# Ratio Analysis

(i) GP Ratio ⇒ $\frac{\text{Gross Profit}}{\text{Revenue FO}} \times 100$

Gross profit ⇒ RFO − CORFO

⇒ 25,20,000 − 19,20,000

⇒ 600,000

GP Ratio ⇒ $\frac{600,000}{25,20,000} \times 100$

⇒ 23.81 %

(ii) Inventory T/o Ratio ⇒ $\frac{\text{Cost of Revenue from Operation}}{\text{Average Inventory}}$

⇒ $\frac{19,20,000}{8,00,000}$

⇒ 3.4 times

(iii) Current Ratio ⇒ $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

⇒ $\frac{7,60,000}{2,00,000} \Rightarrow \frac{38}{30} = \frac{19}{15}$

⇒ ~~3.8~~ times

(iv) Liquid Ratio ⇒ $\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liab.} - \text{Bank OD}}$

⇒ $\frac{760,000 - 800,000}{600,000}$

⇒ Can't be negative

(v) Net profit Ratio ⇒ $\frac{\text{Net profit}}{\text{Revenue from operation}} \times 100$

⇒ $\frac{360,000}{2520,000} \times 100$

⇒ 14.29 %

(11) Working Capital = C. Assets − C. Liabilities
= 760,000 − 600,000
= 160,000

Working Capital Turn Over Ratio = Revenue from operation / Working Capital

⇒ 2520,000 / 160,000

⇒ 15.75 times

(12). Gross Profit Ratio ⇒ (10,00,000 − 600,000) / 10,00,000 × 100

⇒ 40%

• Working Capital to Ratio [Revenue from operation / Working Capital] ⇒ 10,00,000 / (400,000 − 280000)

⇒ 10,00,000 / 1,20,000

⇒ 8.33 times

• Debt-equity Ratio ⇒ Long term debt / Shareholder fund

⇒ 200,000 / 5,00,000

⇒ .40 times

• Proprietory Ratio ⇒ Shareholder fund / Total assets

⇒ 500,000 / 500,000 + 2L + 2.8L

⇒ 500,000 / 9,80,000

⇒ 0.51 Times

(13) Avg Inventories ⇒ $\frac{76,250 + 98,500}{2}$

⇒ $\frac{174,750}{2}$

⇒ 87,375

Cost of goods Sold ⇒ opening + purchase − closing

⇒ 76250 + 322~~50~~0 − 98500

⇒ 300,000

Revenue from operation ⇒ ~~Gross~~ Revenue − Sales Return

⇒ 520,000 − 20,000

⇒ 500,000

~~Cos~~ Inventories T/o Ratio ⇒ $\frac{\text{Cost of Revenue from op.}}{\text{Avg. Inventories}}$

⇒ $\frac{300,000}{87,375}$

⇒ 3.433 times

(14) COGS = opening Inventory + purchase + Carriage − closing Inventory

= 10,000 + 25000 + 2500 − 5000

= 32500

Avg Inventories = $\frac{\text{op. Inventories} + \text{cl. Inventories}}{2}$

⇒ $\frac{10,000 + 5000}{2}$ ⇒ 7500

Inventory T/o Ratio ⇒ $\frac{COGS}{\text{Avg. Inventories}}$

⇒ $\frac{32500}{7500}$ ⇒ 4.33 times

(15) Avg Inventories = 20,000

Inventories T/O Ratio = 8 times

$$\frac{COGS}{AI} = 8$$

$$COGS = 8 \times 20000$$

$$= 160,000$$

Gross profit = 20% sales

$$= \frac{20}{80} \text{ on cost}$$

$$\text{Gross profit} = 160000 \times \frac{20}{80} = 40,000$$

(16) Inv. T/O Ratio $= \frac{COGS}{Avg\ I}$

$$= \frac{24L - 6L}{\frac{6L + 9L}{2}}$$

$$= \frac{1800,000}{750,000}$$

$$= 2.4 \text{ times}$$

Trade Receivable T/O Ratio $\Rightarrow \frac{\text{Credit Sales}}{\text{Avg T/R}}$

$$\Rightarrow \frac{24,00,000}{\frac{5L + 5.6L}{2}}$$

$$\Rightarrow \frac{24,00,000}{5,30,000}$$

$\Rightarrow$ 4.53 times

(17) (i) Debt Equity Ratio = $\frac{\text{Long term debt}}{\text{shareholder fund}}$

$\Rightarrow \frac{12,00,000}{10L+9L}$

$= \frac{12L}{19L} = 0.63:1$

(ii) Working Capital T/O Ratio = $\frac{\text{Revenue from operation}}{\text{Working Capital}}$

$\Rightarrow \frac{18,00,000}{CA-CL}$

$\Rightarrow \frac{18,00,000}{(4L+9L+5L)-5L}$

$= \frac{18L}{13L}$

$= 1.39$ times

(iii) Trade Receivable T/O Ratio = $\frac{\text{Credit sales}}{\text{Avg T/R}}$

$\Rightarrow \frac{18\,00,000}{9\,00,000}$

$= 2$ times

(18) Return on Investment = $\frac{\text{profit before Interest and tax}}{\text{Capital Employed}} \times 100$

$\Rightarrow \frac{140,000}{2L+1.4L} \times 100$

$= 41.17\%$

(19) Debt = 75000

(17) Shareholder fund ⇒ 75000 + 25000 + 45000 + 30,000

⇒ 175000

Current Liability = 40,000 + 10,000

= 50,000

Total Liability = SF + LTD + CL

= 175000 + 75000 + 50000

= 300,000