

Assessing the Business

2002 P2 Q6

**Answer (A) and (B). This is a Question on Report Writing and Assessing a business.**

- (A) State **two** limitations of Final Accounts and Balance Sheets in assessing a business. (6)
- (B) The directors of Bingo Ltd, Sligo supplied the following figures for the years 2000 and 2001.

	<b>2000</b>	<b>2001</b>
	€	€
Sales	530,000	560,000
Net Profit	120,000	110,000
Current Assets	36,000	24,000
Current Liabilities	16,000	32,000
Capital Employed	380,000	460,000

Assume you are Pauline Willis, Management Consultant, Double Entry Road, Wexford.

**Prepare a report, on today's date**, for the directors of Bingo Ltd **comparing and commenting** on the performance of the business over the two years, 2000 and 2001. Use the following **three ratios** in comparing the performance:  
Net Profit Percentage; Return on Capital Employed; Current Ratio.

(34)  
**(40 marks)**

David

2004 P2 Q5

**Answer ALL sections. This is a Private Limited Company Assessment, and Business Plan Question.**

(A) What is the maximum number of shareholders a private limited company can have? (4)

(B) H M Ltd is located at Hit Parade Avenue, Kiltamagh, Co. Mayo. It produces and distributes musical T-shirts for the Irish and European market. The shareholders and directors are Samanta Harte and Michael Joseph Mumba. The managing director is Samanta Harte.

H M Ltd has its bank account in the **permanent tsb**. It promotes its T-shirts on the internet and in music magazines.

Market research has provided the following information:  
there are twenty million potential customers;  
there are five main competitors.

H M Ltd provides the following financial information for the year ending 31/5/2004:  
Sales (30,000 T-shirts) €600,000; Net Profit €200,000; Capital Employed €1,400,000.

H M Ltd wishes to expand the company at a total cost of €2,000,000. It has reserves of €300,000 and will receive a grant of €500,000. It hopes to raise the remaining finance by issuing shares to friends of the company.

H M Ltd seeks your assistance in:

- (i) Calculating the Net Profit Margin and the Return on Capital Employed, (answers to the nearest two decimal points) for the year ending 31/5/2004;
- (ii) Calculating the finance it will need to raise by issuing shares;
- (iii) Completing the Business Plan *on the blank document sheet supplied with this paper*, using today's date. (36)

**(40 marks)**

2005 P2

**Answer ALL Sections. This is a Forms of Business Ownership and Assessing a Business Question.**

The following information, on forms of business ownership in a county, was obtained from a survey.

Form of Business Ownership	State Owned	Cooperatives	Sole Traders	Private Limited Companies
Number	4	2	28	16

Illustrate this information on a bar chart. (10)

- (i) State **four** examples of state owned businesses.
- (ii) Explain **two** reasons why state owned businesses exist in Ireland (10)

Compare Sole Traders and Private Limited Companies under the following headings:

- (i) Ownership;
- (ii) Formation Procedures;
- (iii) Profits;
- (iv) Liability. (10)

LOGJAM Ltd supplies the following figures for the year 2004 :

Sales € 180,000; Closing Stock €12,000; Net Profit €66,000;

Current Assets €61,000; Current Liabilities €32,000; Capital Employed €420,000.

Calculate the following ratios (to the nearest **two** decimal points) :

- (i) Net Profit Percentage;
- (ii) Acid Test Ratio;
- (iii) Return on Capital Employed. (10)

**(40 marks)**

2007 P2 Q6

**This a question on Report Writing and Assessing a Business.**

*Answer all parts of this question:*

(A) The following **four** ratios are used by JACK Ltd, Tralee Road, Limerick, to assess the performance of its business:

- (i) Rate of Stock Turnover;
- (ii) Rate of Dividend;
- (iii) Return on Capital Employed;
- (iv) Current Ratio.

The directors of JACK Ltd supplied the following information for the year 2006.

	€
Average Stock	17,500
Net Profit	60,000
Cost of Sales	70,000
Dividend Paid	30,000
Current Liabilities	30,000
Current Assets	45,000
Issued Share Capital	300,000
Capital Employed	400,000

Using this information, calculate the **four** ratios for the year 2006.

(11)

(B) The relevant figures for 2005 were:

Rate of Stock Turnover	3 times;
Rate of Dividend	20%;
Return on Capital Employed	15%;
Current Ratio	2 : 1.

Assume you are Michael Moran, Financial Adviser, Golf View, Limerick.  
Prepare a report, on today's date, for the directors of JACK Ltd comparing and commenting on the performance of the company for 2005 and 2006.

(2)

**(40 mark**

**2009 P2**

*Answer all parts of this question:*

- (A) Martin Kelly of 10 Laoise Street, Carlow, was reading the financial pages of a daily newspaper when he noticed the following business terms:

*Issued Share Capital; Collateral; Overtrading; Solvency.*

Assume that you are Brenda Nolan, Finance Consultant, 14 Quay Street, Waterford.

Martin asks for your help in explaining any **three** of these terms.

Write a report, on today's date, to Martin Kelly explaining any **three** of the above terms.

(20)

- (B) JONES Ltd supply the following results for the year ending 31 May 2008.

Rate of Stock Turnover	5 times
Net Profit Percentage	12%
Acid Test Ratio	3.5 : 1
Return on Capital Employed	4%

JONES Ltd supply the following information for the year ending 31 May 2009:

Net Sales	€300,000
Opening Stock	€ 40,000
Closing Stock	€ 20,000
Cost of Sales	€150,000
Net Profit	€ 45,000
Current Assets(including closing stock)	€360,000
Current Liabilities	€110,000
Capital Employed	€750,000

- (i) Using the above 2009 information, calculate the following ratios:

Rate of Stock Turnover

Net Profit Percentage (margin)

Acid Test Ratio

Return on Capital Employed

- (ii) Compare the performance of JONES Ltd in 2009 with 2008

(20)

(40 marks)

## 2011 DEB P2 Q6

*Answer all parts of this question:*

- (A) List **four** groups of people who would be interested in a company's final accounts. (8)
- (B) Examine the Final Accounts and Balance Sheets of FOXCO Ltd, set out below, for the years 2009 and 2010. Compare **and** comment on the performance of the business for the two years using the following ratios:
- (i) Net Profit Percentage (Margin);
  - (ii) Return on Capital Employed;
  - (iii) Acid Test Ratio;
  - (iv) Rate of Dividend paid.
- (Show all workings). (24)

2009 Trading, Profit and Loss Appropriation Account for the year ended 31/12/2009			2010 Trading, Profit and Loss Appropriation Account for the year ended 31/12/2010		
	€			€	
Sales	250,000		Sales	270,000	
Gross Profit	83,000		Gross Profit	95,000	
Net Profit	55,000		Net Profit	50,000	
Dividends Paid	25,000		Dividends Paid	30,000	
Reserves	30,000		Reserves	20,000	
Balance Sheet as at 31/12/2009			Balance Sheet as at 31/12/2010		
	€	€		€	€
Fixed Assets		315,500	Fixed Assets		325,000
Current Assets (including Closing Stock €9,000)	26,100		Current Assets (including Closing Stock €6,000)	27,400	
Less Current Liabilities	16,600	9,500	Less Current Liabilities	15,400	12,000
		325,000			337,000
Financed by 280,000 €1 Ordinary Shares		280,000	Financed by 280,000 €1 Ordinary Shares		280,000
Reserves		30,000	Reserves		20,000
Long Term Liabilities		15,000	Long Term Liabilities		37,000
		325,000			337,000

- (C) Explain **two** limitations of Final Accounts and Balance Sheets in assessing a business. (8)

**(40 marks)**

**2012 EC P2 Q3**

- (A) The following information was supplied by the directors of CENTURY Ltd for the year 2011.

Current Assets (Including Closing Stock)	€320,000
Capital Employed	€800,000
Current Liabilities	€150,000
Opening Stock	€60,000
Net Sales	€400,000
Cost of Sales	€200,000
Net Profit	€50,000
Closing Stock	€20,000

The following four ratios are used by CENTURY Ltd to assess the performance of its business.

- (i) Return on Capital Employed
- (ii) Rate of Stock Turnover
- (iii) Acid Test Ratio
- (iv) Net Profit Percentage (margin).

Using the information supplied calculate the **four** ratios for 2011. (16)

- (B) The relevant figures for 2010 were:

Return on Capital Employed	4.25%
Rate of Stock Turnover	5 times
Acid Test Ratio	1.5 : 1
Net Profit Percentage (margin)	10%

Compare the performance of CENTURY Ltd in 2011 with 2010. (8)

- (C) (i) State **two** reasons why profitability ratios are important for a business.
- (ii) State **two** limitations of Final Accounts and Balance Sheets in assessing a business.
- (iii) Explain the following business terms:
- **Solvency**
  - **Overtrading.**
- (16)

**(40 marks)**

**2013 P2 Q2**

- (A) EAT Ltd is a vegetable supply business based in Navan, Co. Meath. The directors supplied the following information on EAT Ltd for the years 2012 and 2011.

Ratio	2012	2011
Net Margin	8%	5%
Current Ratio	1.1 : 1	2.3 : 1
Rate of Stock Turnover	26 times	20 times

- (i) Using the above information, compare and comment on the performance of EAT Ltd for the years 2012 and 2011.
- (ii) State how EAT Ltd might improve where performance was unsatisfactory.
- (iii) The directors supplied the following information on EAT Ltd for the years 2012 and 2011.

Ratio	2012	2011
Return on Capital Employed (€400,000)	2%	2%

The current rate of interest on Bank Deposits of €400,000 is 6.5%.

If you were a shareholder in EAT Ltd, would you be happy with the Return on Capital Employed? Give two reasons for your answer.

(18)

David