

Chapter 12 – PP Q's Ratio Analysis

All ratios have to be 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 -> figures -> answer

2015 Q3 – Short

Using the figures below, calculate the Net Profit Percentage (Margin) of Auburn Publishing Ltd for 2014:

Sales	Gross Profit	Expenses
€50,000	€22,000	€12,000

(b) If the Net Profit Percentage for 2013 was 25%, outline how management could use this information in making decisions.

(a)

(b)

2011 – Short Q2

(a) Explain the term 'Return on Investment' (ROI).

(b) Using the figures below calculate the ROI for 'Natural Options Ltd.'.

Net Profit	€ 57,000	Ordinary Share Capital	€ 140,000
Reserves	€ 56,000	Long Term Loan	€ 24,000

(a)

(b)

2021 Short – Q8

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

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)

(i)

(ii)

2013 Q3 – Short

(a) Using the figures below calculate the **Current Ratio** for 'Sentry Ltd'.

Debtors	€12,000	Bank Overdraft	€20,000
Cash	€15,000	Creditors	€50,000
Closing Stock	€ 8,000		

(b) Comment on the liquidity position of Sentry Ltd:

(a)

(b)

2016 Q5 – Short

(a) Using the figures below, calculate the Debt/Equity ratio (Gearing) of Lalco Ltd. for 2015. (Show your formula and workings.)

Reserves	Long-term Loan	Ordinary Share Capital
€130,000	€700,000	€220,000

(b) Outline whether Lalco Ltd. is highly geared or lowly geared **and** the possible effect this result has on the business.

MS: (a) Formula 2m; Workings 2m; Answer 2m (b) 4m (2+2)

(a)

(b)

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)

Current Ratio

Acid Test Ratio

Debt Equity Ratio

(ii) Analyse the *profitability and liquidity* 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

Liquidity & Recommendation for Bianua Ltd

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

2018 Q7 - Short

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

MS: (2+2); 2@3

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

(a) _____

(b) 1. _____

2. _____

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)
