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शक्तिउत्थानआश्रमलखीसरायबिहार

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Accounting *Ratios H.W*

Question 6:

Handa Ltd.has inventory of Rs 20,000. Total liquid assets are Rs 1,00,000 and quick ratio is 2:1. Calculate current ratio.

ANSWER:

$$\text{Quick Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilties}}$$

or, $$2 = \frac{1,00,000}{\text{Current Liabilities}}$$

$$\text{or, Current Liabilities} = \frac{1,00,000}{2}$$
$$= 50,000$$

Current Assets = Liquid Assets + Inventory
= 1,00,000 + 20,000
= 1,20,000

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilties}}$$
$$= \frac{1,20,000}{50,000}$$
$$= \frac{2.4}{1} = 2.4:1$$

Question 7:

Calculate debt equity ratio from the following information:

	Rs
Total Assets	15,00,000

Current Liabilities	6,00,000
Total Debts	12,00,000

ANSWER:

$$\text{Debt Equity Ratio} = \frac{\text{Debt}}{\text{Equity}}$$

$$\begin{aligned}\text{Equity} &= \text{Total Assets} - \text{Total Debts}\\ &= 15,00,000 - 12,00,000\\ &= 3,00,000\end{aligned}$$

Long Term Debts = Total Debts − Current Liabilities

$$\text{Debt Equity Ratio} = \frac{\text{Long Term Debt}}{\text{Equity}}$$

or, $$\text{Debt Equity Ratio} = \frac{6,00,000}{3,00,000} = \frac{2}{1} = 2:1$$

Question 8:

Calculate Current Ratio if:

Inventory is Rs 6,00,000; Liquid Assets Rs 24,00,000; Quick Ratio 2:1.

ANSWER:

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

or, $$2 = \frac{24,00,000}{\text{Current Liabilities}}$$

$$\begin{aligned}\text{Current Liabilities} &= \frac{24,00,000}{2}\\ &= 12,00,000\end{aligned}$$

Current Assets = Liquid Assets + Inventory

$$\begin{aligned}&= 24,00,000 + 6,00,000\\ &= 30,00,000.\end{aligned}$$

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

$$= \frac{30,00,000}{12,00,000} = \frac{2.5}{1} = 2.5:1$$

Question 9:

Compute Stock Turnover Ratio from the following information:

	Rs
Net Revenue from Operations	2,00,000
Gross Profit	50,000
Inventory at the end	60,000
Excess of inventory at the end over inventory in the beginning	20,000

ANSWER:

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory}}$$

$$\text{Cost of Goods Sold} = \text{Net Sales} - \text{Gross Profit}$$
$$= 2,00,000 - 50,000$$
$$= 1,50,000$$

$$\text{Inventory in the beginning} = \text{Inventory at the end} - 20,000$$
$$= 60,000 - 20,000$$
$$= 40,000$$

$$\text{Average Inventory} = \frac{\text{Inventory in the beginning} + \text{Inventory at the end}}{2}$$
$$= \frac{40,000 + 60,000}{2}$$
$$= 50,000$$

$$\text{Inventory Turnover Ratio} = \frac{1,50,000}{50,000} = 3 \text{ times}$$

Question 10:

Calculate following ratios from the following information:

(i) Current ratio (ii) Acid test ratio (iii) Operating Ratio (iv) Gross Profit Ratio

	Rs
Current Assets	35,000
Current Liabilities	17,500
Inventory	15,000
Operating Expenses	20,000
Revenue from Operations	60,000
Cost of Goods Sold	30,000

ANSWER:

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

$$\text{Current Ratio} = \frac{35,000}{17,500} = 2:1$$

ii) $$\text{Acid Test Ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

$$\begin{aligned}\text{Liquid Assets} &= \text{Current Assets} - \text{Inventory} \\ &= 35,000 - 15,000 \\ &= 20,000\end{aligned}$$

$$\text{Acid Test Ratio} = \frac{20,000}{17,500} = \frac{1.143}{1} = 1.143:1$$

iii)

$$\text{Operating Ratio} = \frac{(\text{Cost of Goods Sold} + \text{Operating Expenses})}{\text{Net Revenue from Operations}} \times 100$$

$$= \frac{(30,000 + 20,000)}{60,000} \times 100$$

$$= \frac{50,000}{60,000} \times 100 = 83.33\%$$

iv)

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Revenue from Operations}} \times 100$$

$$\text{Gross Profit} = \text{Net Revenue from Operations} - \text{Cost of Goods Sold}$$

$$= 60,000 - 30,000$$

$$= 30,000$$

$$\text{Gross Profit Ratio} = \frac{30,000}{60,000} \times 100 = 50\%$$