UDHNA COLLEGE

TYBCOM SEM-5

ADVANCED ACCOUNTING & AUDITING-6

CH: RATIO ANALYSIS

PRACTICE QUESTION:3

1. The extracts from the balance sheet of Ankur Co. Ltd. as on 31.3.2019 is as under:

- Bills payable Rs. 20000
- Land and Buildings Rs. 270000
- 10% Debentures Rs. 180000
- Net profit (after deducting interest and tax) Rs. 80000
- Trade payables: Creditors Rs. 56000
- Cash and cash equivalents Cash Rs. 85120
- General Reserve Rs. 40000
- Stock on1.04.2018 Rs. 80000
- Other current liabilities: Bank overdraft Rs. 10000
- Preliminary expense Rs. 100000
- Financial expenses Rs. 26000
- Equity Share capital (Rs. 10) Rs. 240000
- Credit sales (60% of total sales) Rs. 480000
- Outstanding expenses Rs. 4000
- Machinery Rs. 160000
- Rate of income tax on profit is 50%.
- Trade receivable Debtors Rs. 56480
- 10% Red. Pref. share capital (Rs. 10 each) Rs. 160000
- Sales and Distribution Expenses Rs. 4000
- Inventories Rs. 20000

- Adjusted purchases Rs. 480000
- Administrative expenses Rs. 50000
- Bills receivable Rs. 18400
- Additional Information:

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

2.The following are the extracts from the balance sheet of Smit Ltd. As on 31st March 2018.

- Trade receivable: Debtors Rs. 100000
- Cost of goods sold Rs. 540000
- Short-term borrowings: Bank overdraft Rs. 30000
- Fixed Assets Tangible Assets Rs. 600000
- Reserves and Surplus Rs. 115000
- Stock on 1.4.2017 Rs. 100000
- Outstanding expenses Rs. 10000
- Long-term borrowings: 8% Debentures Rs. 200000
- Cash and cash equivalents Cash and bank balance Rs. 50000
- Trade payables: Creditors Rs. 110000
- Net profit (before interest and tax provision) Rs. 300000
- 10% redeemable Pref. share capital Rs. 150000

- Preliminary expenses Rs. 15000
- Total sales (cash sales are 20% of credit sales) Rs. 1080000
- Bills payable Rs. 20000
- Equity Share capital Rs. 300000
- Short-term loans and advances: Prepaid expenses Other Current Assets Rs. 20000
- Inventories Rs. 120000
- Bills receivable Rs. 30000
- Additional Information:

From the above information, calculate the following ratios

1. Current ratio
2. Debtors 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

3. The following are the extracts from the balance sheet of Jigar Ltd. As on 31st March 2018.

- Machinery Rs. 130000
- Bills payable Rs. 50000
- Net profit (before interest and tax) is Rs.250000.
- General Reserve Rs. 200000
- Debenture discount Rs. 5000
- Short-term borrowings: Bank overdraft (state bank) Rs. 40000
- Land and Buildings Rs. 500000
- Advance income tax Rs. 80000

- Equity Share capital (Rs. 10) Rs. 400000
- Working days are 360 days.
- Trade payables: Creditors Rs. 100000
- Profit and Loss A/c Rs. 170000
- Bank Rs. 40000
- Debtor ratio is 90 days.
- Inventories Rs. 175000
- Outstanding expenses Rs. 10000
- 10% redeemable Pref. share capital Rs. 250000
- Current investments: Temporary Investments Rs. 270000
- Rate if taxation us 50%.
- Trade receivable: Debtors Rs. 200000
- Long-term borrowings: 8% Debentures Rs. 250000
- Cash and cash equivalents Cash Rs. 20000
- Gross profit is 40% of sales.
- Provident Fund Rs. 30000
- Stock on 1.4.17 is Rs. 125000.
- Short-term loans and advances: Prepaid expenses Rs. 30000
- Bills receivable Rs. 50000
- Cash sale is 20% of total sales.

Find out the following ratio:

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