

Name: _____ **Date:** _____

Chapter 23: Base knowledge worksheet

Full sentence answers are **not** required: SL/HL 36 marks, 50 minutes

Students may use the official IB Business and Management formulae list.

- 1 What is the difference between profit and profitability? (2)

- 2 Give **three** ways in which a business may increase profitability. (3)
 -
 -
 -

- 3 A firm's gross profit margin is 40%. Explain what this means. (2)

- 4 Define 'capital employed'. (2)

- 5 Why is return on capital employed (ROCE) a useful efficiency ratio? (2)

- 6 Most businesses aim to have a current ratio (CR) above 1.0. Why is this? (2)

- 7 Why does the acid test deduct the value of stocks from current assets? (2)
- 8 List **four** things a business could do to improve its liquidity. (4)
- -
 -
 -
- 9 Why does the stock turnover ratio use cost of goods sold instead of sales as the denominator? (2)
- 10 Bearing in mind your answer to question 9, why do debtor days use sales turnover as the denominator? (2)
- 11 Give **two** reasons why the dividend yield of a business may go up. (2)
- -
- 12 State **two** factors that may determine whether a company pays a bigger dividend than other similar companies. (2)
- -
- 13 Explain why the dividend yield is a useful ratio for investors. (2)

14 What does the dividend yield not show? **(1)**

15 a Bearing in mind your answer to question 4, what does the gearing ratio show? **(2)**

b Capital employed in Geldo Ltd consists of long-term bank loans and shareholders' funds. The gearing ratio is 50% and Geldo asks the bank to give another long-term loan. Give **two** reasons why the bank does not want to lend more. **(2)**

-

-

16 Give **two** reasons why ratio analysis may have limitations. **(2)**

-

-