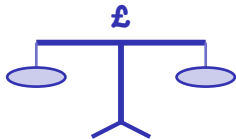


Finance & Accounting

A-Level Business ■ Topic 10

A-Level Business



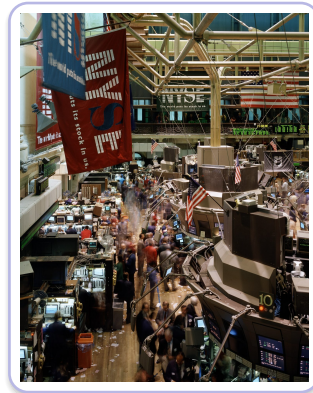
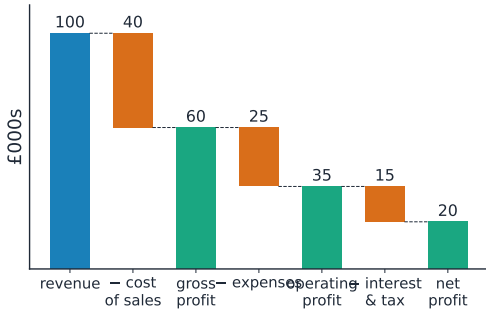
What we will cover

- 1 Financial statements
- 2 Depreciation
- 3 Profitability ratios
- 4 Liquidity & gearing
- 5 Investment appraisal
- 6 Recap



statements reveal performance

The income statement



ratios stock

Statement of financial position

what it owns

current assets
non-current assets

=

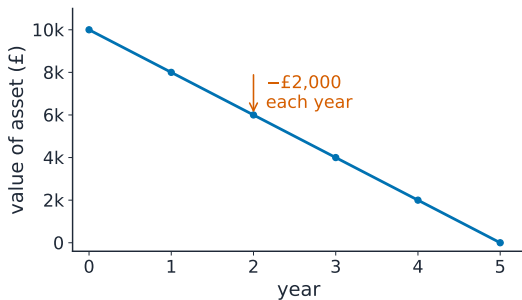
funded by

current liabilities
non-current liabilities
equity (owners)

The **balance sheet** 资产负债表 is a photo of what the firm owns and owes on one day.

assets 资产 = **liabilities** 负债 + **equity** 所有者权益 – the two sides always **balance**.

Depreciation



Depreciation 折旧 spreads a non-current asset's cost over the years it is used. A £10,000 machine over 5 years loses £2,000 a year – an expense each year, so profit is not overstated.

Profitability ratios

40%

of revenue

gross profit

$$\text{ROCE} = \frac{\text{op. profit}}{\text{capital employed}} \times 100\%$$

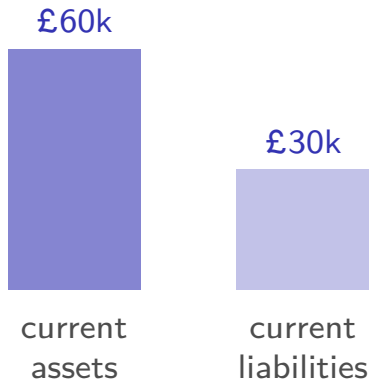
Profitability 盈利能力: how well sales & capital turn into profit.

Worked example

rev £500k, gross £200k, op. £80k, capital £400k

gross margin 毛利率 = 40%; op. margin = 16%; **ROCE** 资本回报率 = 20%

Liquidity and gearing



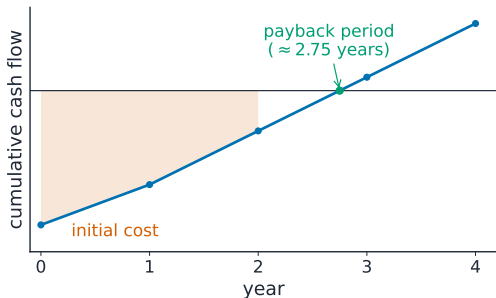
Liquidity 流动性 – can it pay short-term debts?

$$\text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}} = 2.0$$

acid test 速动比率 (drop inventory) = 1.2.

Gearing 杠杆比率 = $\frac{\text{non-current liabilities}}{\text{capital employed}}$ –
high = heavy borrowing.

Payback and ARR



The **payback period** 回收期 is when cumulative cash flow climbs back to zero – shorter is safer.

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

ARR 会计回报率: £25k profit on £100k = 25%.

Net present value and discounting



Discounting 折现 shrinks future cash to today's value – £100 next year is worth ~£91 now.

NPV 净现值 = discounted inflows – initial cost. A **positive NPV** adds value.

Topic 10 – key takeaways

1

Statements

income statement & balance sheet

2

Profitability

margins & ROCE measure profit

3

Liquidity

current & acid test; gearing = borrowing

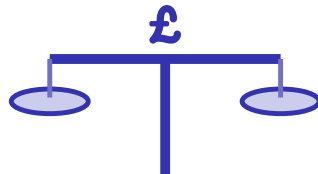
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Appraisal

payback, ARR, NPV judge projects

Check yourself

- 1 Revenue minus cost of sales gives what?
- 2 Assets equal liabilities plus what?
- 3 Acid test drops which current asset?
- 4 A positive NPV means a project does what?



Answers 1. gross profit 2. equity 3. inventory 4. adds value