

## Paul Robbins training and consultancy

### Financial Statements of Limited Companies

#### Accounting Ratios – Worked Example

You have been provided with the following Financial Statements:

<b>Snooker Ltd</b>	
<b>Statement of Profit or Loss for the Year Ended 30 June 20X5</b>	
<b>Continuing Operations</b>	<b>£000</b>
<b>Revenue</b>	<b>1,550</b>
<b>Cost of Sales</b>	<b>–870</b>
<b>Gross Profit</b>	<b>680</b>
<b>Distribution Costs</b>	<b>–130</b>
<b>Administrative Expenses</b>	<b>–125</b>
<b>Profit from Operations</b>	<b>425</b>
<b>Finance Costs</b>	<b>–35</b>
<b>Profit Before Tax</b>	<b>390</b>
<b>Tax</b>	<b>–110</b>
<b>Profit for the Year from Continuing Operations</b>	<b>280</b>

***Snooker Ltd***

***Statement of Financial Position as at 30 June 20X5***

	<b><i>£000</i></b>
<b><i>ASSETS</i></b>	
<b><i>Non-Current Assets</i></b>	
<b><i>Property, Plant and Equipment</i></b>	<b><i>1,480</i></b>
<b><i>Current Assets</i></b>	
<b><i>Inventories</i></b>	<b><i>220</i></b>
<b><i>Trade Receivables</i></b>	<b><i>195</i></b>
<b><i>Cash and Cash Equivalents</i></b>	<b><i>115</i></b>
	<b><i>530</i></b>
<b><i>Total Assets</i></b>	<b><i>2,010</i></b>
<b><i>EQUITY AND LIABILITIES</i></b>	
<b><i>Equity</i></b>	
<b><i>Ordinary Shares</i></b>	<b><i>850</i></b>
<b><i>Retained Earnings</i></b>	<b><i>640</i></b>
<b><i>Total Equity</i></b>	<b><i>1,490</i></b>
<b><i>Non-Current Liabilities</i></b>	
<b><i>Loan (Repayable in 20X8)</i></b>	<b><i>250</i></b>
<b><i>Current Liabilities</i></b>	
<b><i>Trade Payables</i></b>	<b><i>160</i></b>
<b><i>Tax Payable</i></b>	<b><i>110</i></b>
	<b><i>270</i></b>
<b><i>Total Liabilities</i></b>	<b><i>520</i></b>
<b><i>Total Equity and Liabilities</i></b>	<b><i>2,010</i></b>

**Required:**

**Calculate the following accounting ratios for Snooker Ltd. You should round your answers to one decimal place.**

- **Gross profit percentage**
- **Administrative expenses as a percentage of revenue**
- **Operating profit percentage**
- **Return on capital employed**
- **Return on shareholders' funds**
- **Current ratio**
- **Acid test (quick) ratio**
- **Inventory holding period (days)**
- **Inventory turnover (times per year)**
- **Trade receivables collection period (days)**
- **Trade payables payment period (days)**
- **Working capital cycle (days)**
- **Asset turnover (non-current assets) ratio**
- **Asset turnover (net assets) ratio**
- **Interest cover**
- **Gearing**