



BIE Homework Sheet

Year: 11

Project: Ratios

Date issued: week 13

Date Due in:

Ratios help us work out how well a business is doing. Lots of people have an interest in how well a business is doing. Look at the list below and write down why they would be interested.

Question

Write down the main six people that would be interested and why

There are two types we need to know about **Profitability & Liquidity**

Profitability ratios measure how much profit has been made as a percentage of sales or capital employed.

Look at the table below:

	2006	2005
Sales	100,000	75,000
Gross profit	43,000	41,250
Net profit	20,000	22,500
Capital Employed	60,000	60,000
Current Assets	150,000	120,000
Current liabilities	100,000	70,000
Stock	10,000	7,000

All Homework must be handed in on the date requested.
 If you hand in homework late or it is of an unacceptable standard you will be given a p6.

Calculate for each year the net profit ratio

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Calculate for each year the *Gross* profit ratio

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What does this show about the company?

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Liquidity ratios measure the company's ability to pay its creditors.

What is the company's current ratio for both years?

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What might the company have problems with if the ratio is less than 1.5 :
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As we are looking at this company's ability to pay its creditors what other
ratio could we calculate?

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Why would we need to take out stock?

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