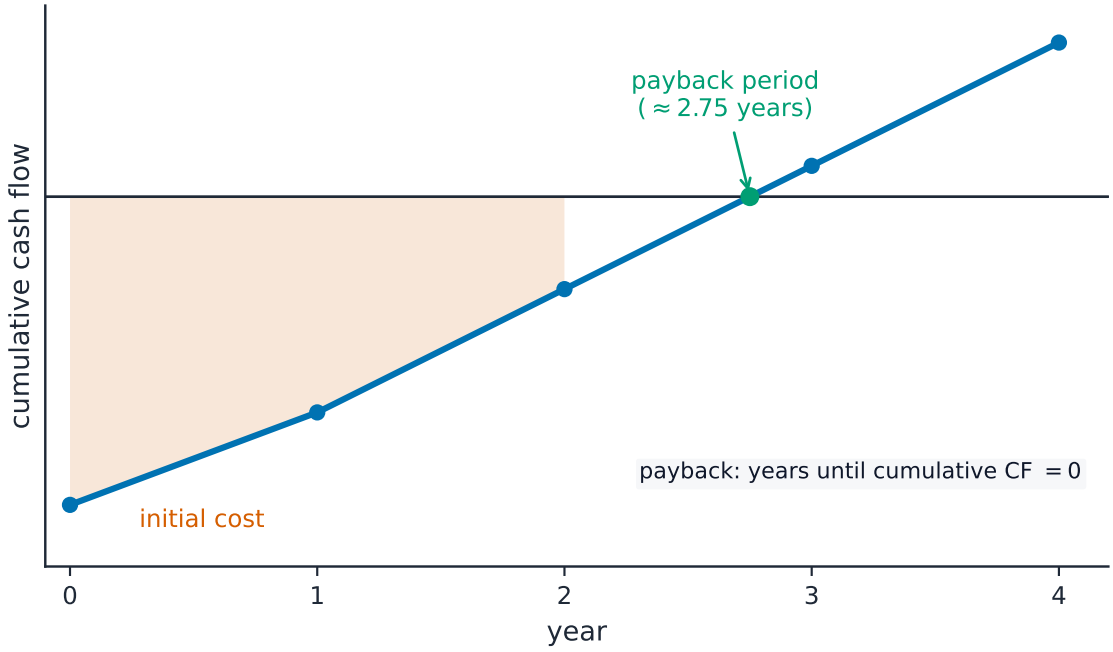
Build the skills to answer exam questions on **investment appraisal** 投资评估 — the **payback period** 回收期, the **accounting rate of return** 会计回报率 (ARR), and **net present value** 净现值 (NPV).

You must be able to:

- calculate the payback period and the ARR
- explain what NPV and discounting recognise
- analyse and evaluate which appraisal method a business should use

1 Worked examples

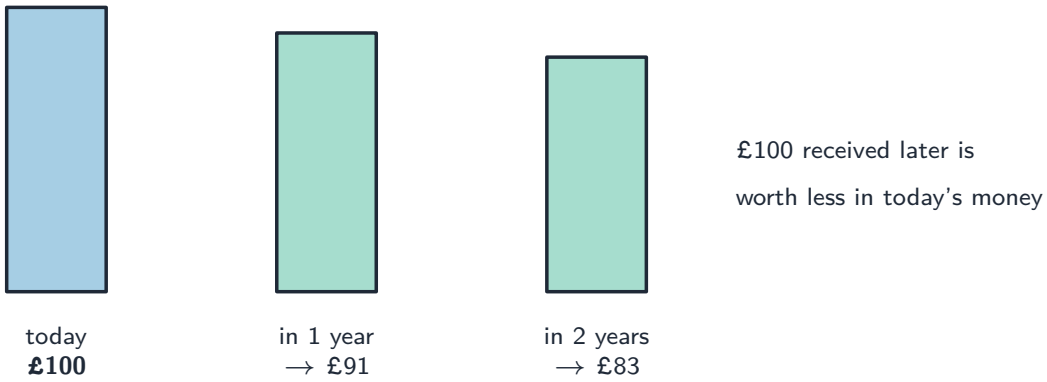
■ Appraising an investment



Payback = the time for inflows to repay the initial cost

$$\text{ARR} = \frac{\text{average annual profit}}{\text{initial investment}} \times 100\%$$

- **Worked ARR:** machine costs \$100,000, average annual profit \$25,000 $\rightarrow \frac{25000}{100000} \times 100 = 25\%$.
- **Payback:** count years until cumulative inflows repay the cost; a shorter payback is safer.
- **NPV:** future money is worth less than money today, so **discounting** shrinks future cash flows; a positive NPV adds value.



Discounting (the idea behind NPV): money is worth less the longer you wait for it

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

2 Practice

2.1 Define the term *payback period*. [2]

2.2 A machine costs $80,000 and earns an average annual profit of $16,000. Calculate the ARR. [2]

2.3 State what **net present value (NPV)** recognises about future money. [2]

3 Exam-style questions

3.1 Explain one benefit to a business of using the **payback** method. [3]

3.2 A project costs $120,000 and is expected to earn cash inflows of $50,000 each year.

(a) Calculate the payback period. [3]

(b) Analyse one limitation of using payback alone to judge this project. [3]

3.3 A firm is appraising a major investment. Evaluate which investment appraisal method it should rely on. [12]

Solutions

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

2.1 the time it takes for a project's cash inflows to repay its initial cost (2 for a clear definition; 1 for a partial idea).

2.2 $\frac{16{,}000}{80{,}000} \times 100\% = 20\%$ (2; award 1 for a correct method with the wrong figure).

2.3 that money received in the future is worth less than the same money today (2 for a clear idea; 1 for a partial idea).

3.1 *[3]* **AO1** 1 — name a benefit (simple to calculate; focuses on risk; shows how soon cash returns). **AO2** up to 2 — develop it, e.g. a short payback returns the cash quickly → less risk that conditions change → useful for a firm short of cash (2 developed / 1 limited).

3.2 (a) after 2 years \$100,000 is repaid; \$20,000 of the third year's \$50,000 remains → $2 + \frac{20{,}000}{50{,}000} = 2.4$ years (3; award marks for correct cumulative working). (b) *[3]* AO1/AO2 1 + AO3 up to 2 — payback ignores all cash flows **after** the payback point → a project with a slightly longer payback but much higher later returns could be wrongly rejected → it ignores total profitability.

3.3 *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **Payback:** simple, risk-focused — but ignores later cash and total profit. **ARR:** shows profitability and is easy to compare — but ignores the timing of cash. **NPV:** most complete (accounts for the time value of money) — but complex and needs a chosen discount rate. Judgement: no single method is best; a firm short of cash may weight payback, while a long-term project suits NPV — the best approach uses more than one method and depends on the firm's priorities.

3 **(a)** Using the data in Table 1.3, calculate the payback period for PPP's proposed new machine.

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..... [2]

(b) Using the data in Table 1.3, calculate the accounting rate of return (ARR) for PPP's proposed new machine.

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(c) Evaluate whether PPP should invest in the new machine.

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[12]

3 **(a)** Using the data in Table 1.2, calculate the payback period of the country C location.

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(b) Using the data in Table 1.3, calculate the accounting rate of return (ARR) of the country D location.

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(c) Evaluate which location KTJ should choose for its new factory.

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3 **(a)** Using the data in Table 1.1, calculate the payback period.

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(b) Using the data in Table 1.1, calculate the net present value (NPV) over six years discounted at 8%.

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(c) Evaluate LBM's decision to go ahead with the hot water mine.

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[12]

A-LEVEL BUSINESS • EXERCISE SHEET

10.4 Finance and accounting strategy

Name: _____ Class: _____ Date: _____ **Total: 29 marks**

KEY WORDS financial data 财务数据 • financial statements 财务报表 • finance and accounting strategy 财务战略 • investment appraisal 投资评估 • gearing 杠杆比率

Objective

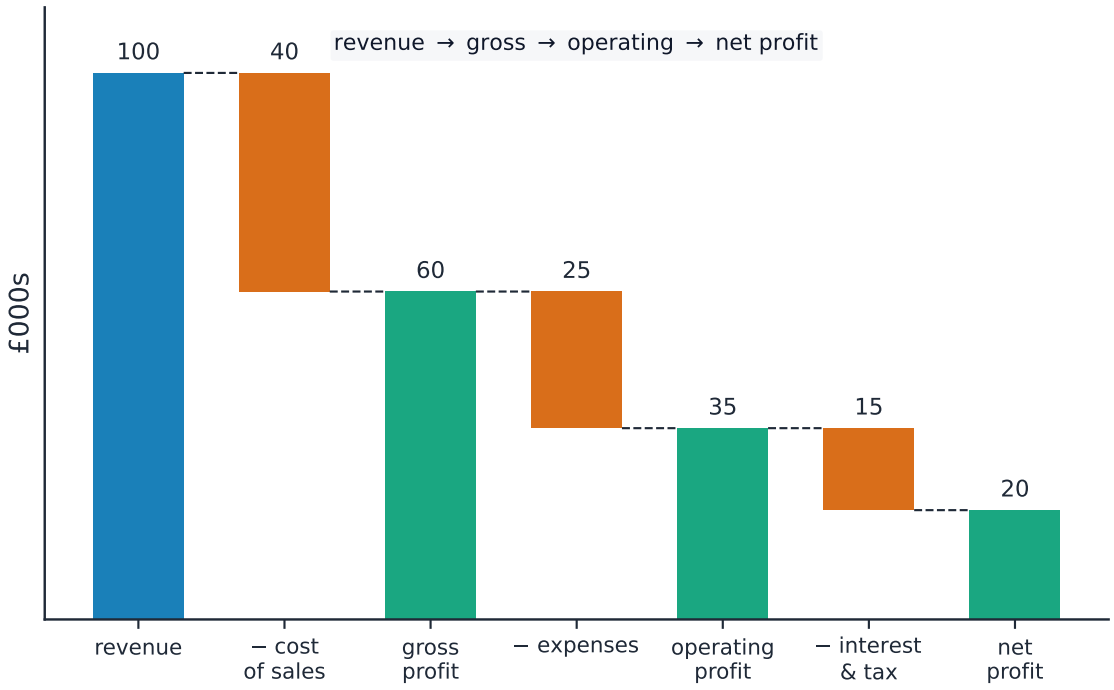
Build the skills to answer exam questions on **finance and accounting strategy** 财务战略 — how managers use **financial data** 财务数据, ratios and **investment appraisal** 投资评估 to make big strategic decisions, and the limits of relying on numbers alone.

You must be able to:

- explain how financial data supports a strategic decision
- describe the financial questions managers ask before a major spend
- analyse and evaluate the role of financial information in strategy

1 Worked examples

■ Using finance to choose a strategy



Financial statements (here the income statement), ratios and appraisal feed strategic decisions

Numbers turn a risky guess into a reasoned choice — but they are only part of the picture

Before a big decision, managers ask:

- **Can we afford it?** (cash flow, existing debt and gearing)
- **How will it affect profit and return?** (ROCE, ARR, NPV)
- **What is the risk?** (payback, the effect on liquidity)

Financial data must still be weighed with the market, the staff and the firm's objectives.

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

2 Practice

2.1 State two financial questions managers ask before a major investment. [2]

2.2 Define the term *gearing*. [2]

2.3 State one non-financial factor managers should also consider in a strategic decision. [2]

3 Exam-style questions

3.1 Explain one reason why financial data is useful in making a strategic decision. [3]

3.2 Analyse two financial factors a business should consider before a major investment. [8]

3.3 'Financial data is the most important factor in any strategic decision.' Evaluate this view. [12]

Solutions

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

2.1 any two of: can we afford it (cash/gearing)?; how will it affect profit and return?; what is the payback/risk?; how will it affect liquidity? (1 + 1).

2.2 the proportion of a firm's long-term capital that comes from borrowing rather than from owners (2 for a clear definition; 1 for a partial idea).

2.3 any one of: the market and competition; staff morale and skills; the firm's objectives; ethics or the environment (2 for a developed point; 1 for a basic one).

3.1 *[3]* **AO1** 1 — give a reason (it measures cost, profit, return and risk objectively). **AO2** up to 2 — develop it, e.g. comparing the NPV of two projects shows which adds more value → managers choose the better one → resources are used well (2 developed / 1 limited).

3.2 *[8]* For **each** of two factors: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *gearing/affordability*: a heavily borrowed firm → high interest risk → it may delay or fund the project with equity instead. *Return (NPV/ARR)*: a project with a positive NPV → adds value over its life → worth investing in if cash allows. Maximum 4 per factor, 8 total.

3.3 *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **For:** financial data is objective, measures cost, return and risk, and underpins affordability. **Against:** numbers use estimates and past data, and ignore the market, competition, staff and ethics; a profitable-looking plan can still fail for non-money reasons. Judgement: financial data is essential but rarely sufficient alone — the best decisions weigh it against market and human factors and the firm's objectives; its importance depends on the type of decision.