

## 3.5 Profitability and liquidity ratio analysis

**Table 18.1 - Statement of financial position for JKL Ltd. as at 31st December (figures in \$'000s)**

	Year 2	Year 1
<b>Non-current assets</b>	600	500
<b>Current assets</b>		
Cash	200	50
Debtors	150	200
Stock	350	250
<b>Total assets</b>	1300	1000
<b>Current liabilities</b>	300	200
Total assets less current liabilities	1 000	800
<b>Non-current liabilities</b>	250	250
<b>Total liabilities</b>	550	450
<b>Net assets</b>	<b>750</b>	<b>550</b>
Share capital	500	500
Retained earnings	250	50
<b>Total Equity</b>	<b>750</b>	<b>550</b>

**Table 18.2 - Excerpts from JKL Ltd.'s statement of profit or loss for years ended 31st December (\$'000s)**

	Year 2	Year 1
Sales revenue	1 000	850
Cost of sales	(500)	(350)
Profit before interest and tax	400	360
Tax	(100)	(90)
Dividends	(50)	(220)
Retained profit	250	50

### Question 18.1

- (a) Determine the value of JKL Ltd.'s gross profit and its expenses in both years. [2 marks]
- (b) Calculate the GPM and the profit margin ratios for JKL Ltd. in both years (show all your working). [4 marks]
- (c) Explain your findings from the previous question. [4 marks]
- (d) Comment on further information that could be used to determine the profitability of JKL Ltd. [4 marks]