

QUESTION

The following information is taken from the financial statements of a company for the year ended 31 December 2019:

	£
Revenue	1,000,000
Cost of sales	(400,000)
Gross profit	600,000
Operating expenses	(200,000)
Operating profit	400,000
Finance income	50,000
Finance expense	(20,000)
Profit before tax	430,000
Income tax expense	(100,000)
Profit for the year	330,000

The company has 1,000,000 ordinary shares in issue, each with a nominal value of £1.00. The company's profit for the year ended 31 December 2019 is to be distributed as follows:

	£
Dividend in arrears (2018)	100,000
Dividend in arrears (2019)	100,000
Dividend for 2019	100,000
Retained profit	30,000
Total	330,000

REQUIRED

- Calculate the dividend per share for 2019.
- Calculate the dividend cover for 2019.
- Calculate the dividend yield for 2019.
- Calculate the return on capital employed for 2019.

NOTE: The company's operating profit for the year ended 31 December 2018 was £350,000.

ANSWERS



1. Dividend per share for 2019 = $\frac{\text{Dividend for 2019}}{\text{Number of shares}}$

$= \frac{£100,000}{1,000,000}$

$= £0.10$

2. Dividend cover for 2019 = $\frac{\text{Dividend for 2019}}{\text{Dividend in arrears (2019)}}$

$= \frac{£100,000}{£100,000}$

$= 1.0$

3. Dividend yield for 2019 = $\frac{\text{Dividend per share}}{\text{Share price}}$

$= \frac{£0.10}{£1.00}$

$= 10\%$

4. Return on capital employed for 2019 = $\frac{\text{Operating profit}}{\text{Capital employed}}$

$= \frac{£400,000}{£1,000,000}$

$= 40\%$