

RATIO ANALYSIS

- 1) Reliance Ltd has sold goods worth Rs. 2,50,000/- with a gross profit margin of 20 %. The stock at the beginning and at the end of the year was Rs 35000 and Rs 45000 respectively. Calculate the Stock Turnover Ratio.
 - 2) The Net Credit Sales of Reliance Ltd for 1996 were Rs 3,00,000/- and the amount of debtors at the end of the year was Rs 32,000 and bills receivable Rs 8,000. Calculate Debtors turnover ratio.
 - 3) The net credit purchases of Reliance Ltd for 1996 were Rs 2,40,000 and the amount of creditors at the end of the year was Rs 50,000 and bills payable was Rs 10,000. Calculate creditor turnover ratio.
 - 4) The operating profit of New India Ltd after charging interest on loan and tax is Rs 60,000/-. The amount of interest charge is Rs 24000/- and the provision made for taxation has been Rs 60,000/- being 50% of total profit. Calculate the interest coverage ratio.
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- 1) Following is the Profit and Loss A/c of National Ltd.

Profit & Loss Account				
Opening Stock	50000	Sales	260000	
Purchases	125000	Less: Returns	10000	250000
Manufacturing Exps	12500			
Office and Admin Expenses	15000	Closing Stock		25000
Selling and Distribution Exps	12000			
Preliminary Exps	3000			
Net Profit	57500			
Total	275000			275000

Calculate the following ratios.

- a) Gross Profit Ratio b) Net Profit Ratio c) Operating Ratio D) Stock Turnover Ratio
- e) Expenses Ratio
- 2) Manohar and Co. sells goods on cash as well as on credit . The following particulars are extracted from the books for the year 1996.

Total Gross Sales (including Cash Sales of Rs 30000)	160000
Sales Returns	10000
Total Debtors (on 31.12.1996)	15000
Bills receivable (on 31.12.1996)	3000
Provision for doubtful debts (on 31.12.1996)	2000
Sundry Creditors	18000
Prepaid Expenses	600

Calculate Debtor Collection Period.

- 3) Akash Traders purchase goods on cash and credit terms. The following particulars are obtained from their books.

Total Purchases	60000
Cash Purchases	6000
Purchase Returns	5600
Creditors at end	14000
Bills Payable at end	8000
Reserve for discount on Creditors	500

Calculate average payment period.

- 4) A Co. has an inventory of Rs 720000/- , debtors Rs 430000/- and an inventory turnover ratio of 12. The Gross profit margin is 10% and its credit Sales are 20% of the total Sales. Calculate the average collection period.
- 5) Rainbow Co. stock turnover is 5 times, stock at the end is Rs 20000/- more than that at the beginning. Sales (all credit) are Rs 8,00,000/- ; rate of Gross Profit on cost is $\frac{1}{4}$ (onefourth). Current liabilities are Rs 120000/- . Quick Ratio is 0.75. Calculate Current Assets.
- 6) From the following details of Pioneer Ltd. Calculate
a) Current Liabilities b) Current Assets c) Liquid Assets d) Working Capital
Current Ratio= 1.6: 1
Quick Ratio = 1.1: 1
Stock = Rs 50,000/-
- 7) From the following details , find out
(i) Current Assets
(ii) Current Liabilities
(iii) Liquid Assets
(iv) Stock
- Details: Current Ratio- 2.5 ; Liquid Ratio – 1.5 ; Working Capital – 60000/-
- 8) A Company has shareholder equity of Rs 200000/- . Total Assets are 160% of the shareholders equity; while the asset turnover is 4 . If the Company has inventory turnover of 5, calculate the value of inventory.
- 9) The total sales (all credit) of a firm are Rs 640000/-. It has a Gross Profit Margin of 15% and a current Ratio of 2.5. The firm's current liabilities are Rs 96000/-, inventory Rs 48000/- and Cash Rs 16000/-
a) Determine the average inventory to be carried by the firm, if an inventory turnover ratio of 5 times is expected. (Assume a 360 days in a year)
b) Determine the average collection period if the opening balance of Debtors is intended to be Rs 80,000/- (Assume a 360 in a year)
- 10) Calculate the following Ratios from the Balance Sheet given below.
a) Debt equity Ratio
b) Liquid Ratio
c) Fixed Assets to Current Assets
d) Fixed Assets Turnover Ratio

BALANCE SHEET			
Liabilites	Rs	Assets	Rs
Equity Shares of Rs 10 each	100000	Goodwill	60000
Reserves	20000	Fixed Assets (Cost)	140000
P/L Account	30000	Stock	30000
Secured Loan	80000	Sundry Debtors	30000
Sundry Creditors	50000	Advances	10000
Provision for Tax	20000	Cash	30000
	300000		300000

The sales for the year were Rs 5,60,000.