



Answers

# Answers to Gross Profit Margin (GPM) calculations on page 4

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2023 |
| Example calculation 1 | 54.85% | 54.01% |
| Example calculation 2 | 30.56% | 35.29% |
| Example calculation 3 | 38.15% | 32.29% |

# Answers to Operating Profit Margin (OPM) calculations on page 6

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2023 |
| Example calculation 1 | 49.81% | 45.23% |
| Example calculation 2 | 19.44% | 23.53% |
| Example calculation 3 | 34.15% | 23.86% |

# Answers to Net Profit Margin (NPM) calculations on page 8

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2023 |
| Example calculation 1 | 42.97% | 38.15% |
| Example calculation 2 | 13.89% | 17.65% |
| Example calculation 3 | 31.08% | 22.41% |

# Answers to Current Ratio calculations on page 10

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2023 |
| Example calculation 1 | 1.24:1 | 1.27:1 |
| Example calculation 2 | 0.99:1 | 0.77:1 |
| Example calculation 3 | 1.71:1 | 0.76:1 |

# Answers to Acid Test Ratio calculations on page 12

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2023 |
| Example calculation 1 | 0.90:1 | 0.97:1 |
| Example calculation 2 | 0.78:1 | 0.59:1 |
| Example calculation 3 | 1.03:1 | 0.36:1 |

# Answers to example gearing ratio calculation 1 on page 15

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2023 |
| Capital employed | £4647m | £4419m |
| Gearing Ratio | 59.13% | 60.06% |

# Answers to example gearing ratio calculation 2 on page 15

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2023 |
| Capital employed | £529m | £482m |
| Gearing ratio | 22.97% | 15.89% |

# Answers to example ROCE calculation 1 on page 18

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2023 |
| Capital Employed | £4647m | £4419m |
| ROCE | 0.90% | 1.11% |

# Answers to example ROCE calculation 1 on page 18

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2023 |
| Capital Employed | £529m | £482m |
| ROCE | 14.37% | 21.37% |

# Example exam question using ratios on page 19

|  |  |  |
| --- | --- | --- |
|  | 2022 | 2021 |
| Gross Profit Margin | 88.99% | 97.23% |
| Operating Profit Margin | 5.01% | 1.37% |
| ROCE | 1.05% | 0.30% |
| Gearing | 3.46% | 1.03% |
| Current Ratio | 0.25:1 | 0.47:1 |

GPM = GP/Revenue x 100

* 29807 ÷ 33495 x 100 = 88.99%
* 58078 ÷ 59730 x 100 = 97.23%

OPM = OP/ Revenue x 100

* 1678 ÷ 33495 x 100 = 5.01%
* 818 ÷ 59730 x 100 = 1.37%

ROCE = OP/ CE x 100

CE = NCL + TE

* 1678 ÷ 195465 x 100 = 1.05%
* 818 ÷ 270606 x 100 = 0.30%

Gearing = NCL / CE x 100

* 5520 ÷ 159465 = 3.46%
* 2799 ÷ 270606 x 100 = 1.03%

Current ratio = CA / CL

* 4215 ÷ 16852 = 0.25:1
* 5855 ÷ 12389 = 0.47:1