

Answer ALL questions

1. (a) Using examples that would apply to Mac's Models Ltd (**Appendix 2**), describe what is meant by each of the following:

- fixed assets
- current liabilities.

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(4)

(b) Calculate for Mac's Models Ltd:

- ONE profitability ratio
- ONE liquidity ratio.

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(14)

The value of the delivery van is expected to depreciate by £2 000 per year.

(c) (i) Define the **straight line method** of depreciation.

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(1)

(ii) Using the straight line method, calculate the number of years it would take for the residual value of the van to reach zero.

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(3)



