



**Specification Topic: Ratio analysis (1)**

Q4	<b>Calculation time! Based on the selected financial information for Sleaford Yachts Ltd, calculate the following for both years and comment on the results...</b>		
		<b>This year</b> £'000	<b>Last year</b> £'000
	Operating profit	58	70
	Non-current liabilities	190	100
	Total equity	180	200
	<b>4.1 Return on capital employed (ROCE)</b>		
		<b>This Year</b>	<b>Last Year</b>
	<b>Calculation:</b> (show your workings)		
	<b>Comment:</b>		
	<b>4.2 Gearing</b>		
		<b>This Year</b>	<b>Last Year</b>
	<b>Calculation:</b> (show your workings)		
	<b>Comment:</b>		

**Specification Topic: Ratio analysis (1)**

Q5	<b>Identify whether the statements below are a benefit, problem or cause of high gearing</b>			
		<b>Benefit</b>	<b>Problem</b>	<b>Cause</b>
	<b>5.1</b> The company can benefit from a cheap source of finance when interest rates are low			
	<b>5.2</b> A sudden rise in interest rates can cause problems with making repayments			
	<b>5.3</b> The firm is undertaking rapid expansion			
	<b>5.4</b> When profits are high, interest payments are likely to be lower than shareholder dividend requests			
	<b>5.5</b> The firm has taken over another business			
	<b>5.6</b> Fewer shareholders enables the existing owners to keep more control			
	<b>5.7</b> High interest rates could lead to much higher expenses, thus lowering profit			
	<b>5.8</b> It could be difficult to convince a bank to provide further lending			