10.2 Analysis of published accounts

Name: ______________ Class: __________ Date: ____________ **Total: 29 marks**

KEY WORDS gearing 杠杆 • current ratio 流动比率 • liquidity 流动性 • profitability 盈利能力 • ratio analysis 比率分析

Objective

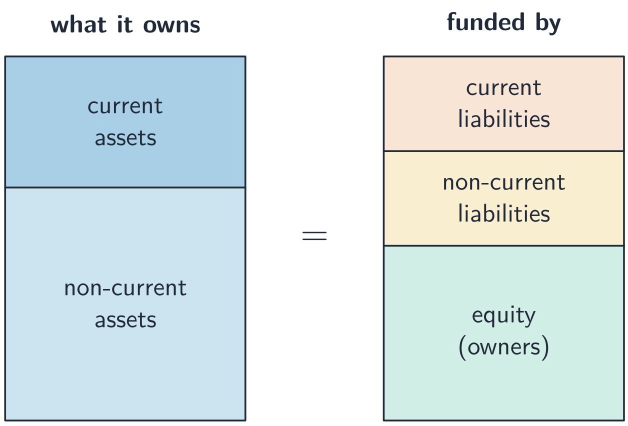
Build the skills to answer exam questions on **analysis of published accounts** 财报分析 — **ratio analysis** 比率分析: **profitability** 盈利能力 (gross/operating margin, ROCE), **liquidity** 流动性 (current and acid-test ratio), and **gearing** 杠杆.

You must be able to:

- calculate profitability, liquidity and gearing ratios
- explain what each ratio shows
- analyse and evaluate a firm's performance and the limits of ratios

1 Worked examples

■ Key ratios



Ratios link two figures from the statements to judge performance

$$\text{ROCE} = \frac{\text{operating profit}}{\text{capital employed}} \times 100\% \qquad \text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

- **Worked ROCE:** operating profit \$80,000, capital employed \$400,000 → $\frac{80000}{400000} \times 100 = 20\%$.

- **Worked current ratio:** current assets \$60,000, current liabilities \$30,000 $\rightarrow$ $\frac{60000}{30000} = 2.0$ (about 1.5–2 is safe).
- **Gearing** = non-current liabilities $\div$ capital employed $\times$ 100; high gearing is risky if interest rates rise.

Answer shapes: AO1 + AO2 + AO3 (reasoning chain) + AO4 (a supported judgement *in context*).

2 Practice

2.1 State what the **current ratio** measures. [2]

2.2 A firm has operating profit of \$50,000 and capital employed of \$250,000. Calculate its ROCE. [2]

2.3 State one limitation of ratio analysis. [2]

3 Exam-style questions

3.1 Explain one reason why a business calculates its **gross profit margin**. [3]

3.2 A firm has current assets of $80,000 (including $30,000 of inventory) and current liabilities of $40,000.

(a) Calculate the current ratio. [2]

(b) Calculate the acid-test ratio. [2]

(c) Analyse what these two ratios suggest about the firm's liquidity. [4]

3.3 Evaluate the usefulness of ratio analysis for judging a business's performance. [12]