

Ratio Analysis

PRACTICAL PROBLEMS

Q.1 Rearrange the following financial statement of X Ltd. and compute the Revenue Statement Ratios.

Profit & Loss A/c for the year ended 31st March, 2014.

Particulars	₹	Particulars	₹
To Opening Stock	2,00,000	By Sales 20,10,000	
To Purchases	11,95,000	(-) Return <u>10,000</u>	20,00,000
To Direct expenses	1,05,000	By Closing Stock	3,00,00
To Gross Profit c/d	8,00,000		
	23,00,000		23,00,000
To Selling expenses	1,50,000	By Gross Profit b/d	8,10,000
To Administrative Expenses	3,80,000	By Interest	10,000
To Financial expenses	60,000	By Profit on sales of	
To Loss on sales of motor car	35,000	investments	15,000
To Net Profit c/d.	2,00,000		
	8,25,000		8,25,000

Q.2 The following is the Balance sheet of X Ltd. on 31st March, 2014.

Liabilities	₹	Assets	₹
<u>Share capital:</u>		Land & Building	1,20,000
1500 Equity shares ₹100 each	1,50,000	Furniture	20,000
1000 9% Pref. Shares of ₹100 each	1,00,000	Plant & Machinery	1,60,000
10% Debenture	1,50,000	Goodwill	1,20,000
Reserves	50,000	Investments (short term)	20,000
Profit & Loss Account	50,000	Debtors	60,000
Sundry Creditors	50,000	Stock	60,000
Outstanding Expenses	5,000	Cash in hand	60,000
Bank Overdraft	25,000	Prepaid expenses	10,000
Provision for Taxation	50,000		
	6,30,000		6,30,000

Compute the Balance sheet ratios.

Q.7 Following are the Profit & Loss A/c & Balance sheet of AB Ltd.

Calculate: 1) Inventory Turnover ratio 2) Operating ratio 3) Return on Capital Employed
4) Average collection period 6) Dividend Pay-out ratio 7) Interest coverage ratio.
8) E.P.S.

Profit & Loss Account for the year ended 31.03.17

Particulars	₹	Particulars	₹
To Opening Stock	60,000	By Sales:	
To Purchases:		Cash	2,00,000
Cash	4,00,000	Credit	<u>8,00,000</u>
Credit	<u>3,00,000</u>	By closing stock	80,000
To Direct Expenses	55,000		
To Gross Profit c/d	2,65,000		
	10,80,000		10,80,000
To Administrative expenses	85,000	By Gross profit b/d	2,65,000
To Selling & Dist. expenses	35,000	By Interest on investments	5,000
To Interest	20,000		
To Provision for Tax	50,000		
To Provision for dividend	30,000		
To Net profit c/fd	50,000		
	2,70,000		2,70,000

Balance Sheet as on 31.03.97

Liabilities	₹	Assets	₹
Equity Share Cap (₹ 10)	4,00,000	Plant & Machinery	1,00,000
10% Debentures	2,00,000	Land & Building	3,24,000
Profit & Loss A/c	50,000	Stock	80,000
Creditors	30,000	Investments	50,000
Provision for Tax	50,000	Debtors	1,60,000
Income received in advance	6,000	Bills Receivable	40,000
Proposed dividend	30,000	Cash & Bank	10,000
		Prepaid Expenses	2,000
	7,66,000		7,66,000

Q.8 The following is the balance sheet of XYZ Ltd. as on 31st March, 2016.

Liabilities	₹	Assets	₹
Equity Shares capital	3,00,000	Building	3,00,000
12% Debentures	2,00,000	Machinery	1,30,000
General Reserve	80,000	Goodwill	1,50,000
Profit & Loss Account	1,50,000	Patent Rights	50,000
Bank Overdraft	50,000	Investments (short term)	30,000
Income Tax Provision	50,000	Debtors	1,10,000
Creditors	1,00,000	Less: R.D.D. <u>10,000</u>	1,00,000
		Stock	1,00,000
		Cash on hand	20,000
		Bank Balance	50,000
	9,30,000		9,30,000

Other information for the year ending 31st March,2016 :

Sales ₹ 35,00,000, Gross Profit on sales 10%, Net Profit before tax ₹ 1,40,000, Income Tax Provision ₹ 50,000.

Arrange the Balance sheet in a vertical form and calculate the following ratios :

- 1 Current Ratio
- 2 Liquid Ratio
- 3 Stock Turnover Ratio, Opening stock as on 01.04.95 was ₹ 1,10,000
- 4 Debtors Turnover Ratio and Collection Period.
- 5 Debt equity ratio.
- 6 Proprietary Ratio.
- 7 Return on Proprietor's Funds.
- 8 Return on Investments (ROI)

Q.9 The following is the balance sheet of X Ltd. on 31st March,2016.

Liabilities	₹	Assets	₹
Share Capital	20,00,000	Fixed Assets	18,00,000
Reserves	4,00,000	Debtors	4,50,000
Creditors	3,00,000	Stock	4,00,000
Bank Overdraft	1,00,000	Bank balance	1,50,000
	28,00,000		28,00,000

Total sales were ₹ 90,00,000 and cash Sales were 10% of the total sales. Cost of goods sold was ₹70,00,000. Net Profit before payment of tax at 50% was ₹ 9,00,000. Opening stock figure was 75% of the stock figure on 31st March 2016. Debtors on 1st April, 2015 were 50% of debtors on 31st March, 2016.

Calculate the following ratio:

1. Current Ratio
2. Liquid Ratio
3. Operating Ratio
4. Net Profit Ratio
5. Stock Turnover Ratio
6. Debtors turnover ratio and Collection period.
7. Stock/Working capital ratio.
8. Creditor turnover ratio & Payment period.

Q.10 From the following information prepare statement of Working capital in as much details as possible:

Current ratio	2.5
Liquid ratio	1.5
Stock Turnover ratio (Closing stock)	6
Debtors Turnover ratio	2 months
Gross Profit ratio	20%
Net Working Capital	₹ 3,00,000

(There is no Bank overdraft and Prepaid expenses)

Q.11 From the following information, prepare a balance sheet with as many details as possible:

1	Current Ratio	2.5:1
2	Acid Test Ratio	1.5:1
3	Fixed Assets	₹ 1,80,000
4	Working capital	₹ 60,000
5	Shares Capital - 1000 Equity Shares of ₹ 100 each	₹ 1,00,000
	2000 Preference Shares of ₹ 50 each	₹ 1,00,000
6	Reserved Fund	₹ 40,000
7	Bank Over-draft	₹ 10,000
8	There are no Long term loans, Prepaid expenses and Fictitious assets.	

Q.12 M/s Ajay & co. gives you the following information. Prepare Trading and Profit and Loss Account for the year ended 31-3-2002 and Balance sheet as on that in as much detail as possible.

Opening stock	90,000
Stock turnover ratio	10 times
Net profit ratio	15%
Gross profit Ratio	20%

Current Ratio	4:1
Long term Loan	₹ 2,00,000
Depreciation on Fixed Assets @ 10%	₹ 20,000
Closing stock	₹ 1,02,000
Credit period allowed by Supplier	One Month
Average debt collection period	Two Month

On 31-3-2002, current assets consisted of Stock, Debtors and Cash only. There are no Bank overdraft. All purchases were on credit. Cash sales were 1/3 of credit sales.

Q.13 You are required to complete the following balance sheet as on 31-3-2014 of Titan Ltd

Liabilities	₹	Assets	₹
Shares Capital	?	Fixed Assets	15,00,000
Reserve and Surplus	?	<u>Current Assets:</u>	
Loans	?	Stock	?
Current Liabilities	?	Debtors	?
		Cash	? ?
Total	?	Total	?

Current Ratio = 2.5, Acid test ratio = 1.5, Gross profit ratio 20%,
Stock turnover ratio 6 times.

Reserve and Surplus to share capital 3:1, Sales to Net worth 1.5:1,

Debtors Turnover ratio 6:1 (Sales/Debtors) Working Capital ₹ 6,00,000/-

Q.14 You are required to complete the following balance sheet as on 31-3-2014 of MAX Ltd.

Liabilities	₹	Assets	₹
Share Capital (₹ 100)	?	Fixed Assets	?
Reserve and Surplus	?	<u>Current Assets:</u>	
10% Debentures	4,00,000	Stock	?
<u>Current Liabilities</u>		Debtors	?
Creditors	?	Others	?
Others	2,00,000		<hr/>
	?		?

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|--|--------------------------------|
| 1 Current Ratio = 1.6 | 7 E. P. S. ₹ 20. |
| 2 Gross profit ratio 25%. | 8 Debt equity ratio 0.25:1 |
| 3 Stock turnover ratio 10 times. | 9 NPAT ₹2,00,000. |
| 4 Sales ₹ 48,00,000/- | 10 All Sales are credit sales. |
| 5 Debtors Turnover ratio 12 times (Sales/ Debtors) | |
| 6 Creditors Turnover ratio 12 times (Cost of Sales/ Creditors) | |

Q.15 From the following information, You are required to prepare a Balance Sheet.

1 Current Ratio	1.75
2 Liquid Ratio (Current assets less stock/Current Liabilities)	1.25
3 Stock Turnover Ratio (Closing Stock)	9.00
4 Gross Profit Ratio	25%
5 Debt Collection Period (Closing Debtors)	1-1/2 months
6 Reserve and Surplus to share capital	0.2
7 Cost of sales to Fixed Assets	1.2
8 Debt Equity Ratio	0.5
9 Fixed Assets to Net worth	1.25
10 Sales for the year (All Sales are on credit basis)	₹ 12,00,000