

QUESTION

The following information is taken from the financial statements of a company for the year ended 31 December 2018:

	£
Revenue	1,200,000
Cost of sales	(400,000)
Operating expenses	(200,000)
Operating profit	600,000
Finance income	50,000
Finance expense	(20,000)
Profit before tax	630,000
Income tax expense	(157,500)
Profit for the year	472,500

The company has 1,000,000 ordinary shares in issue, each with a nominal value of 100p.

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Operating expenses	(200,000)	
Operating profit	600,000	
Finance income	50,000	
Finance expense	(20,000)	
Profit before tax	630,000	
Income tax expense	(157,500)	
Profit for the year	472,500	
Dividends paid		(100,000)
Retained profit		372,500

REQUIRED: Calculate the following ratios for the year ended 31 December 2018:

ANSWERS



	£
Operating profit	600,000
Revenue	1,200,000
Operating profit margin	50%
Operating profit	600,000
Capital employed	1,587,500
Capital turnover	37.8%

Therefore, the Return on Capital Employed (ROCE) ratio is 18.9%.