# Activity — Questions for non-accountants

Answer all of the following questions. There is only one correct response for each of the first four questions.

1. High warehousing costs are likely to be a result of:
2. Staff training
3. Having to retain very high levels of inventory/stocks
4. The relatively low profit margin being made on the firms products

The size of dividends paid to shareholders

1. Being able to hold very low levels of inventory may enable a company to:
2. Charge higher prices for their products
3. Increase sales in the key target markets
4. Provide greater training for the warehouse staff
5. Reduce costs associated with storage
6. A danger of holding a very low level of inventory/stock is:
7. The company may run out of products to sell
8. The company may be fined by the government
9. Profits will rise
10. That warehouse costs will increase
11. Having excessive levels of inventory/stocks could:
12. Create shortages for customers
13. Increase the likelihood that some stock is damaged or perishes
14. Help increase company profits
15. Make the company more efficient
16. Referring to the financial information on the following two pages select three financial terms from the left hand column that could be used to assess company performance

**Item 1**

**Item 2**

**Item 3**

**Consolidated income statement**

| Year | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| --- | --- | --- | --- | --- | --- | --- |
| Costs | £000 | £0000 | £000 | £000 | £000 | £000 |
| **Revenue** | 50964 | 51407 | 54191 | 51595 | 48555 | 45587 |
| Cost of sales | (26027) | (25847) | (26864) | (26497) | (24165) | (18996) |
|  |  |  |  |  |  |  |
| **Gross profit** | 24937 | 25560 | 27327 | 25098 | 24390 | 26591 |
| Distribution costs | (16977) | (15554) | (16601)) | (15308) | (14066) | (15570) |
| Administrative expenses | (5654) | (6014) | (6128) | (6127) | (5747) | (6015) |
|  |  |  |  |  |  |  |
| **Operating profit** | 2306 | 3992 | 4598 | 3663 | 4577 | 5006 |
| Finance income | 90 | 37 | 131 | 179 | 179 | 208 |
| Finance costs | (641) | (704) | (602) | (609) | (525) | (347) |
|  |  |  |  |  |  |  |
| **Profit on ordinary activities before taxation** | 1755 | 3325 | 4127 | 3233 | 4231 | 4867 |
| Taxation | (544) | (495) | (1352) | (1128) | (1110) | (1406) |
|  |  |  |  |  |  |  |
| **Profit for the financial year** | 1211 | 2830 | 2775 | 2105 | 3121 | 3461 |
|  |  |  |  |  |  |  |

**Consolidated statement of financial position at 31st December 2023–2018**

| Year | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| --- | --- | --- | --- | --- | --- | --- |
| Costs | £000 | £0000 | £000 | £000 | £000 | £000 |
| **Non-current assets** |  |  |  |  |  |  |
| Tangible assets | 19078 | 19719 | 19679 | 20295 | 22686 | 20866 |
|  |  |  |  |  |  |  |
| **Current assets** | 12034 | 11110 | 11604 | 13501 | 14069 | 14081 |
|  |  |  |  |  |  |  |
| **Total assets** | 31112 | 30829 | 31283 | 33796 | 36755 | 34947 |
|  |  |  |  |  |  |  |
| **Equity reserves** |  |  |  |  |  |  |
| Ordinary share capital | 10000 | 10000 | 10000 | 10000 | 10000 | 10000 |
| **Retained earnings** | 557 | 2062 | 886 | 732 | 8028 | 6516 |
|  | 10557 | 12062 | 10886 | 10732 | 18028 | 16516 |
|  |  |  |  |  |  |  |
| **Non-current liabilities** | 7000 |  | 6522 | 9325 | 5206 | 2280 |
| Provision for liabilities and charges | 738 | 901 | 1436 | 1418 | 1454 | 1506 |
|  |  |  |  |  |  |  |
| **Current liabilities** | 12817 | 17866 | 12439 | 12321 | 12067 | 14645 |
|  |  |  |  |  |  |  |
| **Total Liabilities** | 31112 | 30829 | 31283 | 33796 | 36755 | 34947 |

1. Study the financial figures for each financial term you have selected in question 5, and in a few lines assess the performance of this company.
2. Suggest one further item or detail of financial information not contained in the financial statements that would be useful in helping to assess company performance.