

U2.18 - Print & Cut Flashcards

Cut along the card edges. Each card shows the question on top and the answer underneath.

CARD 1

What does profitability measure?

How successfully a business turns sales into profit.

CARD 2

What is the gross profit ratio formula?

$\text{Gross Profit} \div \text{Sales Revenue} \times 100.$

CARD 3

What does the gross profit ratio show?

How much gross profit the business earns from each dollar of sales.

CARD 4

How can a business improve its gross profit ratio?

Raise selling prices, lower stock costs, reduce waste or discounting, and focus on higher-margin products.

CARD 5

What is the net profit ratio formula?

$\text{Net Profit} \div \text{Sales Revenue} \times 100.$

CARD 6

What does the net profit ratio show?

How much final profit remains from each dollar of sales after all expenses are paid.

CARD 7

How can a business improve its net profit ratio?

Increase sales and reduce running costs such as rent, electricity, wages, insurance or ineffective advertising.

CARD 8

What does liquidity measure?

The business's ability to meet short-term debts when they fall due.

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CARD 9

What is the current ratio formula?

Current Assets ÷ Current Liabilities.

CARD 10

How is the current ratio interpreted?

Above 1:1 usually suggests current assets cover current liabilities; industry comparisons still matter.

CARD 11

How can a business improve its current ratio?

Collect debts faster, increase cash sales, reduce short-term debt, sell unwanted assets or improve stock control.

CARD 12

What does stability measure?

The long-term financial strength of a business and how heavily it relies on debt.

CARD 13

What is the debt-to-equity ratio formula?

Total Liabilities ÷ Equity.

CARD 14

How is a high debt-to-equity ratio usually interpreted?

It usually suggests greater reliance on debt and higher financial risk.

CARD 15

How can a business improve its debt-to-equity ratio and stability?

Reduce long-term debt, avoid excessive borrowing, increase equity or retained profits, and slow debt-funded expansion.

CARD 16

How should financial ratios be judged?

Compare them with previous years, competitors and the industry average rather than using one universal benchmark.