

Week 50

# A-Level Business

Homework bundle for this week

本周作业合集

exercises.lol

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## 10. Finance and accounting (A Level)

Starter Quiz · 课前小测

A-Level Business

Name: \_\_\_\_\_ Score: \_\_\_\_\_

- Revenue is 250 and cost of sales is 160. What is the gross profit?  
\_\_\_\_\_
- 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
- Gross profit is 90 and revenue is 300. What is the gross profit margin (%)?  
\_\_\_\_\_
- Cost of sales is 240 and average inventory is 40. What is the inventory turnover (times)?  
\_\_\_\_\_
- An investment costs 24,000 and returns net cash of 6,000 a year. What is the payback period (years)?  
\_\_\_\_\_
- 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
- Gross profit is 90 and expenses are 55. What is the operating profit?  
\_\_\_\_\_
- 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**

$$\text{Gross profit} = 250 - 160 = 90.$$

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

Depreciation applies to long-lived non-current assets.

3. **30**

$$90 \div 300 \times 100 = 30\%.$$

4. **6**

$$240 \div 40 = 6 \text{ times a year.}$$

5. **4**

$$24,000 \div 6,000 = 4 \text{ years.}$$

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

Ratios mean little without comparison.

7. **35**

$$\text{Operating profit} = 90 - 55 = 35.$$

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**

$$\text{Assets} = \text{liabilities} + \text{equity} \text{ — the balance sheet balances.}$$

10. **True**

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

# 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

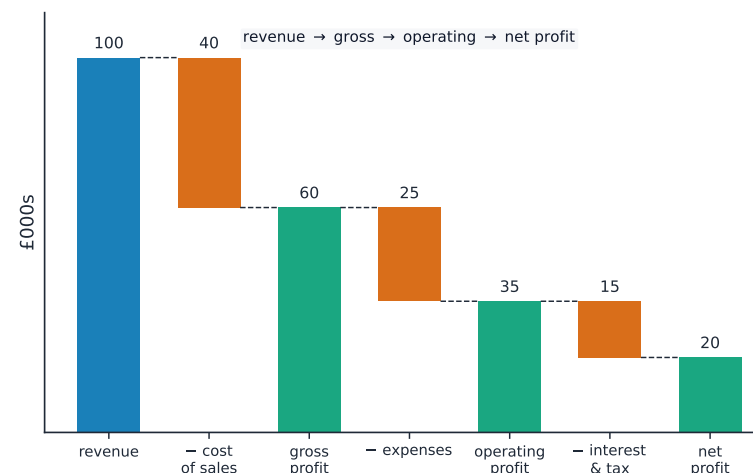
Build the skills to answer exam questions on **financial statements** 财务报表 — the **income statement** 利润表, the **statement of financial position** 财务状况表 (balance sheet), and **depreciation** 折旧.

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

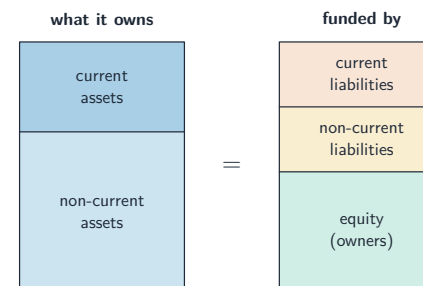
### ■ Income statement and balance sheet



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

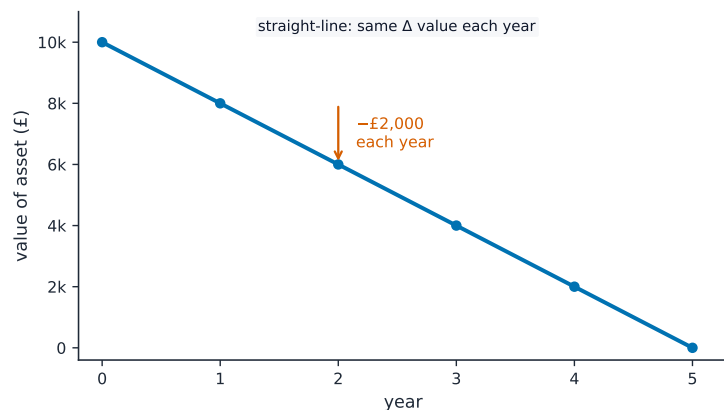
gross profit = revenue – cost of sales

- **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]

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

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2.3 Define the term *depreciation*. [2]

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## 3 Exam-style questions

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

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

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**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.

# 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

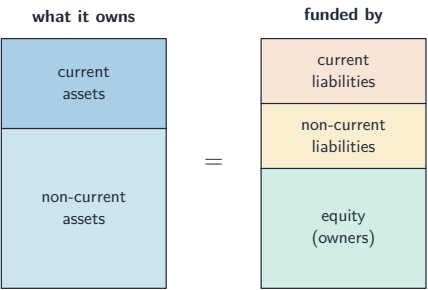
Build the skills to answer exam questions on **analysis of published accounts** 财报分析 — **ratio analysis** 比率分析: **profitability** 盈利能力 (gross/operating margin, ROCE), **liquidity** 流动性 (current and acid-test ratio), and **gearing** 杠杆.

**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*

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

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

- **Worked current ratio:** current assets \$60,000, current liabilities \$30,000 →  $\frac{60000}{30000} = 2.0$  (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.

## 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

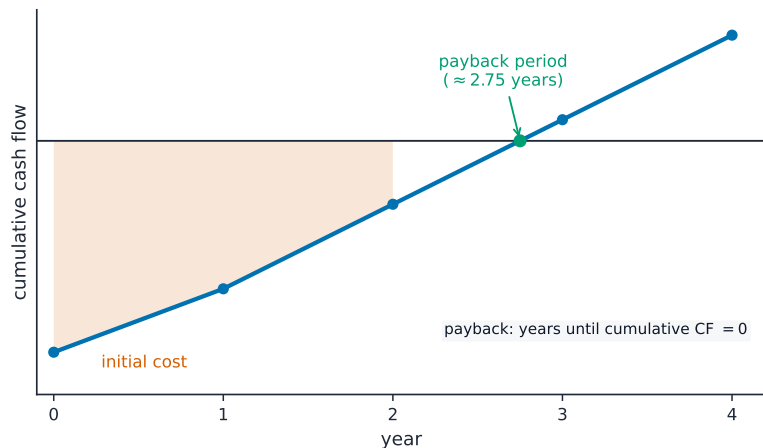
Build the skills to answer exam questions on **investment appraisal** 投资评估 — the **payback period** 回收期, the **accounting rate of return** 会计回报率 (ARR), and **net present value** 净现值 (NPV).

**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]

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

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

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## 3 Exam-style questions

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

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**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]

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

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**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  $\rightarrow 2 + \frac{20,000}{50,000} = 2.4$  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  $\rightarrow$  a project with a slightly longer payback but much higher later returns could be wrongly rejected  $\rightarrow$  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.

[2]

[2]

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

[2]

[2]

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

[illegible]

..... [12]

[12]

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

[2]

[2]

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

[2]

[2]

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

This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the entire width of the page. There are no margins, text, or other markings present.

..... [12]

[12]

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

[2]

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

[2]

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

[12]

# 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

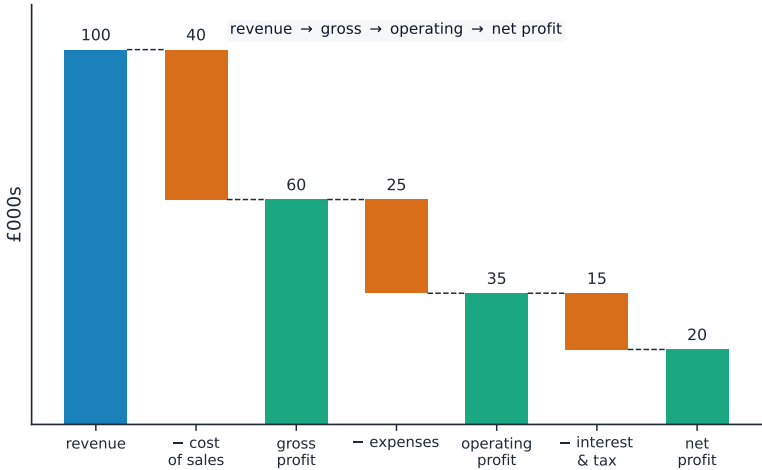
Build the skills to answer exam questions on **finance and accounting strategy** 财务战略 — how managers use **financial data** 财务数据, ratios and **investment appraisal** 投资评估 to make big strategic decisions, and the limits of relying on numbers alone.

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]

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**2.2** Define the term *gearing*. [2]

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

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## 3 Exam-style questions

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

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

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

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## Solutions

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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.