

UDHNA COLLEGE

M.COM. Sem-II

Financial and Management Accounting-IV

UNIT-1 Ratio Analysis (of Company's Financial Statements): (Practical) 35%

Q1) Stock turnover is 8 times

Sales Rs. 500000

Gross profit is 25% on cost.

Closing stock is Rs. 10000 more than opening stock.

Find out the closing stock.

Q2) Current ratio 2.8:1

Liquidity ratio 1.5:1

Working Capital Rs. 81000

There is no bank overdraft in Current Liabilities.

Find out Current assets, Current Liabilities and Liquid assets.

Q3) Following is the information of Ganesh co. ltd.

Calculate current assets, current liabilities, liquid assets & liquid liabilities.

Current ratio 2.5:1

Liquid ratio 3:1

Working capital Rs. 50000

Stock is 2 times than B.O.D.

Q4) The balance sheet of Ankur Co. Ltd. as on 31.3.2023 is as under:

		Particulars	Rs.
I		EQUITY AND LIABILITIES	
	1.	Shareholders' Funds:	
	a.	Share Capital	
		Equity Share capital (Rs. 10)	240000
		10% Red. Pref. share capital (Rs. 10 each)	160000
	b.	Reserves and Surplus	
		General Reserve	40000
	2.	Non-Current Liabilities:	
	a.	Long-term borrowings: 10% Debentures	180000
	3.	Current liabilities:	
	a.	Trade payables: Creditors	56000
		Bills payable	20000
	b.	Other current liabilities: Bank overdraft	10000
		Outstanding expenses	4000
		Total	<u>710000</u>
II		ASSETS	
	1	Non-Current Assets:	
	a.	Fixed Assets	
	1.	Tangible Assets	
		Land and Buildings	270000

		Machinery	160000
	b.	Other Non-Current Assets: Preliminary expense	100000
	2.	Current Assets:	
	a.	Inventories	20000
	b.	Trade receivable	
		Debtors	56480
		Bills receivable	18400
	c.	Cash and cash equivalents	
		Cash	85120
		Bank balance	-
		Total	<u>710000</u>

Additional Information:

Particulars:	Rs.
Credit sales (60% of total sales)	480000
Adjusted purchases	480000
Net profit (after deducting interest and tax)	80000
Administrative expenses	50000
Financial expenses	26000
Sales and Distribution	4000
Stock on 1.04.2022	80000

Rate of income tax	50%
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Calculate the following ratios:

1. Liquidity ratio
2. Gross profit ratio
3. Operating ratio
4. Stock turnover ratio
5. Debtor ratio (assume 360 days)
6. Rate of return on capital employed
7. Rate of return on equity share capital

Q5) The following is summarized balance sheet of Smit Ltd. As on 31st March 2023.

	Particulars	Rs.
I	EQUITY AND LIABILITIES	
	1. Shareholders' Funds:	
	a. Share Capital	
	Equity Share capital	300000
	10% redeemable Pref. share capital	150000
	b. Reserves and Surplus	115000
	c. Money received against share warrants	
	2. Share Application Money pending allotment	
	3. Non-Current Liabilities:	
	a. Long-term borrowings: 8% Debentures	200000

	b.	Deferred Tax liability (Net)	
	c.	Other long term liabilities	
	d.	Long-term provisions	
	4.	Current liabilities:	
	a.	Short-term borrowings: Bank overdraft	30000
	b.	Trade payables: Creditors	110000
		Bills payable	20000
	c.	Other current liabilities: Outstanding expenses	10000
	d.	Short-term provisions:	
		Total	935000
II		ASSETS	
	1	Non-Current Assets:	
	a.	Fixed Assets	
	1.	Tangible Assets	600000
	2.	Intangible Assets:	
	b.	Non-Current Investments	
	c.	Long-term loans & Advances	
	d.	Other Non-Current Assets: Preliminary expenses	15000
	2.	Current Assets:	
	a.	Current investments:	
	b.	Inventories	120000
	c.	Trade receivable: Debtors	100000

		Bills receivable	30000
	d.	Cash and cash equivalents	
		Cash and bank balance	50000
	e.	Short-term loans and advances: Prepaid expenses	20000
	f.	Other Current Assets	
		Total	935000

Additional Information:

1. Total sales (cash sales are 20% of credit sales) Rs. 1080000
2. Cost of goods sold Rs. 540000
3. Net profit (before interest and tax provision) Rs. 300000
4. Stock on 1.4.2022 Rs. 100000

From the above information, calculate the following ratios

1. Current ratio
2. Debtor ratio (360 days)
3. Return on capital employed
4. Net profit ratio
5. Capital gearing ratio
6. Debt equity ratio (on the basis of long term debt)
7. Liquid ratio
8. Operating ratio

Q6) Find out the following ratio from the balance sheet of Jigar Ltd. as on 31.3.2023 and additional details given to you:

1. Stock turnover ratio
2. Proprietary ratio
3. Current ratio
4. Liquid ratio
5. Rate on return on capital employed
6. Rate on return on equity capital
7. Net profit ratio
8. Creditors ratio

Balance Sheet of Jigar Ltd. As on 31.3.2023

		Particulars	Rs.
I		EQUITY AND LIABILITIES	
	1.	Shareholders' Funds:	
	a.	Share Capital	
		Equity Share capital (Rs. 10)	400000
		10% redeemable Pref. share capital	250000
	b.	Reserves and Surplus	
		Profit and Loss A/c	170000
		General Reserve	200000
	c.	Money received against share warrants	
	2.	Share Application Money pending allotment	
	3.	Non-Current Liabilities:	
	a.	Long-term borrowings: 8% Debentures	250000

	b.	Deferred Tax liability (Net)	
	c.	Other long term liabilities	
	d.	Long-term provisions	
	4.	Current liabilities:	
	a.	Short-term borrowings: Bank overdraft (state bank)	40000
	b.	Trade payables: Creditors	100000
		Bills payable	50000
	c.	Other current liabilities: Provident Fund	30000
		Outstanding expenses	10000
	d.	Short-term provisions:	
		Total	1500000
II		ASSETS	
	1	Non-Current Assets:	
	a.	Fixed Assets	
	1.	Tangible Assets	
		Land and Buildings	500000
		Machinery	130000
	2.	Intangible Assets:	
	b.	Non-Current Investments	
	c.	Long-term loans & Advances	
	d.	Other Non-Current Assets: Debenture discount	5000

	2.	Current Assets:	
	a.	Current investments: Temporary Investments	270000
	b.	Inventories	175000
	c.	Trade receivable: Debtors	200000
		Bills receivable	50000
	d.	Cash and cash equivalents	
		Cash	20000
		Bank	40000
	e.	Short-term loans and advances: Prepaid expenses	30000
		Advance income tax	80000
	f.	Other Current Assets	
		Total	1500000

Additional information:

1. Cash sale is 20% of total sales.
2. Stock on 1.4.22 is Rs. 125000.
3. Debtor ratio is 90 days.
4. Gross profit is 40% of sales.
5. Net profit (before interest and tax) is Rs.250000.
6. Rate if taxation us 50%.
7. Working days are 360 days.

Q7) From the following information find out current assets, current liabilities and closing stock

current ratio	2.25:1
liquid ratio	1.5:1
fixed asset (WDV)	30,00,000
Depreciation fund on FA	50,000
Investment	375000
Share Capital	20,00,000
General Reserve	11,00,000
Long Term Liabilities	10,50,000
Preliminary Exp.	50,000
P/L A/C Dr. Bal.	1,00,000

Q8) Diya ltd. Has provided the following information:

Liquid Ratio	1.5
Current Ratio	2.5
Liquid Liabilities	20,00,000
Stock Turnover Ratio	2 Mths.
Ratio of Gross Profit to Sales	20%
Ratio of Turnover of Fixed Assets (Cost of Sales/Net Fixed Assets)	2
Average Debt Collection Period	2 Mths.
Fixed Assets	80% of Net worth
Reserve & Surplus	1/2 of share capital

Calculate: 1) Fixed Assets

2) Current Assets

- 3) Share Capital
- 4) Closing Stock
- 5) Debtors
- 6) Non-Current Liabilities
- 7) Current Liabilities

Q9) Following Info. Is available from the financial records of mojiwala Ltd. Calculate,

- (1) Current ratio. (2) Debtors ratio. (360 days). (3) Return on share holders funds. (4) Return on capital employed. (5) Net profit ratio. (6) Stock turnover ratio.

Particulars	Rs.	Particulars	Rs.
Eq. share capital	400000	Clo. Stock	128000
Retained earnings	83200	Debtors	160000
15% deb.	320000	Cash bal.	64000
Creditors	140000	Ope. Stock	132000
B.O.D.	46000	Preliminary exp.	3200
Fixed assets	640000	Operating exp.	256000

- (1) Credit sales are 62.5% of total sales.
- (2) Cost of goods sold is 70%.
- (3) Operating ratio 90% & rate of tax 50%.

Q10) The current ratio of the company is 2:1 where current assets are Rs.300000 which of the following transaction will Increase the ratio, decrease the ratio or not affect the ratio?

1. Pay current liability of Rs.40000
2. Sales to Mahesh Rs.50000 out of this sales Rs.30000 is for cash & balance in credit
3. Endorse a bill of exchange of Rs.30000 to supplier
4. Purchase goods of Rs.25000 for cash

Q11) A Company with liquid ratio of 1:1 has liquid liabilities of Rs.10,00,000.

Indicate how each of the following transaction will independently affect liquid ratio with calculation:

1. Borrowed Rs.1,00,000 from Bank repayable after 3years
2. Bills receivable endorsed in favor of creditors of Rs.1,00,000
3. Purchased a furniture of Rs. 50,000 on credit

Q12) The actual ratios of a company compared to the industry standard are given below. Comment on each ratio and indicate in one or two sentences the nature of action to be taken by the company.

RATIO	Industry Standard	Actual for the company
Current Ratio	2.2	2.7
Debtors Turnover Ratio	6	8
Stock Turnover Ratio	10	3
Net Profit Ratio	5%	2.40%
Total debt to total assets	7.50%	40%

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