

Reading the accounts: financial statements

A Level 10.1 Profit or loss · financial position · inventory valuation · depreciation

Dr Moaz Tariq · Cambridge International AS & A Level Business 9609

Running case: Wahat Foods · 60 minutes

How this topic is examined

Paper 3 · Decision-making · 60 marks · 1 h 45

Calculate operating profit margin [2]

Value inventory using NRV [2]–[4]

Amend a statement after a change [3]–[4]

Evaluate difficulties of valuing inventory [12]

Paper 4 · Business strategy · 40 marks · 1 h 15

Advise on the usefulness of financial statements [20]

Evaluate the impact of a strategy on the accounts [20]

Use the timeline and data

Link accounts to strategy

Typical questions on this topic

Calculate, using net realisable value, the value of [product] inventory. [4]

Evaluate the difficulties for [business] of correctly valuing its inventory. [12]

Analyse two difficulties [business] may have when valuing inventory. [8]

Calculate the operating profit margin. [2]

Advise on the usefulness of financial statements when developing a new strategy. [20]

By the end of this lecture you can...

- 1 Explain the purpose and contents of the statement of profit or loss.
- 2 Amend a statement of profit or loss after a change.
- 3 Explain the contents of the statement of financial position.
- 4 Link items between the two statements.
- 5 Value inventory using net realisable value.
- 6 Calculate straight-line depreciation and its impact.

END OF PREVIEW

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