Solutions

Marking: **K** knowledge, **App** use of the case or data, **An** analysis (a chain of reasons: cause, then effect), **Ev** evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer; **B1** is an independent mark.

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

2.1

$40 + 15 - 30$

$=$ **25** days

for 25 days the kitchen has paid for its stock but not yet been paid by its customers, so it must fund this with its own cash

2.2

$$\frac{12{,}000}{146{,}000} \times 365$$

$=$ **30** days

2.3

debt: (a), (c)

equity: (b), (d)

2.4

the overdraft is short-term money and can be cancelled at any time, but the oven pays back over 10 years

this breaks the matching principle; use a loan or lease that runs for the oven's life

3.1

(a) £**30**,**000**

(b) $210{,}000 \times 0.24 =$ £**50**,**400**

(c) £**20**,**400**; a **68**% rise against 40% growth in sales

(d) stock and money owed by customers are assets, not costs; the cash is tied up before the profit is received

3.2

(a) $0.5(7 \times 0.75) + 0.5(12) =$ **8.6**% (accept 8.63%)

(b) the debt must be repaid in 3 years, but the fit-out earns its cash over 10; Nimbus may need to borrow again at a bad time, or run short of cash

(c) ask for a longer loan, e.g. 7–10 years, to match the asset's life

3.3

(a) $192{,}000 \times \dfrac{6}{365} \approx$ £**3**,**160**

(b) **5–6**: this is overtrading: profit with no cash (K); faster collection is quick and cheap, but releases only about £3,160 and may upset catering clients (App); paying later helps a little but must be agreed honestly, or suppliers may cut credit (An); new equity is slow and costly (12%, shared ownership) but fixes the gap for good (An); judgement with a reason, e.g. collect faster and agree terms with suppliers now, and raise equity sized to the working capital that growth needs (Ev). **3–4**: one side analysed, or no judgement. **1–2**: relevant points.

exercises.lol exercises.com.cn