

# Return on equity practice worksheet

Name \_\_\_\_\_ Date \_\_\_\_\_

## 1. Return on equity (problem 2501)

From the figures below, work out return on equity, using average shareholders' equity.

### FIGURES FOR THE YEAR (\$)

|                                               |           |
|-----------------------------------------------|-----------|
| Shareholders' equity at the end of the year   | 1,158,000 |
| Income tax expense                            | 27,000    |
| Total assets at the end of the year           | 2,549,000 |
| Dividends paid                                | 20,000    |
| Shareholders' equity at the start of the year | 1,080,000 |
| Profit before tax                             | 125,000   |

1. Net income: \_\_\_\_\_
2. Average shareholders' equity: \_\_\_\_\_
3. Return on equity (%): \_\_\_\_\_

## 2. Return on equity (problem 2502)

From the figures below, work out return on equity, using average shareholders' equity.

### FIGURES FOR THE YEAR (\$)

|                                               |           |
|-----------------------------------------------|-----------|
| Dividends paid                                | 34,000    |
| Total assets at the end of the year           | 3,006,000 |
| Shareholders' equity at the start of the year | 830,000   |
| Income tax expense                            | 51,000    |
| Shareholders' equity at the end of the year   | 990,000   |
| Profit before tax                             | 245,000   |

1. Net income: \_\_\_\_\_
2. Average shareholders' equity: \_\_\_\_\_
3. Return on equity (%): \_\_\_\_\_

### 3. Return on equity (problem 2503)

From the figures below, work out return on equity, using average shareholders' equity.

#### FIGURES FOR THE YEAR (\$)

|                                               |           |
|-----------------------------------------------|-----------|
| Profit before tax                             | 85,000    |
| Shareholders' equity at the end of the year   | 1,567,000 |
| Total assets at the end of the year           | 3,516,000 |
| Income tax expense                            | 18,000    |
| Shareholders' equity at the start of the year | 1,500,000 |
| Dividends paid                                | 0         |

1. Net income: \_\_\_\_\_
2. Average shareholders' equity: \_\_\_\_\_
3. Return on equity (%): \_\_\_\_\_

### 4. Return on equity (problem 2504)

From the figures below, work out return on equity, using average shareholders' equity.

#### FIGURES FOR THE YEAR (\$)

|                                               |           |
|-----------------------------------------------|-----------|
| Shareholders' equity at the end of the year   | 1,057,000 |
| Income tax expense                            | 46,000    |
| Total assets at the end of the year           | 2,863,000 |
| Profit before tax                             | 215,000   |
| Dividends paid                                | 62,000    |
| Shareholders' equity at the start of the year | 950,000   |

1. Net income: \_\_\_\_\_
2. Average shareholders' equity: \_\_\_\_\_
3. Return on equity (%): \_\_\_\_\_

### 5. Return on equity (problem 2505)

From the figures below, work out return on equity, using average shareholders' equity.

#### FIGURES FOR THE YEAR (\$)

|                                               |           |
|-----------------------------------------------|-----------|
| Shareholders' equity at the start of the year | 1,270,000 |
| Total assets at the end of the year           | 2,534,000 |
| Profit before tax                             | 80,000    |
| Dividends paid                                | 6,000     |
| Income tax expense                            | 16,000    |
| Shareholders' equity at the end of the year   | 1,328,000 |

1. Net income: \_\_\_\_\_
2. Average shareholders' equity: \_\_\_\_\_
3. Return on equity (%): \_\_\_\_\_

## 6. Return on equity (problem 2506)

From the figures below, work out return on equity, using average shareholders' equity.

### FIGURES FOR THE YEAR (\$)

|                                               |         |
|-----------------------------------------------|---------|
| Total assets at the end of the year           | 981,000 |
| Dividends paid                                | 50,000  |
| Shareholders' equity at the start of the year | 530,000 |
| Shareholders' equity at the end of the year   | 600,000 |
| Profit before tax                             | 155,000 |
| Income tax expense                            | 35,000  |

1. Net income: \_\_\_\_\_
2. Average shareholders' equity: \_\_\_\_\_
3. Return on equity (%): \_\_\_\_\_

## Answer key

### 1. Return on equity (problem 2501)

1. **Net income: 98,000.** Profit before tax 125,000 – Income tax expense 27,000 = 98,000
2. **Average shareholders' equity: 1,119,000.**  $(1,080,000 + 1,158,000) \div 2 = 1,119,000$
3. **Return on equity (%): 8.8%.**  $98,000 \div 1,119,000 = 8.8\%$

### 2. Return on equity (problem 2502)

1. **Net income: 194,000.** Profit before tax 245,000 – Income tax expense 51,000 = 194,000
2. **Average shareholders' equity: 910,000.**  $(830,000 + 990,000) \div 2 = 910,000$
3. **Return on equity (%): 21.3%.**  $194,000 \div 910,000 = 21.3\%$

### 3. Return on equity (problem 2503)

1. **Net income: 67,000.** Profit before tax 85,000 – Income tax expense 18,000 = 67,000
2. **Average shareholders' equity: 1,533,500.**  $(1,500,000 + 1,567,000) \div 2 = 1,533,500$
3. **Return on equity (%): 4.4%.**  $67,000 \div 1,533,500 = 4.4\%$

### 4. Return on equity (problem 2504)

1. **Net income: 169,000.** Profit before tax 215,000 – Income tax expense 46,000 = 169,000
2. **Average shareholders' equity: 1,003,500.**  $(950,000 + 1,057,000) \div 2 = 1,003,500$
3. **Return on equity (%): 16.8%.**  $169,000 \div 1,003,500 = 16.8\%$

### 5. Return on equity (problem 2505)

1. **Net income: 64,000.** Profit before tax 80,000 – Income tax expense 16,000 = 64,000
2. **Average shareholders' equity: 1,299,000.**  $(1,270,000 + 1,328,000) \div 2 = 1,299,000$
3. **Return on equity (%): 4.9%.**  $64,000 \div 1,299,000 = 4.9\%$

### 6. Return on equity (problem 2506)

1. **Net income: 120,000.** Profit before tax 155,000 – Income tax expense 35,000 = 120,000
2. **Average shareholders' equity: 565,000.**  $(530,000 + 600,000) \div 2 = 565,000$
3. **Return on equity (%): 21.2%.**  $120,000 \div 565,000 = 21.2\%$

---

Free to copy for teaching and study. Fresh problems and step-by-step checking: [financialratios.guide/guides/financial-ratio-practice-problems/](https://financialratios.guide/guides/financial-ratio-practice-problems/)