

2022 June Q5

Rovex PLC (Rovex) is involved in the business of construction and supply of construction-related services and materials. The following financial and other information extracted from Rovex's financial statements for the year ended 31 March 2022 is provided for your analysis.

	2021/22 Rs. Mn	2020/21 Rs. Mn
Revenue	21,800	17,900
Cost of Sales	(18,900)	(15,600)
Gross Profit	2,900	2,300
Operating Profit	2,100	1,800
Finance Cost	1,580	890
Shareholders Equity	22,400	20,500
Interest Bearing Borrowings	6,000	1,600

Additional information

- During the year, Rovex was able to complete its major construction projects.
- The company invested in increasing its production capacity by establishing two new plants to support construction material production and expanded the distribution network covering the entire island.

- There was a considerable shortage of raw materials during 2021/22 due to import restrictions imposed by the government. Further, towards the latter part of the year, there was a severe power crisis in the country

Required:

(a) Calculate the following ratios for Rovex for given years.

- (i) Gross profit margin
- (ii) Operating profit margin
- (iii) Gearing
- (iv) Interest cover

(b) Analyse the profitability and long-term solvency of Rovex based on the ratios computed above and the information given. (Total: 10 marks)

2022 December Q5

Star (Pvt) Ltd (Star) is a retail company with an island-wide distribution network. The following amounts are provided for Star and its main competitor, Sun (Pvt) Ltd (Sun), for the financial year ended 31 March 2022.

	Star Rs. Mn	Sun Rs. Mn
Revenue	200	300
Operating Profit	15	20
Total Equity	180	200
Non-Current Liabilities	70	75
Current Liabilities	120	150

Required:

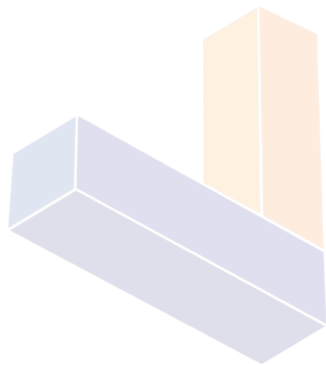
(a) Calculate the following ratios for Star and Sun.

(i) Operating profit margin

(ii) Asset turnover

(iii) Return on capital employed (ROCE) (6 marks)

(b) Analyse Star's performance against Sun's by using any two ratios out of the ratios calculated above in part (a). (4 marks)



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PMP Supermarket (Pvt) Ltd (PMP) is an island-wide supermarket chain. The following information is available for the company and the industry.

Ratio	Company FY 2023	Company FY 2022	Industry FY 2023
Debt-to-equity (times)	0.50	0.84	0.95
Total assets to equity (times)	1.50	1.84	1.95
Interest cover (times)	2.27	1.80	1.5
Return on capital employed (ROCE)	22.5%	26%	18%
Asset turnover (times)	1.5	1.3	2
Revenue	Rs. 600 Mn	Rs. 500 Mn	N/A
Cost of Sales	Rs. 500 Mn	Rs. 400 Mn	N/A
Average Inventory	Rs. 200 Mn	Rs. 175 Mn	N/A
Average Receivables	Rs. 60 Mn	Rs. 55 Mn	N/A

Required:

(a) **Calculate** the following ratios for FY 2023 and FY 2022 based on the available information. (i) Gross profit margin

(ii) Inventory holding period

(iii) Debtors' collection period

(6 marks)

(b) **Analyse** PMP's performance in FY 2023, against the industry and the prior period, in relation to the following.

(i) Gearing

(ii) Return on capital employed

(4 marks)

