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# Tipperary BATAI

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## Accounting Revision Seminar

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**Saturday  
27.04.2024**

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## Interpretation of Accounts

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## Question 5

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Presented by  
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Past Exam Question – Interpretation of Accounts		
Year	Exam Paper	Marking Scheme
2023 – Ryan Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2022 – Summer Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2021 – O’Connell Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2020 – Logan Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2019 – Kennedy Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2018 – Larchfield Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2017 – Goggin Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2016 - Mc Breen Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2015 – Springfield Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2014 – Robinson Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2013 – Waldron Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2012 – Hardy Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2011 – Munster Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>
2010 – Brophy Ltd	<a href="#">Click Here</a>	<a href="#">Click Here</a>

**PART A**

Ratios	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. <u>Percentage mark-up on costs</u>	(i)		(iv)					(ii)			(iv)			
2. <u>Return on Capital Employed</u>	(ii)		(ii)				(iii)		(iii)		(iii)		(iv)	
3. <u>The period of credit given to debtors</u>	(iii)		(iii)	(iii)		(iii)		(iv)			(ii)		(iii)	
4. <u>The net profit margin</u>	(iv)					(ii)		(iii)					(i)	
5. <u>The opening Stock</u>		(i)					(i)					(i)		
6. <u>The acid test ratio</u>		(ii)		(ii)	(ii)	(iv)	(iv)			(v)		(iv)		(v)
7. <u>The period of credit given to creditors</u>		(iii)			(iii)					(iv)		(iii)		(iv)
8. <u>The rate of stock turnover</u>		(iv)			(iv)		(ii)		(ii)	(iii)				(iii)
9. <u>The figure for purchases</u>			(i)			(i)		(i)			(i)		(ii)	
10. <u>The gross profit margin</u>				(i)	(i)				(i)			(ii)		
11. <u>How many more share can they sell</u>				(iv)					(iv)					
12. <u>The figure for closing Stock</u>										(i)				
13. <u>The figure for cost of sales</u>														(i)
14. <u>The net profit figure</u>														(ii)
15. <u>The figure for Gross Profit</u>										(ii)				

Ratios Formulas	
1. Percentage mark-up on costs	$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times \frac{100}{1}$ <p><b>Answer = %</b></p>
2. Gross Profit	<p>Sales – Cost of sales</p> <p><b>Answer = €</b></p>
3. Return on Capital Employed	$\frac{\text{Net Profit}}{\text{Capital Employed}} \times \frac{100}{1}$ <p><b>Answer = %</b></p>
4. Net Profit	<p>Gross profit - Expenses</p> <p><b>Answer = €</b></p>
5. The period of credit given to debtors	$\frac{\text{Debtors}}{\text{Credit Sales}} \times \frac{365}{1}$ <p><b>Answer = Days</b></p>
6. The net profit margin	$\frac{\text{Net profit}}{\text{Sales}} \times \frac{12}{1}$ <p><b>Answer = %</b></p>
7. The opening Stock	<p>Cost of Sales + Closing Stock – Purchases</p> <p><b>Answer = €</b></p>
8. The acid test ratio	<p>CA – Closing stock : CL</p> <p><b>Answer = X : 1</b></p>

Ratios Formulas							
9. The period of credit given to creditors	$\frac{\text{Creditors}}{\text{Credit Purchases}} \times \frac{365}{1}$ <p><b>Answer = Days</b></p>						
10. The rate of stock turnover	$\frac{\text{Cost of Sales}}{\text{Average Stock}}$ <p><b>Answer = Times</b></p>						
11. Average Stock	$\frac{\text{Opening} + \text{Closing stock}}{2}$ <p><b>Answer = €</b></p>						
12. The figure for purchases	<p>Cost of Sales + Closing Stock - Opening Stock</p> <p><b>Answer = €</b></p>						
13. The gross profit margin	$\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{12}{1}$ <p><b>Answer = €</b></p>						
14. How many more share can they sell	<p>Authorised Capital - Issued Capital</p> <p><b>Answer = Shares</b></p>						
15. The figure for closing Stock	<p>Opening stock + Purchases - Cost Of Sales</p> <p><b>Answer = €</b></p>						
16. The figure for cost of sales	<table style="width: 100%; border: none;"> <tr> <td style="width: 60%;"> <p>Openign Stock + Purchases - Closing Stock</p> </td> <td style="width: 5%; text-align: center; vertical-align: middle;"><b>OR</b></td> <td style="width: 35%;"> <p>Sales - Gross Profit</p> </td> </tr> <tr> <td colspan="3" style="text-align: right;"><b>Answer = €</b></td> </tr> </table> <p><b>Answer = €</b></p>	<p>Openign Stock + Purchases - Closing Stock</p>	<b>OR</b>	<p>Sales - Gross Profit</p>	<b>Answer = €</b>		
<p>Openign Stock + Purchases - Closing Stock</p>	<b>OR</b>	<p>Sales - Gross Profit</p>					
<b>Answer = €</b>							

### Adjustments

#### Percentage Mark up on costs

1. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) Percentage mark-up on cost. [2023 - Ryan Ltd](#)
2. You are required to calculate: (to 2 decimal places where appropriate).
  - (ii) Percentage mark-up on cost. [2021 - O'Connell Ltd](#)
3. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) Percentage mark-up on cost. [2016 - McBreen Ltd](#)
4. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) Percentage mark-up on cost. [2013 - Waldron Ltd](#)

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#### Return on capital Employed

1. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The return on capital employed. [2023 - Ryan Ltd](#)
2. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) Return on capital employed. [2021 - O'Connell Ltd](#)
3. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) Return on capital employed. [2017 - Goggin Ltd](#)
4. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) Return on capital employed. [2015 - Springfield Ltd](#)
5. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) Return on capital employed. [2013 - Waldron Ltd](#)
6. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) Return on capital employed for 2010 [2011 - Munster Ltd](#)

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### The Period of credit given to debtors

1. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The period of credit given to debtors in months or days. [2023 - Ryan Ltd](#)
2. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The period of credit given to debtors. [2021 - O'Connell Ltd](#)
3. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The period of credit given to trade debtors in months/days. [2020 - Lorgan Ltd](#)
4. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The period of credit given to trade debtors in months/days. [2018 - Larchfoeld Ltd](#)
5. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The period of credit given to trade debtors in months/days. [2016 - McBreen Ltd](#)
6. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The period of credit given to trade debtors in months/days. [2013 - Waldron Ltd](#)
7. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The period of credit given to trade debtors in months/days [2011 - Munster Ltd](#)

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### The Net Profit Margin

1. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The net profit margin. [2023 - Ryan Ltd](#)
2. You are required to calculate: (to 2 decimal places where appropriate).
  - (ii) The net profit margin. [2018 - Larchfoeld Ltd](#)
3. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The net profit margin. [2016 - McBreen Ltd](#)

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### The Opening Stock

1. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The opening stock. [2022 - Summer Ltd](#)
2. You are required to calculate: (to 2 decimal places where appropriate).
  - (i) The opening stock. [2017 - Goggin Ltd](#)

3. You are required to calculate: (to 2 decimal places where appropriate).

(i) The opening stock

[2012 – Hardy Ltd](#)

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### The Acid Test Ratio

1. You are required to calculate: (to 2 decimal places where appropriate).

(i) The acid test ratio.

[2022 – Summer Ltd](#)

2. You are required to calculate (to two decimal places where appropriate):

(i) The acid test ratio.

[2020 – Lorgan Ltd](#)

3. You are required to calculate (to two decimal places where appropriate):

(i) The acid test ratio.

[2019 – Kennedy Ltd](#)

4. You are required to calculate (to two decimal places where appropriate):

(i) The acid test ratio.

[2018 – Larchfoeld Ltd](#)

5. You are required to calculate (to two decimal places where appropriate):

(i) The acid test ratio.

[2014 – Robinson Ltd](#)

6. You are required to calculate (to two decimal places where appropriate):

(i) The acid test ratio.

[2012 – Hardy Ltd](#)

7. You are required to calculate (to two decimal places where appropriate):

(i) The acid test ratio.

[2010 – Brophy Ltd](#)

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### The period of credit given to creditors

1. You are required to calculate: (to 2 decimal places where appropriate).

(i) The period of credit received from trade creditors.

[2022 – Summer Ltd](#)

2. You are required to calculate: (to 2 decimal places where appropriate).

(i) The period of credit received from trade creditors.

[2019 – Kennedy Ltd](#)

3. You are required to calculate: (to 2 decimal places where appropriate).

(i) The period of credit received from trade creditors.

[2017 – Goggin Ltd](#)

4. You are required to calculate: (to 2 decimal places where appropriate).

(i) The period of credit received from trade creditors.

[2014 – Robinson Ltd](#)

5. You are required to calculate: (to 2 decimal places where appropriate).

(i) The period of credit received from trade creditors.

[2012 – Hardy Ltd](#)

6. You are required to calculate: (to 2 decimal places where appropriate).



- (i) The period of credit received from trade creditors.

[2010 – Brophy Ltd](#)

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### The rate of Stock turnover

1. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The rate of stock turnover.

[2022 – Summer Ltd](#)

2. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The rate of stock turnover.

[2019 – Kennedy Ltd](#)

3. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The rate of stock turnover.

[2017 – Goggin Ltd](#)

4. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The rate of stock turnover.

[2015 – Springfield Ltd](#)

5. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The rate of stock turnover.

[2014 – Robinson Ltd](#)

6. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The rate of stock turnover.

[2010 – Brophy Ltd](#)

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### The figure for purchases

1. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The figure for purchases.

[2021 – O’Connell Ltd](#)

2. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The figure for purchases.

[2018 – Larchfoeld Ltd](#)

3. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The figure for purchases.

[2016 – McBreen Ltd](#)

4. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The figure for purchases.

[2015 – Waldron Ltd](#)

5. You are required to calculate: (to 2 decimal places where appropriate).

- (i) The figure for purchases.

[2011 – Munster Ltd](#)

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### The Gross Profit Margin

1. You are required to calculate (to two decimal places where appropriate):
  - (i) The gross profit margin. [2020 – Lorgan Ltd](#)
2. You are required to calculate (to two decimal places where appropriate):
  - (i) The gross profit margin. [2019 – Kennedy Ltd](#)
3. You are required to calculate (to two decimal places where appropriate):
  - (i) The gross profit margin. [2015 – Springfield Ltd](#)
4. You are required to calculate (to two decimal places where appropriate):
  - (i) The gross profit margin [2012 – Hardy Ltd](#)

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### How many more shares can they sell

1. You are required to calculate (to two decimal places where appropriate):
  - (i) How many more shares can Logan Ltd sell/issue? [2020 – Lorgan Ltd](#)
2. You are required to calculate (to two decimal places where appropriate):
  - (i) How many more shares can Logan Ltd sell/issue? [2015 – Springfield Ltd](#)

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### The figure for closing stock

1. You are required to calculate (to two decimal places where appropriate):
  - (i) The Figure for Closing Stock [2014 – Robinson Ltd](#)

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### The figure for Cost of Sales

1. You are required to calculate (to two decimal places where appropriate):
  - (i) The Figure for Closing Stock [2010 – Brophy Ltd](#)

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### The net profit Figure

1. You are required to calculate (to two decimal places where appropriate):
  - (i) Net profit for 2010 [2011 – Munster Ltd](#)
2. You are required to calculate (to two decimal places where appropriate):

- (i) Net profit for 2010

[2010 – Brophy Ltd](#)

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<b>The Gross Profit Figure</b>
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1. You are required to calculate: (to 2 decimal places where appropriate.)

- (ii) The figure for Gross Profit

[2014 – Robinson Ltd](#)

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**Workings**

**Percentage Mark up on costs**

2023 - Ryan Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**Percentage mark-up on cost.**

<b>Formula</b>	Percentage markup	=	$\frac{\text{Gross Profit}}{\text{Cost of Sales}}$	x	$\frac{100}{1}$
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Gross Profit	225,000	Have to calculate this figure
Cost of sales	450,000	as per the question

**Formula**

Gross profit = Credit sales – Cost of sales

Gross profit = 675,000 – 450,000

Gross Profit = 225,000

Percentage markup	=	$\frac{225,000}{450,000}$	x	$\frac{100}{1}$
	=	.5	x	100
	=	50%		

Remember you MUST use the correct unit to get the full marks = %

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2021 – O’Connell Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**Percentage mark-up on cost.**

Remember you **MUST**  
use the correct unit to get  
the full marks = %

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**Return on capital Employed**

2023 - Ryan Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The return on capital employed.**

**Formula**                      ROCE =                       $\frac{\text{Net Profit} + \text{Interest}}{\text{Capital Employed}} \times \frac{100}{1}$

Net Profit	95,000	as per Profit and loss
Interest	15,000	Have to calculate this figure
Capital Employed	665,000	as per the Balance Sheet

**Formula**                      Interest = Debentures x Interest Rate                      See balance sheet

Interest = 250,000 x 6%

Interest = 15,000

$$\begin{aligned} \text{ROCE} &= \frac{95,000 + 15,000}{665,000} \times \frac{100}{1} \\ &= \frac{110,000}{665,000} \times \frac{100}{1} \\ &= .16541 \times 100 \\ &= 16.54\% \end{aligned}$$

Remember you **MUST** use the correct unit to get the full marks = %

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2021 – O’Connell Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**Return on Capital Employed**

Remember you **MUST**  
use the correct unit to get  
the full marks = %

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**The Period of credit given to debtors**

2023 - Ryan Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The period of credit given to debtors in months or days.**

<b>Formula</b>	Period of credit give to debtors	=	<u>Debtors</u>	x	<u>365</u>
			Credit Sales		1

Debtors                    55,000            as per the Balance Sheet

Credit sales            675,000           as per Profit and loss

<b>Formula</b>	Period of credit give to debtors	=	<u>55,000</u>	x	<u>365</u>
			675,000		1

Remember you **MUST** use the correct unit to get the full marks = Days

=	.08148	x	365
=	29.74 Days		

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2021 – O’Connell Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The period of credit given to debtors**

Remember you **MUST**  
use the correct unit to get  
the full marks = Days

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**The Net Profit Margin**

2023 - Ryan Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The net profit margin.**

<b>Formula</b>	Net Profit Margin	=	<u>Net Profit</u>	x	<u>100</u>
			Credit Sales		1

Net Profit	95,000		as per Profit and loss
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Credit Sales	675,000		as per Profit and loss
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<b>Formula</b>	Net Profit Margin	=	<u>95,000</u>	x	<u>100</u>
			675,000		1

Remember you **MUST** use the correct unit to get the full marks = %

	=	.14074	x	100
	=	14.07%		

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2018 – Larchfield Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The Net Profit Margin**

Remember you **MUST**  
use the correct unit to get  
the full marks = %

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## The Opening Stock

2022 – Summer Ltd

You are required to calculate: (to 2 decimal places where appropriate).

The opening stock.

**Formula**                      Opening Stock                      = Cost of Sales + Closing Stock – Purchases

Cost of Sales                      390,000                      Need to calculate this

Cost of Sales – Gross profit

800,000 – 410,000

390,000

Closing Stock                      40,000                      as per Profit and loss

Purchases                      386,000                      as per Profit and loss

**Formula**                      Opening Stock                      = (390,000 + 40,000) – 386,000

= 430,000 – 386,000

= €44,000

Remember you MUST  
use the correct unit to get  
the full marks = €

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2017 – Goggin Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The Opening Stock**

Remember you **MUST**  
use the correct unit to get  
the full marks = €

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### The Acid Test Ratio

2022 – Summer Ltd

You are required to calculate: (to 2 decimal places where appropriate).

The acid test ratio.

**Formula**                      Acid Test                      = Current Assets – Closing Stock : Current Liabilities

Current Assets                      94,000                      as per Balance Sheet

Closing Stock                      40,000                      as per Profit and loss

Current Liabilities                      44,000                      as per Balance Sheet

**Formula**                      Acid Test                      =                      94,000 – 40,000 : 44,000

=                      54,000 : 44,000

=                      1.23 : 1

Remember you MUST  
use the correct unit to get  
the full marks = : 1

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2020 – Lorgan Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The Acid Test Ratio**

Remember you **MUST**  
use the correct unit to get  
the full marks = : 1

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**The period of credit given to creditors**

2022 – Summer Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The period of credit received from trade creditors.**

<b>Formula</b>	Period of credit give to creditors	=	<u>Creditors</u>	x	<u>365</u>
			Credit Purchases		1

Creditors                    44,000                    as per the Balance Sheet

Credit Purchases        381,000                    as per Profit and loss  
(386,000 – 5,000 = 381,000)

<b>Formula</b>	Period of credit give to creditors	=	<u>44,000</u>	x	<u>365</u>
			381,000		1

Remember you MUST use the correct unit to get the full marks = Days

=	.11458	x	365
=	42.15 Days		

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2019 – Kennedy Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The period of credit received from trade creditors**

Remember you **MUST**  
use the correct unit to get  
the full marks = Days

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**The rate of Stock turnover**

2022 – Summer Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The rate of stock turnover.**

<b>Formula</b>	Rate of stock turnover	=	$\frac{\text{Cost of Sales}}{\text{Average Stock}}$
	Average stock	=	$\frac{\text{Opening Stock} + \text{Closing Stock}}{2}$

Note the opening stock figure was calculate as part of (i)

<b>Formula</b>	Opening Stock	=	Cost of Sales + Closing Stock – Purchases
	Opening Stock	=	(390,000 + 40,000) – 381,000
		=	430,000 – 386,000
		=	€44,000

Opening Stock	44,000	as per working for Opening stock (above)
Closing Stock	40,000	as per Profit and loss

<b>Formula</b>	Average Stock	=	$\frac{\text{Opening} + \text{Closing stock}}{2}$
		=	$\frac{44,000 + 40,000}{2}$
		=	$\frac{84,000}{2}$
		=	€42,000

**Formula**

$$\text{Rate of stock turnover} = \frac{\text{Cost of Sales}}{\text{Average Stock}}$$

Average Stock     42,000     see working above

Cost of Sales     390,000     need to be calculates

**Formula**

$$\begin{aligned} \text{Cost of sales} &= \text{Sales} - \text{Gross Profit} \\ &= 800,000 - 410,000 \\ &= 390,000 \end{aligned}$$

$$\begin{aligned} \text{Rate of stock turnover} &= \frac{390,000}{42,000} \\ &= 9.29 \text{ Times} \end{aligned}$$

Remember you **MUST**  
use the correct unit to get  
the full marks = Times

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2019 – Kennedy Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The rate of stock turnover**

Remember you **MUST**  
use the correct unit to get  
the full marks = Times

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**The figure for purchases**

2021 – O’Connell Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The figure for purchases.**

**Formula**                      Purchases      =      Cost of Sales + Closing Stock - Opening Stock

Cost of Sales                433,000                      as per Profit and loss

Closing stock                80,000                      as per Profit and loss

Opening Stock                128,000                      as per Profit and loss

**Formula**                      Purchases      =      (433,000 + 80,000) – 128,000

=      513,000 – 128,000

=      513,000 – 128,000

=      €385,000

Remember you **MUST**  
use the correct unit to get  
the full marks = €

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2018 – Larchfield Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The figure for purchases**

Remember you **MUST**  
use the correct unit to get  
the full marks = €

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**The Gross Profit Margin**

2020 – Lorgan Ltd

**You are required to calculate (to two decimal places where appropriate):  
The gross profit margin.**

**Formula**                      Gross Profit Margin =  $\frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1}$

Gross Profit	138,500	Needs to be calculated
Sales	690,000	as per Profit and loss

**Formula**                      Gross Profit = Sales – Cost of Sales

Sales	690,000	as per Profit and loss
Cost of Sales	551,500	as per Profit and loss

$$\begin{aligned} \text{Gross Profit} &= 690,000 - 551,500 \\ &= 138,500 \end{aligned}$$

$$\begin{aligned} \text{Gross Profit Margin} &= \frac{138,500}{690,000} \times \frac{100}{1} \\ &= .20072 \times 100 \\ &= 20.07\% \end{aligned}$$

Remember you **MUST** use the correct unit to get the full marks = %

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2019 – Kennedy Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The gross profit margin**

Remember you **MUST**  
use the correct unit to get  
the full marks = %

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**How many more shares can they sell**

2020 – Lorgan Ltd

**You are required to calculate (to two decimal places where appropriate):**

**How many more shares can Logan Ltd sell/issue?**

**Formula**                      Shares left to sell        =        Authorised Capital- Issued Capital

Authorised Capital            900,000                      as per balance sheet

Issued Capital                596,000                      as per balance sheet

Shares left to sell            =        900,000 – 596,000

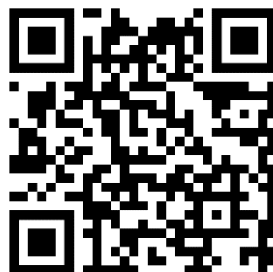
=        304,000 Shares

Remember you MUST  
use the correct unit to get  
the full marks = Shares

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**Tutorial Video**



2015 – Springfield Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**How many more shares can Springfield Ltd sell/issue**

Remember you **MUST**  
use the correct unit to get  
the full marks = Shares

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**The figure for closing stock**

2014 – Robinson Ltd

**You are required to calculate (to two decimal places where appropriate):**

**The Figure for Closing Stock**

**Formula**                      Closing stock =              Opening stock + Purchases - Cost of Sales

Opening Stock	98,000	as per profit and loss
Purchases	260,000	as per profit and loss
Cost of Sales	336,000	as per profit and loss

$$\begin{aligned}\text{Closing stock} &= (98,000 + 260,000) - 336,000 \\ &= 358,000 - 336,000 \\ &= \text{€}22,000\end{aligned}$$

Remember you **MUST**  
use the correct unit to get  
the full marks = €

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**The figure for Cost of Sales**

2010 – Brophy Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**The figure for closing stock**

**Formula**                      Cost of Sales =              Credit Sales – Gross Profit

Credit Sales	670,000	as per profit and loss
Gross Profit	172,000	as per profit and loss

$$\begin{aligned}\text{Cost of Sales} &= 670,000 - 172,000 \\ &= \text{€}498,000\end{aligned}$$

Remember you **MUST**  
use the correct unit to get  
the full marks = €

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**The net profit Figure**

2011 – Munster Ltd

**You are required to calculate (to two decimal places where appropriate):**

**Net profit for 2010**

<b>Formula</b>	Net Profit	=	Gross profit - Expenses
Gross Profit	373,000		as per profit and loss
Expenses	159,000		as per profit

Remember you **MUST**  
use the correct unit to get  
the full marks = €

$$\begin{aligned} \text{Net Profit} &= 373,000 - 159,000 \\ &= \text{€}214,000 \end{aligned}$$

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2010 – Brophy Ltd

**You are required to calculate: (to 2 decimal places where appropriate).**

**Net Profit 2010**

Remember you **MUST**  
use the correct unit to get  
the full marks = €

--

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**Tutorial Video**



## The Gross Profit Figure

2014 – Robinson Ltd

You are required to calculate: (to 2 decimal places where appropriate.)

The figure for Gross Profit

**Formula**                      Gross Profit =              Credit Sales – Cost of Sales

Credit Sales                  510,000                      as per profit and loss

Cost of Sales                  336,000                      as per profit

Remember you **MUST**  
use the correct unit to get  
the full marks = €

$$\begin{aligned} \text{Gross Profit} &= 510,000 - 336,000 \\ &= \text{€}174,000 \end{aligned}$$

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### Tutorial Video



### Additional Resources

#### Quizlet



**PART B**

Terms	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. <u>Debtors</u>	(i)								(ii)					
2. <u>Debentures</u>	(ii)	(iv)		(i)	(iv)	(i)			(i)	(i)		(ii)	(i)	(iv)
3. <u>Intangible Fixed Assets</u>	(iii)				(iii)						(ii)		(ii)	
4. <u>Shareholder Funds</u>	(iv)			(iii)	(ii)			(iii)		(ii)		(iv)		(i)
5. <u>Depreciation</u>		(i)	(ii)		(i)			(i)	(iii)		(iv)			(iii)
6. <u>Authorised Shared Capital</u>		(ii)					(i)	(iv)		(iii)				
7. <u>Carriage Inwards</u>		(iii)									(iii)			
8. <u>Trade Creditors</u>			(i)	(iv)			(ii)			(iv)				
9. <u>Tangible Fixed Assets</u>			(iii)	(ii)		(iii)		(ii)						
10. <u>Capital Employed</u>			(iv)										(iv)	
11. <u>Interest Paid</u>						(ii)	(iv)		(iv)			(i)		(ii)
12. <u>Ordinary Dividends</u>						(iv)								
13. <u>Liquid Assets</u>							(iii)					(iii)		



### Explanations

#### NOTE

Any words or sentences that are in *Italics* need to be adjusted (changed) as per the question.  
Also please use figures as per the question that you are answering

### Trade debtors

1. Goods are sold on credit to debtors and payment is received for these goods at a later date.
2. Debtors are people who owe a business money.
3. They appear as a current asset in the balance sheet.
4. *Ryan Ltd has trade debtors of €55,000.*

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### Debentures

1. Debentures are a long term loan.
2. They carry a fixed annual rate of interest, in this instance *6%*.
3. They will be repaid in full in the years *2028*.
4. The loan is secured on fixed assets.
5. *The 6% Debentures repayable in 2028 of €250,000*

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### Intangible Fixed Assets

1. These are assets that cannot be seen or touched but they carry a value in the business.
2. Examples include patents and goodwill.

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### Shareholders' funds

1. This is the amount of money that belongs to the shareholders in the business.
2. It is made up of issued ordinary share capital and retained profit.
3. *Ryan Ltd has shareholders' funds of €415,000 (€320,000 + €95,000).*

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### Depreciation

1. This is the loss in value of a Fixed Asset during the year due to wear and tear or do to a passage of time.
2. A business must decide a suitable percentage for the yearly charge.
3. *The depreciation in the above balance sheet is €40,000*

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### Authorized Share Capital

1. This is the maximum amount of shares a company can issue.
2. *In this case Summer Ltd. Had an authorised Share Capital of €800,000 €1 ordinary shares*

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### Carriage Inwards

1. This is the delivery charge that is added to the cost of purchases in the trading account.
2. *There is a charge of €5000 in this question*

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### Trade Creditors

1. These are People from whom you have bought goods on credit, and you will pay for them at a later date.
2. They will be shown in the balance sheet under creditors due within on year
3. *In this question trade creditors are €93,000.*

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### Tangible Fixed Assets

1. These are assets that have real value and can be seen and touched,
2. The business will have them for longer than one year e.g. Buildings.
3. They will be shown in the balance sheet
4. *O'Connell has fixed assets which cost €840,000.*

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### Capital Employed

1. This is the total amount invested in the business.
2. It is in Financed by section of Balance Sheet. And is made up of  
Issued Share Capital + reserves + long term liabilities.
3. *In this question it is €997,000.*

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### Interest Paid

1. This is the extra money paid to the lender for the use of money borrowed from a bank.
2. It is the cost of borrowing money.
3. *Larchfield pay €5,400 interest.*

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### Ordinary Dividend

1. This is part of net profit paid out to ordinary shareholders.
2. It is decided by the directors and is a percentage of the issued ordinary share capital.
3. It is usually recorded in the appropriation account of the profit and loss account

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### Liquid Assets

1. These are current assets that can be turned into cash quickly e.g Debtors, Cash and bank
2. They are current assets less closing stock.
3. *In this question they are €94,000 - €16,000 = €78,000.*

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### Additional Resources

Games & Flash Cards



MP 3 File



**PART C**

Scenarios	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. <u>Calculate the Acid Test Ratio</u>	(i)		(i)				(i)	(i)	(i)		(i)		(i)	(i)
2. <u>What does this Ratio tell use (Liquidity)</u>	(ii)		(ii)				(ii)	(ii)	(ii)		(ii)		(ii)	
3. <u>Would they have difficulty paying bills</u>		(i)		(i)	(i)	(i)				(i)		(i)		
4. <u>Current Ratio</u>														(i)
5. <u>Comment on the Liquidity of the firm</u>														(ii)

## Questions

### Calculate the Acid Test Ratio

1. Calculate the acid test ratio for 2022 (to 2 decimal places) [2023 - Ryan Ltd](#)
2. Calculate the acid test ratio for 2020 (to 2 decimal places) [2021 - O'Connell](#)
3. Calculate the acid test ratio for 2016 (to 2 decimal places) [2017 - Goggin Ltd](#)
4. Calculate the acid test ratio for 2015 [2016 - McBreen Ltd](#)
5. Calculate the acid test ratio for 2014 [2015 - Springfield Ltd](#)
6. Calculate the acid test ratio for 2012 [2013 - Waldron Ltd](#)
7. Calculate the acid test ratio for 2010 [2011 - Munster Ltd](#)

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### What does this Ratio tell use (Liquidity)

1. What does this ratio tell us about the liquidity of Ryan Ltd [2023 - Ryan Ltd](#)
2. What does this ratio tell us about the liquidity of O'Connell Ltd [2021 - O'Connell](#)
3. What does this ratio tell us about Goggin Ltd [2017 - Goggin Ltd](#)
4. What does this ratio tell us about McBreen Ltd [2016 - McBreen Ltd](#)
5. What does this ratio tell us about Springfield Ltd [2015 - Springfield Ltd](#)
6. What does this ratio tell us [2013 - Waldron Ltd](#)
7. What does this ratio tell us [2011 - Munster Ltd](#)

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### Would they have difficulty paying bills

1. Would Summer Ltd have difficulty paying its bills as they fall due  
Explain your answer [2022 - Summer Ltd](#)
2. Would Logan Ltd have difficulty paying its bills as they fall due  
Explain your answer [2020 - Logan Ltd](#)
3. Would Kennedy Ltd have difficulty paying its bills as they fall due  
Explain your answer [2019 - Kennedy Ltd](#)
4. Would Larchfield Ltd have difficulty paying its bills as they fall due  
Give reason for your answers [2018 - Larchfield Ltd](#)
5. Would Robinson Ltd have difficulty paying its bills as they fall due

Explain your answer

[2014 – Robinson Ltd](#)

6. Would Hardy Ltd have difficulty paying its bills as they fall due

Explain your answer

[2012 – Hardy Ltd](#)

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### Current Ratio

1. In 2008 the current ratio was 1.8:1 and Acid Test Ratio was 1.4:1

(i) Calculate these ratios for 2009

[2010 – Brophy Ltd](#)

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### Comment on the Liquidity of the firm

(ii) Comment on the current profitability of the firm

[2010 – Brophy Ltd](#)

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**Workings**

**Calculate the Acid Test Ratio**

2023 - Ryan Ltd

**Calculate the acid test ratio for 2022 (to 2 decimal places)**

**Formula**

Current Assets = 175,000  
Closing Stock = 85,000  
Current Liabilities = 95,000

**Current Assets – Closing Stock : Current Liabilities**

175,000 – 85,000 : 95,000  
90,000 : 95,000  
.95 : 1

**REMEMBER**

Current liabilities are also known as creditors due within one year

**TIP**

Put 90,000 into your calculator and divide it by 95,000. The figure you get in your calculator is always : 1

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**NOTE**

When you put the figures into your calculator you will get 0.9473684. For two places of decimal go to the third number after the point – if this number is 5 or below leave the second digit as is but if the is 6 or above move the second digit up



2021 – O’Connell

**Calculate the acid test ratio for 2020 (to 2 decimal places)**

<b>Formula</b>		<b>Current Assets – Closing Stock : Current Liabilities</b>
Current Assets	=	_____
Closing Stock	=	_____
Current Liabilities	=	_____

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**What does this Ratio tell use (Liquidity)**

2023 - Ryan Ltd

**What does this ratio tell us about the liquidity of Ryan Ltd**

**Template**

Use the following template to help you answer this part

1. \_\_\_\_\_ Ltd has and acid test ration of \_\_\_\_ : 1
2. **This is slightly more / less than the ideal ratio of 1 : 1. This is good / bad**
3. **This means that \_\_\_\_\_ Ltd is liquid / Not Liquid, for every €1 owed in the short term they have €.\_\_\_ available in liquid assets.**
4. \_\_\_\_\_ Ltd will have a problem / no problem paying his short term debts as they fall due

**REMEMBER**  
**Liquid** = Can pay back their short term debt  
**Not Liquid** – Can't pay back their short term debt

**Suggested Solution**

1. *Ryan Ltd has an acid test ratio of .95:1*
2. **This is slightly *less* than the ideal ratio of 1:1. This is *good*.**
3. **This means that *Ryan Ltd is liquid*, for every €1 owed in the short term they have €.*95* available in liquid assets.**
4. *Ryan Ltd will have no problem paying his short term debts as they fall due*

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2021 – O'Connell

**What does this ratio tell us about the liquidity of O'Connell Ltd**

**Suggested Solution**

1. *O'Connell Ltd has an acid test ratio of 1.83:1*
2. **This is slightly above than the ideal ratio of 1:1. This is good.**
3. **This means that O'Connell Ltd is liquid, for every €1 owed in the short term they have €1.83 available in liquid assets.**
4. *O'Connell Ltd will have no problem paying his short term debts as they fall due*

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**Would they have difficulty paying bills**

2022 - Summer Ltd

Would Summer Ltd have difficulty paying its bills as they fall due - Explain your answer

**Note**

1. This is the same style of question as the previous two. It is just asked in a different way.
  - a. Calculate the acid test ratio to 2 decimal places
  - b. What does this ratio tell us about the liquidity
2. So we need to find out
  - a. The acid test ratio (Step 1)
  - b. Use the template above to comment on the liquidity of the business (Step 2)

**Step 1**

Formula	Current Assets – Closing Stock : Current Liabilities		
Current Assets	=	94,000	
Closing Stock	=	40,000	* This figure is taken form the P & L account
Current Liabilities	=	44,000	
		94,000 – 40,000	: 44,000
		54,000	: 44,000
		1.23	: 1

**Step 2**

1. *Summer Ltd has an acid test ratio of 1.23:1*
2. **This is slightly above than the ideal ratio of 1:1. This is good.**
3. **This means that Summer Ltd is liquid, for every €1 owed in the short term they have €1.23 available in liquid assets.**
4. *Summer Ltd will have no problem paying his short term debts as they fall due*

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2020 – Logan Ltd

**Would Logan Ltd have difficulty paying its bills as they fall due – Explain your answer**

**Step 1**

<b>Formula</b>	<b>Current Assets – Closing Stock : Current Liabilities</b>		
Current Assets	=	105,000	
Closing Stock	=	30,500	* This figure is taken from the P & L account
Current Liabilities	=	45,500	
		105,000 – 30,500	: 45,500
		74,500	: 45,500
		1.64	: 1

**Step 2**

1. *Logan Ltd has an acid test ratio of 1.64:1*
2. **This is slightly above than the ideal ratio of 1:1. This is good.**
3. **This means that Logan Ltd is liquid, for every €1 owed in the short term they have €1.64 available in liquid assets.**
4. **Logan Ltd will have no problem paying his short term debts as they fall due**

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**Current Ratio**

2010 – Brophy Ltd

**In 2008 the current ratio was 1.8:1 and Acid Test Ratio was 1.4:1**

(i) Calculate these ratios for 2009

**Current Ratio**

	<b>Formula</b>	<b>Current Assets : Current Liabilities</b>	
Current Assets	=	130,000	
Current Liabilities	=	64,000	
		130,000	: 64,000
		2.03	: 1

**Acid Test Ratio**

	<b>Formula</b>	<b>Current Assets – Closing Stock : Current Liabilities</b>	
Current Assets	=	130,000	
Closing Stock	=	58,000	* This figure is taken form the P & L account
Current Liabilities	=	64,000	
		130,000 – 58,000	: 64,000
		72,000	: 64,000
		1.12	: 1

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**Comment on the Liquidity of the firm**

2010 – Brophy Ltd

**In 2008 the current ratio was 1.8:1 and Acid Test Ratio was 1.4:1**

(ii) **Comment on the current profitability of the firm**

**Current Ratio**

1. *Brophy Ltd* has a working capital ratio of 2.03 :1
2. This is an improvement from last year ratio of 1.8
3. This is slightly *above* than the ideal ratio of 2:1. This is *good*.
4. This means that *Brophy Ltd* is *liquid*, for every €1 owed in the short term they have €2.03 available in liquid assets.
5. *Brophy Ltd* will have *no problem* paying his short term debts as they fall due

**Acid Test Ratio**

1. *Brophy Ltd* has an acid test ratio of 1.12 :1
2. This is slightly *above* than the ideal ratio of 1:1. This is *good*.
3. This means that *Brophy Ltd* is *liquid*, for every €1 owed in the short term they have €1.12 available in liquid assets.
4. *Brophy Ltd* will have *no problem* paying his short term debts as they fall due

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**PART D**

Scenarios	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1. <u>Comment on Profitability</u>	(i)	(ii)	(i)	(ii)	(ii)	(ii)	(i)	(ii)	(i)	(ii)	(i)	(ii)	(i)	(i)
2. <u>Calculate the ROCE</u>		(i)		(i)	(i)	(i)		(i)		(i)		(i)		(ii)



## Questions

### Comment on Profitability

1. The return on capital employed for Ryan Ltd in 2021 was 13%.  
Comment on the profitability of Ryan Ltd for 2022. [2023 - Ryan Ltd](#)
2. The return on capital employed for Summer Ltd in 2020 was 14%.  
(ii) Comment on the profitability of Summer Ltd for 2021 [2022 - Summer Ltd](#)
3. The return on capital employed for O'Connell Ltd in 2019 was 12%.  
Comment on the profitability of O'Connell Ltd in 2020. [2021 - O'Connell](#)
4. The return on capital employed for Logan Ltd in 2018 was 10%.  
(ii) Comment on the profitability of Logan Ltd for 2019. [2020 - Logan Ltd](#)
5. The return on capital employed for Kennedy Ltd in 2017 was 12%.  
(ii) Comment on the profitability of Kennedy Ltd for 2018. [2019 - Kennedy Ltd](#)
6. The return on capital employed for Larchfield Ltd in 2016 was 19%.  
(ii) Comment on the profitability of Larchfield Ltd in 2017. [2018 - Larchfield Ltd](#)
7. The return on capital employed for Goggin Ltd in 2015 was 16%.  
Comment on the profitability of Goggin Ltd in 2016. [2017 - Goggin Ltd](#)
8. The return on capital employed for 2014 was 18%.  
Comment on the current profitability of McBreen Ltd in 2015. [2016 - McBreen Ltd](#)
9. The Return on Capital Employed for Springfield Ltd in 2013 was 19%.  
Comment on the profitability of Springfield Ltd in 2014. [2015 - Springfield Ltd](#)
10. The Return on Capital Employed for 2012 was 12%.  
(ii) Comment on the profitability of Robinson Ltd in 2013. [2014 - Robinson Ltd](#)
11. The Return on Capital Employed for 2011 was 16%.  
Comment on the profitability of the firm in 2012. [2013 - Waldron Ltd](#)
12. The Return on Capital Employed for 2010 was 18%.  
(ii) Comment on the profitability of the firm in 2011 [2012 - Hardy Ltd](#)
13. The Return on Capital Employed for 2009 was 15%.  
Comment on the profitability of the company in 2010. [2011 - Munster Ltd](#)
14. The Return on Capital Employed for 2008 was 12%.  
(ii) Comment on the current profitability of the firm [2010 - Brophy Ltd](#)

**Calculate the ROCE**

1. The return on capital employed for Summer Ltd in 2020 was 14%.
  - (i) Calculate the return on capital employed for 2021. [2022 - Summer Ltd](#)
2. The return on capital employed for Logan Ltd in 2018 was 10%.
  - (i) Calculate the return on capital employed for 2019. [2020 - Logan Ltd](#)
3. The return on capital employed for Kennedy Ltd in 2017 was 12%.
  - (i) Calculate the return on capital employed for 2018. [2019 - Kennedy Ltd](#)
4. The return on capital employed for Larchfield Ltd in 2016 was 19%.
  - (i) Calculate the return on capital employed for 2017. [2018 - Larchfield Ltd](#)
5. The return on capital employed for 2014 was 18%.
  - (i) Calculate the return on capital employed for 2015. [2016 - McBreen Ltd](#)
6. The Return on Capital Employed for 2012 was 12%.
  - (i) Calculate the Return on Capital Employed for 2013. [2014 - Robinson Ltd](#)
7. The Return on Capital Employed for 2010 was 18%.
  - (i) Calculate this ratio for 2011. [2012 - Hardy Ltd](#)
8. The Return on Capital Employed for 2008 was 12%.
  - (i) Calculate this ratio for 2009. [2010 - Brophy Ltd](#)

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**Workings**

**Comment on Profitability**

2023 - Ryan Ltd

The return on capital employed for Ryan Ltd in 2021 was 13%.

Comment on the profitability of Ryan Ltd for 2022.

*As per the question*

ROCE 2022	16.54%	Calculated in Part A (ii)
ROCE 2021	13%	as per the question

**Questions**

1. What the ROCE was last year
2. What the ROCE is this year
3. Is this a positive / negative trend and by how much and shareholder would be satisfied / unsatisfied.
4. Is the company making efficient use of its resources
5. Compare to the return from banks or risk free investment of 0-2%
6. Is the business performing well and is it profitable

**REMEMBER**  
**Bold** = Use word for word  
*Italic* or \_\_\_\_ = Complete  
as per the question

**Template**

1. In \_\_\_\_\_ the ROCE was \_\_\_\_\_ %
2. In \_\_\_\_\_ the ROCE is \_\_\_\_\_ %
3. This is a *positive / negative* trend of \_\_\_\_\_ % and shareholders would be *satisfied / unsatisfied*
4. The company is making *efficient / inefficient* use of its resources
5. The current return available from the banks or risk free investments is between 0-2%
6. Overall \_\_\_\_\_ Ltd is performing *well / not so well* and is *profitable / not profitable*

**Suggested Solution**

1. In 2021 the ROCE was 13 %
2. In 2022 the ROCE is 16.54 %
3. This is a *positive* trend of 3.54 % and shareholders would be *satisfied*.
4. The company is making *efficient* use of its resources
5. The current return available from the banks or risk free investments is between **0-2%**
6. Overall Ryan Ltd is performing *well* and is *profitable*.

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2022 - Summer Ltd

**The return on capital employed for Summer Ltd in 2020 was 14%**

**Comment on the profitability of summer Ltd for 2021**

**Step 1**

*As per the question*

ROCE 2021	<b>19.55%</b>	Need to calculate this
ROCE 2020	14%	as per the question

**Remember**  
To add interest onto the net profit because it is included in the expenses

<b>Formula</b>	$\frac{\text{Net Profit}}{\text{Capital Employed}}$	X	$\frac{100}{1}$
----------------	---	---	-----------------

Net profit	=	160,000	
Capital Employed	=	900,000	This is the last figure in the BS
Interest	=	debentures x 8%	As per the balance sheet
	=	200,000 x 8%	
	=	16,000	

<b>Formula</b>	$\frac{160,000 + 16,000}{900,000}$	X	$\frac{100}{1}$
----------------	------------------------------------	---	-----------------

	$\frac{176,000}{900,000}$	X	$\frac{100}{1}$
--	---------------------------	---	-----------------

	.19555	X	100
--	--------	---	-----

**19.55%**

## Step 2

### Template

1. In \_\_\_\_\_ the ROCE was \_\_\_\_\_ %
2. In \_\_\_\_\_ the ROCE is \_\_\_\_\_ %
3. This is a *positive / negative* trend of \_\_\_\_\_ % and shareholders would be *satisfied / unsatisfied*
4. The company is making *efficient / inefficient* use of its resources
5. The current return available from the banks or risk free investments is between 0-2%
6. Overall \_\_\_\_\_ Ltd is performing *well / not so well* and is *profitable / not profitable*

### Suggested Solution

1. In 2020 the ROCE was 14 %
2. In 2021 the ROCE is 19.55 %
3. This is a *positive* trend of 5.55 % and shareholders would be *satisfied*.
4. The company is making *efficient* use of its resources
5. The current return available from the banks or risk free investments is between 0-2%
6. Overall O'Connell Ltd is performing *well* and is *profitable*.

**Calculate the ROCE**

2022 - Summer Ltd

The return on capital employed for Summer Ltd in 2020 was 14%.

Calculate the return on capital employed for 2021.

*As per the question*

ROCE 2021	<b>19.55%</b>	Need to calculate this
ROCE 2020	14%	as per the question

<b>Formula</b>	<u>Net Profit</u>	X	<u>100</u>
	Capital Employed		1

Net profit	=	160,000	
Capital Employed	=	900,000	This is the last figure in the Balance Sheet
Interest	=	debentures x 8%	As per the balance sheet
	=	200,000 x 8%	
	=	16,000	

<b>Formula</b>	<u>160,000 + 16,000</u>	X	<u>100</u>
	900,000		1
	<u>176,000</u>	X	<u>100</u>
	900,000		1
	.19555	X	100
	<b>19.55%</b>		

[Scenarios](#)

[Marking Scheme](#)

2020 – Logan Ltd

The return on capital employed for Logan Ltd in 2018 was 10%

Calculate the return on capital employed for 2019.

**Step 1**

As per the question

ROCE 2019	7.71%	Need to calculate this
ROCE 2018	10%	as per the question

**Remember**

To add interest onto  
the net profit because  
it is included in the  
expenses



