**Question 28**

The following figures have been extracted from the books of Pat Marshall’s business:

|  |  |
| --- | --- |
|  | **Year 3** |
| Equity | £90,000 |
| Working Equity | £9,000 |
| Current Assets | £24,000 |
| Non-current Assets | £200,000 |
| Current Liabilities | £15,000 |
| Non-current Liabilities | £50,000 |
| Profit for the Year | £36,000 |
| Gross Profit | £60,000 |

**(a)** Calculate two ratios for this business for Year 3. **4**

**(b)** Calculate the value of expenses for Year 3. **1**

**(c)** Calculate the sales revenue, if the gross profit percentage is 40%. **2**

**(d)** Using your answer from (c), calculate the non-current asset:turnover ratio. **1**

**(e)** The gross profit percentage industry average for a firm of a similar size is 50%.   
**State** **two** measures Pat Marshall could take to get closer to that average. **2**

**Total marks 10**

|  |  |  |  |
| --- | --- | --- | --- |
| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| **28 (a)** | **1)** Current Ratio = £24,000 : £15,000 = 1·6:1 **(2)**  **2)** Return on Equity Employed = £36,000 x 100 = 40% **(2)**  £90,000 | **4** | Each ratio is worth **2 marks.**  If current ratio is not :1 — maximum **1 mark**.  If rate on equity employed is not a percentage — maximum **1 mark**. |
| **28 (b)** | £60,000 − £36,000 = £24,000 | **1** |  |
| **28 (c)** | £60,000/40% = £150,000 | **2** | All or nothing. |
| **28 (d)** | £150,000/£200,000 = 0·75:1 | **1** | Watch for consequentiality — answer dependent on (c).  Answer may be 0·12:1 if (c) calculated as £24,000. |
| **28 (e)** | Higher selling price **(1)**  Lower cost of sales/cheaper supplier/better shopping around **(1)** | **2** | **DO NOT** accept higher/more sales. |