Solutions

Marking: **M1** a correct method, **A1** the correct answer, **B1** an independent mark.

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

2.1

assets that will be turned into cash or used within one year; e.g. cash, inventories, trade receivables

2.2

gross profit: sales revenue minus cost of sales; profit for the period: what remains after all expenses, interest and tax are also taken away

2.3

gross profit $= 500 - 300 =$ **200**; profit before interest and tax $= 200 - 120 =$ **80**; profit before tax $= 80 - 10 =$ **70**; profit for the period $= 70 - 14 =$ **56** ($000), with correct labels and layout

2.4

$400\,000 + 150\,000 - 90\,000 - 160\,000 =$ $\mathbf{300\,000}$

2.5

(a) $(50\,000 - 5\,000) \div 5 =$ $\mathbf{9\,000}$ per year; NBV after 2 years $= 50\,000 - 18\,000 =$ $\mathbf{32\,000}$; (b) year 1: $50\,000 \times 0.3 = 15\,000$, NBV $35\,000$; year 2: $35\,000 \times 0.3 = 10\,500$, NBV $=$ $\mathbf{24\,500}$

3.1

award up to [10]: revenue rose from 800 to 950 (about 19%); but gross profit rose only from 320 to 330, so cost of sales grew faster than revenue; gross profit margin fell from 40% to about 35%; profit before interest and tax fell from 120 to 100 as expenses rose; shareholders: lower profit may mean lower dividends and share value; employees: growing sales support jobs, but falling profit may lead to cost cuts; bank: cash fell from 60 to 15 and loans more than doubled to 220: higher risk of not repaying; limits: only two years, no data on competitors or the economy; balanced judgement

3.2

(a) $500\,000 - 350\,000 =$ $\mathbf{150\,000}$

(b) any two, explained: no physical form and no market price, so the value is an estimate; value can change quickly, e.g. a brand damaged by a scandal; different valuers or methods give different figures, allowing window dressing

exercises.lol exercises.com.cn