Chapter 12 – PP Q's Ratio Analysis

All ratios have to given as something to one e.g. X:1 or 2:1 etc...

Give answers to two decimal places or else you will lose marks

Always the same format:	formula -> fiç	gures -> answer	
2015 Q3 – Short			
Using the figures below Auburn Publishing Ltd fo		e Net Profit Percentage	(Margin) of
Sales Gross Profit	: Expe	nses	
€50,000 €22,0		€12,000	
(b) If the Net Profit Perce	entage for 201	13 was 25%, outline how m	anagement
could use this information	n in making d	ecisions.	
(a)			
<u>(b)</u>			
(10)			
2011 – Short Q2			
(a) Explain the term 'Retu	ırn on Investn	nent' (ROI).	
(b) Using the figures belo	w calculate th	ne ROI for 'Natural Options	Ltd.'.
Net Profit	€ 57,000	Ordinary Share Capital	€ 140,000
Reserves	€ 56,000	Long Term Loan	€ 24,000
<u>(a)</u>			
(b)			
 			

UNIT 4

RATIO ANALYSIS

The Business Guys

2021 Short - Q8

Stylish Tile & Bath Ltd provided the following financial information for 2020:

_ 1	<u> </u>	
Net Profit	€72,000	Return on
Issued Ordinary Share Capital	€450,000	Investment 2019 =
Long Term Loan	€100,000	7%
Retained Earnings	€26,000	

- (i) Calculate the **Return on Investment (ROI)** for the owners of Stylish Tile & Bath Ltd for 2020. Show your formula and your workings.
- (ii) Analyse the significance of the change in the Return on Investment for Stylish Tile & Bath Ltd.

MS: (i) 6m (6 @ 1m) (ii) 4m (2+2)

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(ii)	

UNIT 4

RATIO ANALYSIS

The Business Guys

2013 Q3 - Short

(a) Using the figure	es helow calcu	ulate the Current Ra	tio for 'Sentry Ltd'
Debtors	€12,000		€20,000
Cash	€15,000		€50,000
Closing Stock	€ 8,000	Cicators	C30,000
_	-	sition of Sentry Ltd:	
(b) comment on the	ic liquidity pe	Sition of Sentry Ltd.	•
(-)			
<u>(a)</u>			
_			
(b)			
2016 Q5 – Short			
		lata tha Daht/Cau	'tatic (Coowing) of
		•	ty ratio (Gearing) of
	-	formula and working	-
€130,000 €700		Ordinary Share Ca €220,000	pitai
		•	wly goared and the
possible effect this		s highly geared or lo	wiy geared and the
•		r the business. 2m; Answer 2m (b) 4	m (2±2)
ivis. (a) Formula Zi	ii, vvoikiiigs z	.iii, Aliswei Ziii (D) 4	III (474)
()			
<u>(a)</u>			
(b)			
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2012 Q5 (B)

The average performance of companies in the same industry as Bianua Ltd for 2011 is detailed in the table as follows:

Industry Average Results 2011	
ROI	11%
Current Ratio	2:1
Acid Test Ratio	1.2:1
Debt/Equity Ratio	0.3:1

The following figures are taken from the final accounts of Bianua Ltd for 2011.

Bianua Ltd figures for 2011	€
Net Profit	50,000
Sales	975,000
Current Assets (including closing stock)	155,000
Long Term Loan	300,000
Ordinary Share Capital	500,000
Current Liabilities	85,000
Retained Earnings	100,000
Closing Stock	80,000

- (i) Calculate the following for 2011 for Bianua Ltd:
- Return On Investment (ROI)
- Current Ratio
- Acid Test Ratio
- Debt/Equity Ratio. (20 marks)

MS: Ratio formula 1m each & calculation (5m + 3m + 4m + 4m)

Return On Investment (ROI)	

rrei		

Acid Test Ratio
Debt Equity Ratio
Debt Equity Natio
(ii) Analyse the <i>profitability</i> and <i>liquidity</i> of Bianua Ltd for 2011, with reference to the industry average results shown in the box above, and make recommendations for Bianua Ltd. (20 marks)
MS: 10m each – (3m + 2m + 2m + 3m) x 2
Profitability & Recommendation for Bianua Ltd
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Liquidity & Recommendation for Bianua Ltd
*This type of question also some up in 2010 and 2017, but asked you to

This type of question also came up in 2010 and 2017, but asked you to analyse the trends for different stakeholders and for two limitations of the trends

2010 Q5 (B)

From the figures given below for 2009 calculate the following for CES Ltd.:

(i) Net profit margin; (iii) Acid Test ratio;(ii) Current ratio; (iv) Debt Equity ratio.

2010 Q5 (C)

Analyse the significance of the trends over the two years (2008/2009) for the following stakeholders:

(i) Investors/shareholders; (ii) Suppliers; (iii) Employees.

2017 Q6 (B)

From the figures given below for **2016 calculate** the following for Equinox Design Ltd. (show your workings):

(i) Net profit margin; (iii) Return on Investment

(ii) Current ratio; (iv) Debt Equity ratio. (20m)

Equinox Design Ltd: Information for 2016		Equinox Design Ltd: Results for 2015	
Sales	€200,000	Net Profit Margin	20.5%
Net Profit	€30,400	Current Ratio	2:1
Current Assets	€20,000	Return on Investment	8%
Current Liabilities	€16,000	Debt/Equity Ratio	0.7:1
Issued Ordinary Share Capital	€300,000		-
Long-Term Loan	€400,000		
Retained Earnings	€60,000		

2017 Q6 (C)

- (i) Analyse the profitability and liquidity of Equinox Design Ltd for 2016, with reference to the results for 2015 shown in the box above.
- (ii) Should Equinox Design Ltd expand its business? Outline **one** reason for your answer.
- (iii) Outline **two** limitations of using ratios to analyse the final accounts of a business. (25m)

UNIT 4

RATIO ANALYSIS

The Business Guys

2018 Q7 - Short

- (a) Explain the term working capital
- (b) Outline two problems caused by insufficient working capital for a startup business

MS: (2+2); 2@3

No marks awarded for just repeating the explanation in (a)

(a)	
	_
(b) 1.	_
	_
<u>2.</u>	_

2019 Q5 (B)

The figures in the table below were taken from the final accounts of BioMed Ltd.

	2017	2018
Current Assets (including closing stock)	40,000	62,500
Current Liabilities	20,000	25,000
Closing Stock	10,000	42,500

- (i) Explain what is meant by a liquidity problem in a business.
- (ii) Calculate the Current ratio **and** the Acid test ratio for BioMed Ltd for 2017 **and** 2018. **Show your workings.**
- (iii) Analyse the significance of the trends for the liquidity of BioMed Ltd. (25marks)

MS: (i) 3 marks; (ii) 16@1; (iii) (2+2+2)

(i) Explain what is meant by a liquidity problem in a business.
MS: 3 marks
Q5 (B) (ii) Calculate the Current ratio and the Acid test ratio for BioMed Ltd
for 2017 and 2018. Show your workings.
MS: 16@1
Q5 (B) (iii) Analyse the significance of the trends for the liquidity of BioMed
Ltd.
MS: (2+2+2)

2014 Q5 (B) The following figures are taken from the final accounts of Flame Ltd for 2013.

Flame Ltd	2013
	€
Authorised Share Capital	900,000
Issued Share Capital	450,000
Long Term Loan	200,000
Retained Earnings	150,000

- (i) Explain the term 'Debt/Equity Ratio'.
- (ii) Calculate the Debt/Equity Ratio for 2013. Show your workings.
- (iii) Discuss the importance of the Debt/Equity Ratio when deciding on new sources of finance for Flame Ltd. (20 marks)

MS: (i) 4m (2m + 2m) (ii) 10m (Formula 2m, 3 figures @ 2m, answer 2m) (iii) Importance 6m (3m + 3m)

(i)	
(ii)	
(iii)	

This type of question also came up in 2009, but asked you to analyse the trends over different years

2009 Q5 (C) Using the figures given below calculate the Debt/Equity ratio of SES Ltd for the years 2006 **and** 2007

	2006	2007
Long Term Loans	300,000	364,000
Ordinary Share Capital	450,000	450,000
Retained Earnings	50,000	70,000

Comment on the significance of the trend in the Debt/Equity ratio over the two years for the existing shareholders (20 marks)

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