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# Robinson PLC

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## Interpretation of Accounts (Ratios)

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### 2020

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### Shareholders

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### Part B - Comments

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<b>SHAREHOLDERS</b>
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Remember to use the following headings and ratios when commenting on part B. These will be used from a **shareholder's point of view**

Performance		State of Affairs			Prospectus	
Profitability	Dividend Policy	Liquidity	Gearing	Investment policy	Sector	Share performance
1. ROCE	1. Dividend Cover	1. Acid Test	1. Gearing	1. Investment Policy	1. Sector	1. EPS
2. EPS	2. DPS		2. Interest Cover			2. P/E Ratio
	3. Dividend Yield					3. Market Price
	4. Dividend Pay out					

Try to use the following sentence to help you remember the headings for shareholder comments

**Paul Does Landscaping Gardening In Spring & Summer**

**NOTE**

You might have to calculate some ratios still for part B - calculate them quickly using your calculator and make a record of the figure (You will be awarded 2 marks for each additional ratios that is calculated outside of the ratios from Part A)

Remember a shareholder is interested in the shares and dividends

**Exam Tip**

Each comment should have the following parts

1. Compared to two years (this year and last year or projected year)
2. Must say if it is an **improvement** or **disimprovement** and a **positive** or **negative** trend
3. Would the party (shareholder, bank manager or debenture holder) be **satisfied** or **dissatisfied** and why
4. Must include the phrases that are in bold in this document - don't para phrase as these are the common phrases used in the marking schemes.

## PERFORMANCE

## PROFITABILITY

ROCEQuestions to answer

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Say if the company is profitable - compare to risk free investments
4. Compare to debenture & preference rates
5. Would shareholders be satisfied/dissatisfied?

Template

1. In \_\_\_\_\_ the ROCE is \_\_\_\_ %. In \_\_\_\_\_ the ROCE was \_\_\_\_%
2. This is an improvement / dis-improvement of \_\_\_\_ % and is a positive / negative trend
3. If the returns on Shareholder Funds is calculate include it here
4. **The company is profitable / not profitable as the return is higher /lower than risk free investment of 0-1%**
5. It is also above /below the debenture rate interest of \_\_\_\_% and above /below Preference share capital rate of \_\_\_\_%
6. **Shareholders would be satisfied / not satisfied - as the company is making efficient / inefficient use of its resources available to them**

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

Suggest Solution (2020 - Robinson PLC)

1. In 2019 the ROCE is 10.15%. In 2018 the ROCE was 9.8%
2. This is an improvement of .35% and is a positive trend
3. The return on share-holder funds is very good at 15.81%
4. **The company is profitable as the return is higher than risk free investment of 1-2%**
5. It is also above the debenture rate interest of 4% And Preference share capital rate of 6%
6. **Shareholders would be satisfied - as the company is making efficient use of its resources available to them**

**Tip** – MUST include the text that is in bold

EPSQuestions to answer

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/dissatisfied?

Template

1. In \_\_\_\_\_ the EPS is \_\_\_\_\_c. In \_\_\_\_\_ the EPS was \_\_\_\_\_c
2. This is an improvement / dis-improvement of \_\_\_\_\_ c and is a positive / negative trend
3. **Shareholders would be satisfied / dis-satisfied with this as it indicates the profit in cents coming from shares and how well / badly shareholders' investment is used**

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

Suggest Solution (2020 - Robinson PLC)

1. In 2019 the EPS is 20c. In 2018 the EPS was 18.5c
2. This is an improvement of 1.5c and is a positive trend
3. **Shareholders would be satisfied with this as it indicates the profit in cents coming from shares and how well shareholders' investment is used**

**Tip** – MUST include the text that is in bold

<b>DIVIDEND POLICY</b>
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Dividend CoverQuestions to answer

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/dissatisfied?

Template

1. In \_\_\_\_\_ the Dividend cover is \_\_\_\_\_ times, In \_\_\_\_\_ the Dividend cover was \_\_\_\_\_ times
2. **This is an improvement / dis - improvement and is a positive / negative trend. It means more / less profit is being retained for expansion purpose and repayment of loans**
3. **Shareholders would be satisfied / dis - satisfied with as there is enough / they would like to see more profits being retained for expansion purposes and repayment of loans**

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

**Suggest Solution (2020 - Robinson PLC)**

**Tip** – MUST include the text that is in bold

1. In 2019 the Dividend cover is 2.56 times, In 2018 the Dividend cover was 2.22 times
2. This is an improvement and is a positive trend. **It means more profit is being retained for expansion purpose and repayment of loans**
3. **Shareholders would be satisfied with this as it increases share value, and enough is being retained for expansion and repayment of loans**

**Dividend per Share (DPS)****Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/Dissatisfied?

**Template**

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

1. In \_\_\_\_\_ the DPS is \_\_\_\_c. In \_\_\_\_\_ the DPS was \_\_\_\_\_c
2. This is an improvement / dis-improvement of \_\_\_\_c. This is a positive / negative trend
3. **Shareholders would satisfied / dis - satisfied with this in the short terms as it indicates how much dividend they will receive.**

**Suggest Solution (2020 - Robinson PLC)**

**Tip** – MUST include the text that is in bold

1. In 2019 the DPS is 7.83c. In 2018 the DPS was 8.33c
2. This is a dis-improvement of 50c. This is a negative trend
3. **Shareholders would not be satisfied happy with this in the short terms as it indicates how much dividend they receive**

**Dividend Yield****Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. compare to risk free investments
4. Compare to debenture & preference rates

5. Would shareholders be satisfied/Dissatisfied?

### Template

1. In \_\_\_\_\_ the Dividend yield is \_\_\_\_\_ %. In \_\_\_\_\_ the Dividend yield was \_\_\_\_\_%
2. This is an Improvement / dis-improvement of \_\_\_\_\_ % and is a positive / negative trend
3. It is higher / lower than risk free investment of between \_\_\_\_\_%
4. This is also higher / lower than debentures of \_\_\_\_\_% and the preference share of \_\_\_\_\_%
5. Shareholders would be satisfied / dissatisfied with this as the company will find it easy / difficult to pay out dividends

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

### Suggest Solution (2020 - Robinson PLC)

1. In 2019 the Dividend yield is 6.53%. In 2018 the Dividend yield was 6.72%
2. This is a slight dis-improvement of .19% and if continues is a negative trend
3. It is still higher than risk free investment of between 1-2%
4. There are also higher than debentures of 4% but is it similar to the preference share of 6%
5. If this trend continued shareholders would be dissatisfied as the company will find it difficult to pay out dividends

**Tip** – MUST include the text that is in bold

### Dividend Pay-out

#### Questions to answer

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/Dissatisfied?

### Template

1. In \_\_\_\_\_ the Dividend pay-out is \_\_\_\_\_%. In \_\_\_\_\_ the
2. Dividend pay-out was \_\_\_\_\_%
3. This is an improvement / dis-improvement and a positive / negative trend

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

4. Shareholders would like to see this closer to 50% and would be satisfied / dissatisfied with this.

**Suggest Solution (2020 - Robinson PLC)**

1. In 2019 the Dividend pay-out is 39.06%. In 2018 the Dividend
2. pay-out was 45.03%
3. This is an improvement and a positive trend
4. Shareholder would like to see this closer to 50% but are receiving more dividend than last year.

**Tip** – MUST include the text that is in bold

**Note** – This can also be included under Profitability.

Note - This can also be included under Profitability

**Note - Dividend Pay-Out**

1. Dividend pay-out should be less than 50% for Debenture holders to be satisfied.
1. If above 50% - they are paying out too much dividend - this means that debenture holders will not be happy as the company is not retaining enough money for expansion and paying interest.
2. If below 50% - Debenture holders would be happy as the company should have enough retained for expansion and paying interest.
3. The formula to calculate Dividend payout is =  $\text{DPS/EPS} \times 100/1 = \%$

**Exam Tip**

Under dividend policy must have

1. Dividend cover
2. Dividend yield
3. Dividend Per Share

I would also include Dividend payout as you will not know if marks will be given in a certain year. It is better to have it included than not

## STATE OF AFFAIRS

## LIQUIDITY

Acid Test RatioQuestions to answer

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend (compare to recommended ratio 1:1)
3. Does it have a liquidity problem - can they pay debts in the short term
4. Would shareholders be satisfied/dis-satisfied

Template

1. In \_\_\_\_\_ the acid test ratio was \_\_\_\_\_. In 2019 the acid test ratio was \_\_\_\_\_
2. This is an improvement / Dis-improvement of \_\_\_\_\_c and is **above the recommended ratio of 1:1**
3. \_\_\_\_\_ PLC **does / does not** have a liquidity problem and are able / not able to pay their debts as they fall due in the **short term**. This is because they have €\_\_\_\_\_ in **liquid assets** for every euro it owes in the short term
4. Shareholders will be satisfied / dissatisfied as \_\_\_\_\_ PLC will / will not have problems paying out dividends or other short terms debts as they fall due.

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

Suggest Solution (2020 - Robinson PLC)

1. In 2019 the acid test ratio was 1.08:1. In 2018 the acid test ratio was 1.11:1
2. This is a dis-improvement of .03c but is still above the recommended ratio of 1:1
3. **Robinson PLC does not** have a liquidity problem and are able to pay their debts as they fall due in the short term. This is because they have €1.08 in liquid assets for every euro it owes in the short term
4. Shareholders will be satisfied as Robinson PLC will not have problems paying out dividends or other short terms debts as they fall due

**Tip** – MUST include the text that is in bold



## GEARING

### Gearing

#### Questions to answer

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend and is the company a lowly/highly geared company.
3. Does it depend on outside borrowing
4. Would Shareholders be satisfied/dis-satisfied
5. How is the business financed

#### Template

1. In \_\_\_\_ the gearing ratio is \_\_\_\_%. In \_\_\_\_ the gearing ratio was \_\_\_\_%
2. This is an improvement / dis - improvement and is a positive / negative trend. **But the company is a Lowly / highly geared company**
3. This means the company is dependent / less dependent on outside borrowing and would appear to be less / more of a risk from outside investors.
4. Shareholders would be satisfied / dis-satisfied as the business is now less / more dependent on outside borrowing  
(However, if using the Debt to equity ratio it is a negative / positive trend as it has improved / dis-improved from \_\_\_\_% to \_\_\_\_% this is a positive / negative trend)
5. The business is highly / lowly geared and is financed more by debt than by equity / equity than be debt

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

#### Suggest Solution (2020 - Robinson PLC)

1. In 2019 the gearing ratio is 50.76%. In 2018 the gearing ratio was 55.76%
2. This is an improvement of 5% and is a positive trend. the company is almost a lowly geared company
3. This means the company is less dependent on outside borrowing and would appear to be less of a risk from outside investors. However, if using the Debt to equity ratio it is a negative trend as it has disimproved from 55.76% to 103.1%.
4. Shareholders would be satisfied as the company is less dependent on outside borrowing than before and there is less significant risk to the firm from outside

**Tip** – MUST include the text that is in bold

5. The business is highly geared and is financed more by debt than by equity.

### Interest Cover

#### Questions to answer

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend compare to the recommended ratio of 3:1
3. What does it mean - is there enough money for expansion, paying dividends and interest
4. Would shareholders be satisfied/dis-satisfied
5. Make reference to when the debenture will be paid off

#### Template

1. In \_\_\_\_ the Interest Cover is \_\_\_\_ times. In \_\_\_\_ the interest cover was \_\_\_\_ times
2. This is an improvement / dis-improvement and is a positive / negative trend **and is above / below the recommended ratio of 3:1**
3. This means the firm has more / less money available for expansion, paying dividends and paying interest/loans
4. Shareholders would be satisfied / dis-satisfied with this
5. The Debentures of € \_\_\_\_\_ are not listed for repayment until \_\_\_\_\_. \_\_\_\_\_ plc had enough time or not enough time to put aside resources to be able to repay this when the time comes. The bank account is / is not overdrawn, and Debtors owe € \_\_\_\_\_  
\_\_\_\_\_ PLC should / should not follow up on this

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

#### Suggest Solution (2020 - Robinson PLC)

1. In 2019 the Interest Cover is 7.5 times. In 2018 the interest cover was 7 times, and this is above the recommended ratio of 3:1
2. This is a slight improvement of .5 times and is a positive trend
3. This means the firms has more money available for expansion, paying dividends and paying interest/loans
4. Share holder would be satisfied with this

**Tip** – MUST include the text that is in bold

5. The Debentures of €400,000 are not listed for repayment until 2023/24. Robinson plc had enough time to put aside resources to be able to repay this when the time comes. Debtors owe €93,000 Robinson PLC should follow up on this
6. Selling the investment will not raise enough to repay the debentures and if the firms delay the investment may fall further

### Investment Policy

#### Questions to answer

1. What is the investment policy last year what is it now
2. Is this an improvement/dis-improvement, positive or negative trend.
3. Does this mean good / poor management of resource available to management
4. Would shareholders be satisfied/dis-satisfied

#### Template

1. In \_\_\_\_ the investment is \_\_\_\_ . In \_\_\_\_ the investments were \_\_\_\_
2. This is an improvement / dis-improvement and is a positive / negative trend
3. This means **effective / ineffective** use by management of resource available to them
4. Shareholders would be **satisfied / dis-satisfied** with this as it indicated **poor management of resources**

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

#### Suggest Solution (2020 - Robinson PLC)

1. In 2019 the value of the investment is €130,000. In 2018 the value on the investment was €200,000
2. This is a dis-improvement of €70,000 and is a negative trend
3. This would indicate **poor management of resource available to management**
4. Shareholders would be **dis-satisfied** with this as it indicated **poor management of resources**

**Tip** – MUST include the text that is in bold

## PROSPECTS

### SECTOR

#### Sector

#### Questions to answer

1. Say what sector the business is
2. Say what the short-term prospects are and why
3. Say what the long-term prospects are and why

**Exam Tip** – MUST have a short and long term prospects is and why. Examples include – war, fuel, Brexit, inflation. It can be negative or positive

#### Template

1. \_\_\_\_\_ plc is in the \_\_\_\_\_ industry.
2. In the **short term prospects** this industry is growing / not growing as more \_\_\_\_\_  
\_\_\_\_\_
3. In the **long term prospects** this industry is growing / not growing as more \_\_\_\_\_  
\_\_\_\_\_

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

#### Suggest Solution (2020 - Robinson PLC)

1. Robinson plc is in the home renovation and insulation industry.
2. **In the short term** this industry is growing as more people take advantage of government grants to insulate their homes and reduce the high cost of home heating fuels.
3. **In the long term** economic uncertainty may cause some people to delay investing in their homes.

**Tip** – MUST include the text that is in bold

## SHARE PERFORMANCE

### The price earnings ratio

#### Questions to answer

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/Dissatisfied?

**Template**

1. In \_\_\_\_\_ the P/E Ratio is \_\_\_\_\_ years. In \_\_\_\_\_ the P/E ratio was \_\_\_\_\_ years
2. This is an improvement / dis-improvement of \_\_\_\_\_ years, **meaning it will take \_\_\_\_\_ years to make back the market price of the share at current performance levels.**
3. **Shareholders will be satisfied / dis - satisfied with this as they will recover their investment is a shorter / longer time frame**

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

**Suggest Solution (2020 - Robinson PLC)**

1. In 2019 the P/E Ratio is 6 years. In 2018 the P/E ratio was 6.7 years
2. This is improvement of .7 year and is a positive trend, meaning it will take 6 years to make back the market price of the share at current performance levels.
3. **Shareholders will be satisfied with this as they will recover their investment in a shorter time frame**

**Tip** – MUST include the text that is in bold

**Market Price Per Share****Questions to answer**

1. Say what you see - compare to previous years
2. Is this an improvement/dis-improvement, positive or negative trend
3. Would shareholders be satisfied/Dissatisfied?

**Exam Tip** – If the company is PLC use the words 'stock market' but if the company is LTD use the words 'market confidence'

**Template**

1. In \_\_\_\_\_ the MPS is \_\_\_\_\_ c. in \_\_\_\_\_ the MPS was \_\_\_\_\_ c
2. This is an improvement / dis-improvement of \_\_\_\_\_c and is a positive / Negative trend
3. **Shareholders would satisfied / dis-satisfied with this as it indicates confidence / lack of confidence in the firm by the stock market / market**

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

**Suggest Solution (2020 - Robinson PLC)**

1. In 2019 the MPS is 1.20. in 2018 the MPS was 1.24

**Tip** – MUST include the text that is in bold

2. This is a dis-improvement of 4c and is a negative trend
3. **Shareholder would be dis-satisfied with this as it indicates a lack of confidence in the firm by the stock market.**

**Overall****Question to answer**

1. Say yes or no if the shareholder would be satisfied with the performance, state of affairs and prospects of the company.

**Exam Tip** – MAKE SURE to include this – as students usually leave it out losing out on up to 4 marks

**Template**

1. **Yes / No the shareholder would be satisfied / dis-satisfied with the performance, state of affairs and prospects of the company.**

**Tip** – Fill in the blank as per your workings and use the correct statement to complete your comment

**Suggest Solution (2020 - Robinson PLC)**

1. **Yes, The Shareholders would be satisfied with the performance, state of affairs and prospects of the company.**

**Tip** – MUST include the text that is in bold