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शक्तिउत्थानआश्रमलखीसरायबिहार

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Accounting Ratios H.W

Question 3:

Current Ratio is 3.5:1. Working Capital is Rs 90,000. Calculate the amount of Current Assets and Current Liabilities.

ANSWER:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{or, } 3.5 = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{or, Current Assets} = 3.5 \text{ Current Liabilities (1)}$$

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$\text{Working Capital} = 90,000$$

$$\text{or, Current Assets} - \text{Current Liabilities} = 90,000$$

$$\text{or, } 3.5 \text{ Current Liabilities} - \text{Current Liabilities} = 90,000 \text{ (from 1)}$$

$$\text{or, } 2.5 \text{ Current Liabilities} = 90,000$$

$$\text{or, Current Liabilities} = \frac{90,000}{2.5} = 36,000$$

$$\begin{aligned} \text{or, Current Assets} &= 3.5 \text{ Current Liabilities} \\ &= 3.5 \times 36,000 \\ &= 1,26,000 \end{aligned}$$

Question 4:

Shine Limited has a current ratio 4.5:1 and quick ratio 3:1; if the inventory is 36,000, calculate current liabilities and current assets.

ANSWER:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{or, } \frac{4.5}{1} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{or, } 4.5 \text{ Current Liabilities} = \text{Current Assets}$$

$$\text{Quick ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

$$\text{or, } 3:1 = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

$$\text{or, } 3 \text{ Current Liabilities} = \text{Quick Assets}$$

$$\text{Quick Assets} = \text{Current Assets} - \text{Inventory} = \text{Current Assets} - 36,000$$
$$\text{Quick Assets} = \text{Current Assets} - \text{Inventory} = \text{Current Assets} - 36,000$$

$$\text{Current Assets} - \text{Quick Assets} = 36,000$$

$$\text{or, } 4.5 \text{ Current Liabilities} - 3 \text{ Current Liabilities} = 36,000$$

$$\text{or, } 1.5 \text{ Current Liabilities} = 36,000$$

$$\text{or, } \text{Current Liabilities} = 24,000$$

$$\text{Current Assets} = 4.5 \text{ Current Liabilities}$$

$$\text{or, } \text{Current Assets} = 4.5 \times 24,000$$
$$= 1,08,000$$

Note: The solution given in the book is incorrect as it from the given figures Current Assets is ascertained to be Rs 1,08,000 and Current Liabilities Rs 24,000.

Question 5:

Current liabilities of a company are Rs 75,000. If current ratio is 4:1 and liquid ratio is 1:1, calculate value of current assets, liquid assets and inventory.

ANSWER:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{or, } 4 = \frac{\text{Current Assets}}{75,000}$$

$$\text{or, } 4 \times 75,000 = \text{Current Assets}$$

$$\text{or, Current Assets} = 3,00,000$$

$$\text{Liquid Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

$$\text{or, } 1 = \frac{\text{Liquid Assets}}{75,000}$$

$$\text{Liquid Assets} = 75,000$$

$$\begin{aligned} \text{Inventory} &= \text{Current Assets} - \text{Liquid Assets} \\ &= 3,00,000 - 75,000 \\ &= 2,25,000 \end{aligned}$$
