

Did the business make a profit, and what does it own and owe?

Syllabus sections 5.3 Income statements · 5.4 Statement of financial position

Dr Moaz Tariq · Cambridge O Level Business 7081

Running case: McDonald's · 55 minutes

How this topic is examined

Paper 1 • Short answer and data response

Define [2] • Calculate X and Y [2]

State whether each is a current asset or liability [4]

Outline [4] • Explain [6]

Do you think... Justify your answer [6]

Paper 2 • Case study

Explain two reasons why profit is important to... [8]

Consider why three financial statements are important. Which is most important? Justify your answer [12]

Typical questions on this topic

Define 'cost of sales' or 'non-current assets'. [2]

Calculate X and Y in the income statement. [2]

Outline two possible reasons why [business]'s gross profit is decreasing. [4]

Explain two reasons why profit might be important to a business. Which is most important? [6]

Do you think increasing prices is the best way for a business to increase its profit? [6]

Identify two financial statements the directors need before expanding. Explain why. [8]

By the end of this lecture you can...

- 1 Explain what profit is and why it is important.
- 2 Read and complete an income statement.
- 3 Explain how managers and others use the income statement.
- 4 Classify assets and liabilities in a statement of financial position.
- 5 Calculate working capital and capital employed.
- 6 Explain how the statements are used, and how they differ from a cash-flow forecast.

END OF PREVIEW

Get the full lecture, notes and exam resources

Full slides, notes handout, revision sheet, practice paper, mark scheme, model answers and answer templates are included with the Exam Masterclass.

Join the Exam Masterclass

gceeducation.com