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

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

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

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