

STATEMENT OF FINANCIAL POSITION AND STATEMENT OF COMPREHENSIVE INCOME



Statement of Financial Position	2016 (£000)	2015 (£000)
Non-Current Assets	772	590
Current Assets		
Inventory	18	18
Receivables	23	15
Bank & Cash	-	2
	41	35
Current Liabilities		
Payables	27	20
Bank Overdraft	43	-
	70	20
Net Current Assets (Net Current Liabilities)	(29)	15
Non-Current Liabilities	230	220
NET ASSETS (Assets – Liabilities)	513	385
TOTAL EQUITY (Shareholders' Funds)	513	385
Statement of Comprehensive Income	2016 (£000)	2015 (£000)
Revenue	900	805
Cost of Sales	300	260
Gross Profit	600	545
Expenses	410	350
Operating Profit	190	195
Finance Costs (Loan Interest @10%)	30	22
Taxation	32	35
Profit for the year	128	138

PAYBACK PERIOD

- 4 CALCULATE HOW LONG, IN YEARS AND MONTHS, IT WILL TAKE FOR EACH OF THE CARDIFF AN BIRMINGHAM OPTIONS TO REACH PAYBACK. THE GRIDS BELOW WILL HELP YOU TO STRUCTURE YOUR WORKINGS.

Option 1: Cardiff	Net Cash Flows (£)	Cumulative Net Cash Flows (£)
Year 0 (now)	(200,000)	(200,000)
Year 1	50,000	150,000
Year 2	60,000	
Year 3		
Year 4		
Year 5		

Option 2: Birmingham	Net Cash Flows (£)	Cumulative Net Cash Flows (£)
Year 0 (now)	(220,000)	(220,000)
Year 1	70,000	(150,000)
Year 2	80,000	(70,000)
Year 3		
Year 4		
Year 5		

RATIO PERFORMANCE FOR WOLF CAR SALVAGE LTD.

AS WINSTON'S PROPOSED EXPANSION INTO THE E-COMMERCE MARKET WILL REQUIRE AN INVESTMENT OF EITHER £4M (SYSTEM AVANTI) OR £3M (SYSTEM BENE), WINSTON WANTS TO CHECK OVER HIS FINANCE DIRECTOR'S FIGURES CAREFULLY BEFORE THE NEXT BOARD MEETING.

AN EXTRACT FROM WINSTON'S COMPANY'S FINAL ACCOUNTS FOR 2016 ARE SHOWN BELOW ALONGSIDE THE MOST RECENT DATA RELATING TO A COMPETITOR, PULP CAR CRUSHERS LTD

Inter-Firm Analysis: Statements of Financial Position and Statements of Comprehensive Income

Statement of Financial Position	Wolf Car Salvage Ltd 2016 (£000)	Pulp Car Crushers Ltd 2016 (£000)
Non-Current Assets	600	800
Current Assets		
Inventory	90	55
Receivables	0	6
Bank & Cash	127	264
	217	325
Current Liabilities	125	150
Net Current Assets	92	175
Non-Current Liabilities	300	70
NET ASSETS (Assets – Liabilities)	392	905
TOTAL EQUITY (Shareholders' Funds)	392	905

Statement of Comprehensive Income	Wolf Car Salvage Ltd 2016 (£000)	Pulp Car Crushers Ltd 2016 (£000)
Revenue	1,500	3,000
Cost of Sales	525	900
Gross Profit	975	2,100
Expenses	650	1,600
Operating Profit	325	500
Finance Costs (Loan Interest @10%)	30	7
Taxation	53	89
Profit for the year	242	404

1 CALCULATE AND COMPLETE THE RATIO TABLE FOR BOTH YEARS. SHOW YOUR WORKING

Ratio	Formula	2016	2015
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}} = \text{x}:1$	$\frac{41}{70} = \mathbf{0.59 :1 (0.585)}$	$\frac{35}{20} = \mathbf{1.75 :1}$
Acid Test Ratio	$\frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}}$	$\frac{41-18}{70} = \mathbf{0.33:1}$	$\frac{35-18}{70} = \mathbf{0.85:1}$
Gross Profit Margin	$\frac{\text{Gross Profit}}{\text{Revenue}} \times 100 = \text{x}\%$	$\frac{600}{900} \times 100 = \mathbf{66.67\%}$	$\frac{545}{805} \times 100 = \mathbf{67.7\%}$
Operating Profit Margin	$\frac{\text{Operating Profit}}{\text{Revenue}} \times 100 = \text{x}\%$	$\frac{190}{900} \times 100 = \mathbf{21.11\%}$	$\frac{195}{805} \times 100 = \mathbf{24.22\%}$
Profit for year Margin	$\frac{\text{Profit for the year}}{\text{Revenue}} \times 100 = \text{x}\%$	$\frac{128}{900} \times 100 = \mathbf{14.22\%}$	$\frac{138}{805} \times 100 = \mathbf{17.14\%}$
Return on Capital Employed	$\frac{\text{Operating Profit}}{\text{Total Equity} + \text{Non-Current Liabilities}} \times 100 = \text{x}\%$	$\frac{190}{513 + 230} \times 100 = \mathbf{25.57\%}$	$\frac{195}{385 + 220} \times 100 = \mathbf{32.23\%}$
Gearing	$\frac{\text{Non-Current Liabilities}}{\text{Total Equity} + \text{Non-Current Liabilities}} \times 100 = \text{x}\%$	$\frac{230}{513 + 230} \times 100 = \mathbf{30.96\%}$	$\frac{220}{385 + 220} \times 100 = \mathbf{36.36\%}$