

Summary

3.5 Profitability and Liquidity Ratio Analysis

Subject	Year	Start date	Duration
Business Management	IB1	Week 3, January	1 week 4 hours

Course Part

Unit 3 Finance and Accounts

Description

By the end of Subsection 3.5 - *Profitability and liquidity ratio analysis*, you should be able to:

- Explain the difference between profitability and efficiency ratios.
- Examine when they can be used.
- Calculate the gross profit margin.
- Evaluate the strategies that can be used to improve the GPM.
- Calculate the net profit margin.
- Evaluate the strategies that can be used to improve the NPM.
- Calculate the return on capital employed.
- Evaluate the strategies to improve the ROCE.
- Explain what liquidity ratios are.
- Calculate the current ratio.
- Evaluate the strategies that can be used to improve the current ratio.
- Calculate the acid-test/quick ratio.
- Evaluate the strategies that can be used to improve the quick ratio.

Inquiry & Purpose

? Inquiry / Higher Order Questions

Type	Inquiry Questions
Skills-based	Accounting practices vary from country to country. Is this necessary, or is it possible to have the same accounting practices everywhere?

Curriculum

🎯 Aims

Develop in the student the capacity to identify, to analyse critically and to evaluate theories, concepts and arguments about the nature and activities of the individual and society

◇ Objectives

Demonstrate knowledge and understanding of

the business management tools, techniques and theories specified in the syllabus content

Demonstrate application and analysis of

knowledge and skills to a variety of real-world and fictional business situations

📖 Syllabus Content

Unit 3: Finance and accounts

3.5 Profitability and liquidity ratio analysis

The following profitability and efficiency ratios: gross profit margin, net profit margin, ROCE

The following liquidity ratios: current, acid-test/quick

Possible strategies to improve these ratios: gross profit margin, net profit margin, ROCE

Possible strategies to improve these ratios: current, acid-test/quick

💡 Concepts

Culture

Every organization operates in a range of environments in which its role may be interpreted differently. These expectations affect planning, decision making and strategy implementation. Within an organization, values and backgrounds influence what stakeholders focus on and how they work.

📊 ATL Skills

🔑 Approaches to Learning



Thinking

- In this unit, we will

reward a new personal understanding, solution or approach to an issue

require students to take an unfamiliar viewpoint into account when formulating arguments



Communication

- In this unit, we will

ask students to monitor and check the quality of their writing

encourage all students to contribute to discussions

IB DP Business Management Ms Wood 2020 - 2022 (IB1)



Developing IB Learners



Learner Profile



Knowledgeable



Communicators