

ACCOUNTING RATIOS

1. Calculate the liquidity ratios and comment on the short term financial position of the company from the following information:

	Rs.
Closing Inventory	2,00,000
Trade Receivables	
Less: Provision for Doubtful Debts	1,00,000
Cash	30,000
Marketable Securities	20,000
Income Tax Paid in Advance	10,000
Share Issue Expenses	15,000
Liability for current taxation	20,000
Liability for Future Taxation	30,000
Trade Payables	34,000
Outstanding Salaries	5,000
Bank Overdraft	25,000
Dividends Payable	36,000

2. Assuming that the current ratio is 2:1, state giving reasons, which of the following transactions would (i) improve, (ii) reduce, or (iii) not alter, the current ratio:

- (a) Cash collected from trade receivables
- (b) B/R received from trade receivables
- (c) B/R endorsed to trade payables
- (d) B/R dishonoured
- (e) Sale of inventories at par for cash
- (f) Sale of inventories at profit for cash
- (g) Sale of inventories at profit on credit
- (h) Sale of a fixed asset on a credit of 2 months.
- (i) Sale of a fixed asset on long term deferred payment basis
- (j) Issue of new shares against purchase of fixed asset

3. A firm had current assets of Rs.2,00,000. It then paid a current liability of Rs.40,000. After this payment the current ratio was 2:1. Determine:

- (a) The size of current liabilities and working capital after the payment
- (b) Also determine the size of these two items before the payment was made.

4. The current assets of Monarch Company are Rs. 29,745 and the current ratio is 1.5. The inventories stood at Rs.8,827. Calculate the liquid ratio and comment on the liquidity position of the company.

5. From the given information, calculate the inventory turnover ratio:

Revenue from operations Rs.2,00,000; GP : 25% on cost; Opening inventory was 1/3rd of the value of Closing Inventory. Closing Inventory was 30% of Revenue from Operations.

6. Calculate the amount of Opening and Closing Trade receivables from the following:

Trade Receivables Turnover Ratio : 6 Times

Cost Of Revenue from Operations : Rs.6,00,000

Gross Profit Ratio :20% on cost

Cash Revenue from Operations being 25% of Total Revenue from Operations

Opening Trade Receivables were 1/4th of Closing Trade Receivables.

7. From the following figures pertaining to two companies A Ltd. and B Ltd., belonging to Plastic Industry. Calculate the Gross Profit Ratio of the two companies. Which company is doing better?

Particulars	A Ltd.	B Ltd.
Net Profit after Interest	75,000	1,10,000
Indirect Expenses	10,000	15,000
Interest paid on Debentures	15,000	25,000
Revenue from Operations(Gross)	3,30,000	3,80,000
Revenue from Operations Return	10,000	20,000

8. Following information is available for the year ending 31st March, 2008. Calculate Gross Profit Ratio:

	Rs.
Cash Revenue from Operations	2,00,000
Purchases: Cash	1,50,000
Credit	4,50,000
Carriage Inwards	6,000
Salaries	75,000
Decrease in Inventory	80,000
Return Outwards	20,000
Wages	
Ratio of Cash Revenue from Operations and Credit revenue from Operations	50,000

9. Opening Inventory Rs.60,000; Closing Inventory Rs.1,00,000; Inventory Turnover Ratio 8 Times; Selling Price 25% above cost. Calculate Gross Profit Ratio.

10. Calculate (i) Operating Profit Ratio; (ii) Net Profit Ratio, from the following:

Particulars	Rs.
Revenue from Operations	4,10,000
Revenue from Operations Return	10,000
Gross Profit	1,50,000
Office Expenses	15,000
Selling Expenses	26,000
Interest On Debentures	10,000
Loss by fire	24,000
Income from Investments	5,000

11. Gross Profit Ratio of a Company was 20%. Its credit revenue from operations were Rs18,00,000 and its cash revenue from operations were 10% of the total revenue from operations. If the indirect expenses of the company were Rs.50,000, calculate its net profit ratio.

12. A company has a loan of Rs.20,00,000 as part of its capital employed. The interest payable on loan is 15% and the ROI of the company is 25%. The rate of income tax is 40%. What is the gain to the shareholders due to the loan raised by the company?

13. The Operating ratio of a company is 75%. State giving reasons, which of the following transactions will, (a) increase, (b) decrease, or (c) not change the Operating Ratio:

1. Purchase of Goods Rs.25,000
2. Purchase Returns Rs.2,000
3. Revenue from Operations Rs.40,000
4. Revenue from Operations Returns Rs. 8,000
5. Goods costing Rs.10,000 withdrawn for personal use.
6. Office and selling expenses increase by Rs.12,000.
7. Sale of Machinery Rs.20,000.
8. Loss on sale of machinery Rs.5,000.
9. Payment to trade Payables Rs.10,000(Assume that Operating Cost is variable, i.e., varies by the same percentage as sales)