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 margin** is gross profit as a **percentage of revenue** (K)

2.2

$$\text{ROCE} = \frac{\$30\,000}{\$150\,000} \times 100\% = \mathbf{20}\%$$

(K)

2.3

- the **current ratio** measures whether a business can pay **short-term debts** from current assets (K)

3.1

(a)

$$\text{current ratio} = \frac{\$40\,000}{\$20\,000} = \mathbf{2.0}$$

(K)

(b)

$$\text{acid test} = \frac{\$40\,000 - \$10\,000}{\$20\,000} = \mathbf{1.5}$$

(K)

3.2

- for **each** of two reasons: K + An, max 3 each
- e.g. **judge performance**: profit per $1 of sales → owners see if the firm is doing well
- e.g. **compare**: with last year or rivals → managers spot a fall and act

3.3

- **worried**: costs rising faster than sales, or prices cut → less profit
- **not always**: a one-off cost or a deliberate price cut to win share
- **judgement (Ev)**: a warning — a lasting fall is serious; a one-off or strategic fall may not be