IGCSE BUSINESS STUDIES • EXERCISE SHEET

5.5 Analysis of accounts

Name: ______________ Class: __________ Date: ____________ **Total: 22 marks**

KEY WORDS ratios 比率 • current ratio 流动比率 • profit margin 利润率 • roce 资本回报率 • profitability 盈利能力

Objective

Build the skills to answer exam questions on the **analysis of accounts** 账目分析 — **profitability** 盈利能力 ratios (gross profit margin, profit margin, **ROCE** 资本回报率) and **liquidity** 流动性 ratios (current ratio, acid test).

You must be able to:

- calculate profitability and liquidity ratios
- explain what each ratio shows
- analyse a business's performance and who uses the ratios

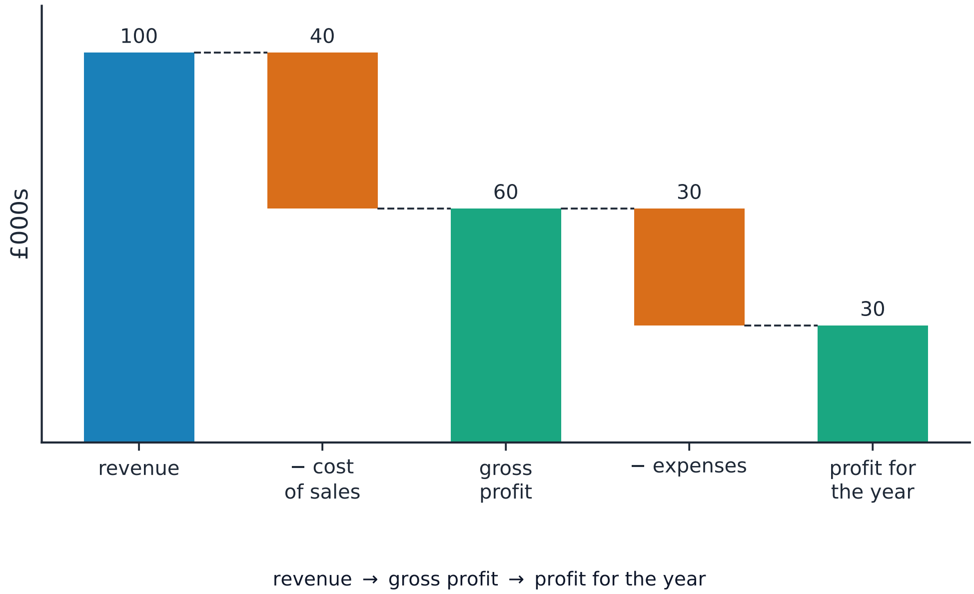
1 Worked examples

■ Key ratios

A ratio compares two figures from the accounts

$$\text{gross profit margin} = \frac{\text{gross profit}}{\text{revenue}} \times 100\% \qquad \text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

- **Worked GP margin:** gross profit $80,000, revenue $200,000 → $\frac{80000}{200000} \times 100 =$ 40%.
- **ROCE** 资本回报率 = profit ÷ capital employed × 100 (how well the investment is used).
- **Current ratio** 流动比率: about 1.5–2 is healthy; **acid test** 速动比率 leaves out inventory.



Profitability ratios (gross/net margin, ROCE) are read straight off the income statement

Answer shapes: K + App + An + Ev (a justified judgement, for "do you think" questions).

2 Practice

2.1 State what the **gross profit margin** measures. [2]

2.2 A business has a profit of $30,000 and capital employed of $150,000. Calculate the ROCE. [2]

2.3 State what the **current ratio** measures. [2]

3 Exam-style questions

3.1 A business has current assets of $40,000 (including $10,000 inventory) and current liabilities of $20,000.

(a) Calculate the current ratio. [2]

(b) Calculate the acid test ratio. [2]

3.2 Explain two reasons why a business calculates profitability ratios. [6]

3.3 A business's profit margin has fallen this year. Do you think the owners should be worried? Justify your answer. [6]