**INNOVATION AND BUSINESS PERFORMANCE**

**Learning Outcome 1: ACTIVITY 5**

Ratio calculations – class review

Review your answers to Activity 4 in pairs, then with the rest of the class as directed by your tutor. Compare and update your answers and comments as required.

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| --- | --- | --- | --- |
| **Measure** | **Definition** | **2016 Calculation** | **2015 Calculation** |
|  |  |  |  |
| **Return on Capital Employed (ROCE)** | (Net Profit x 100)/Capital Employed | (40 x 100)/65 = **61.5%** | (30 x 100) / 25 = **120%** |
| **Gross Profit Margin** | (Gross Profit x 100) / Revenue | (100 x 100) / 125 = **80%** | (80 x 100) / 100 = **80%** |
| **EBITDA** | Earnings Before Interest, Tax, Depreciation & Amortization | 40 + 15 + 5 + 10 = **£70k** | 30 + 10 + 5 + 10 = **£55k** |
| **Current Ratio** | Current Assets / Current Liabilities | 30/10 = **3:1** | 20/10 = **2:1** |

**Comments from class discussion**

1.

2.

3.

4.