Solutions

IGCSE Business answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

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

2.1

- **gross profit** is **revenue minus cost of sales** (K)

2.2

$$\$150\,000 - \$90\,000 = \$\mathbf{60\,000}$$

(K)

2.3

- any **one** stakeholder + reason: **owners** (check profit) / **lenders** (loan is safe) / **managers** (spot problems) (K)

3.1

$$\$60\,000 - \$40\,000 = \$\mathbf{20\,000}$$

(K)

3.2

- for **each** of two reasons: K + An, max 3 each
- e.g. **show profit**: owners judge the firm's success
- e.g. **find problems**: comparing with last year shows if costs are rising

3.3

- **serious**: high expenses leave little for owners; vulnerable if sales fall
- **not always**: investing in growth now may raise future profit
- **judgement (Ev)**: a warning — wasteful spending is a real problem; planned investment may not be