

# **RATIO ANALYSIS**

**(Lecture- 7)**

**SEMESTER- 6**

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## **Unsolved Questions**

1. Current Ratio- 2:1, Acid test Ratio -0.75:1; Current liabilities-1,50,000. Calculate Closing Inventories.

[Ans: CA= 3,00,000 ; Inventories =1,87,500]

2. A business has a current ratio of 3:1,  
Net working capital =4,00,000, Inventories = 2,50,000.  
Calculate Quick Ratio.

[Ans: CA = 6,00,000 , Quick ratio= 1.75:1]

3. From the following information, calculate the Debt Equity Ratio and Current Ratio :

Share capital =1,50,000 ,Bills Payable =13,000,

Creditors = 57,000 , Debentures = 2,75,000,

Debtors =95,000, Bank Balance=45,000,

Long Term Loan=1,00,000 , General Reserve= 20,000.

[Ans: Debt Equity Ratio=2.2 :1, Current Ratio =2:1]

4. Following figures have been extracted from shivalika Mills Ltd. :

Inventories at the beginning of the year – 60,000

Inventories at the end of the year – 1,00,000

Inventories turnover ratio – 8 times.

Selling price 25% above cost.

Compute the amount of gross profit and sales.

[Ans: GP= 1,60,000 , Sales = 8,00,000]

5. From the following information, calculate Debtor Turnover Ratio and Average collection Period:

Opening debtors- 37,000 ; closing debtors- 43,000 ;  
sales -6,00,000; cash sales – 80,000.

[Ans: Average collection period – 28 days approx;  
Debtor Turnover Ratio – 18 times]

6. From the following information, calculate Gross Profit Ratio.

Net sales- 3,00,000 ;Cost of goods sold-2,00,000 ;Net profit-30,000.

[Ans: GP ratio – 33.33%]

7. From the following information, calculate:

- i. Gross profit ratio
- ii. Inventories turnover ratio
- iii. Debtors turnover ratio

Sales -1,50,000 ;Cost of goods sold – 1,20,000;  
Opening Inventories-27,000 ;Closing Inventories -  
33,000 ;Debtors -14,000;Bills Receivable- 6,000.

[Ans:GP Ratio-20%;Stock turnover ratio -4 times ;  
Debtor turnover ratio – 7.5 times ]

8. Calculate the following ratios, from the details given as under :

- i. Current Ratio
- ii. Acid test Ratio
- iii. Operating Ratio and
- iv. Gross profit Ratio

Liquid asset-40,000; Current liabilities-20,000 ;  
Inventories- 10,000 ; Sales-50,000 ; Operating  
expenses -15,000 ; Cost of goods sold-20,000

[Ans: CR-2.5:1; Acid test ratio-2:1 ;Operating ratio-70%;  
GP ratio -60%]

9. From the following information, calculate return on capital employed

a. Share capital (2,00,000 equity shares @10 each)	20,00,000
b. General reserve	15,00,000
c. P/L Account balance	5,00,000
d. 15% Debentures	30,00,000
e. Profit before tax	14,00,000
f. Provision for tax	5,00,000

[ Ans – 26.43 %]

10. From the following particulars, prepare a summarised Balance sheet of a sole proprietorship in details as at 31<sup>st</sup> March, 2019:

Fixed assets to net worth = 0.8:1

Current ratio = 3:1

Fixed assets = 8,00,000

Reserve included in proprietor's fund -25%

Acid test ratio-3:2

Cash and bank-15,000

Current liabilities -1,50,000

Long term loan ?

[Ans : Long term loan -1,00,000]

11. From the following information, prepare a summarised Balance Sheet of Amar, a sole proprietor as at 31<sup>st</sup> March, 2019:

Inventories velocity 6

Fixed assets to turnover ratio 4

Capital turnover ratio 2

Gross profit 20%

Debt collection period 2months

Creditors payment period 73 days

Gross profit 60,000

Closing inventories was 5,000 in excess of opening inventories. All workings should form part of your answer.

[Ans: Balance Sheet Total – 1,99,000]