

For courses from September 2023 to August 2024

QUESTION BANK

10/2023

BPP Practice assessment 2, Task 7, part b.

Interest cover is ticked as being “better”, this should be ticked as being “worse”. The explanation is correct. The solution should show this:

Interest cover	✓
Better	
Worse	✓

BPP Practice Assessment 3, Task 6, (i), question page 301 and solution page 314

Part (i) should ask ‘Return on shareholders funds’ to be calculated and not ‘Return on capital employed’.

Question extract

Required
Calculate the following ratios to the nearest ONE DECIMAL PLACE. (8 marks)

(i)	Return on capital employed		%
(ii)	Gross profit margin		%
(iii)	Quick (acid test) ratio		:1
(iv)	Interest cover		times

Solution extract

Task 6

Calculation of the ratios

(i)	Return on capital employed	$\frac{455}{7,372} \times 100$	6.2	%
(ii)	Gross profit margin	$\frac{7,360}{16,000} \times 100$	46.0	%
(iii)	Quick (acid test) ratio	$\frac{1,600}{1,356}$	1.2	:1
(iv)	Interest cover	$\frac{880}{308}$	2.9	times

Formulae used to calculate the ratios

(i)	Return on shareholders' funds	$\frac{\text{Profit after tax}}{\text{Total equity}} \times 100\%$
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