

$$151 \text{ (i) Current Ratio} = \frac{\text{Current Assets}}{350000} / \frac{\text{Current Liabilities}}{175000}$$

$$= 2:1$$

$$151 \text{ (ii) Quick Assets} = \frac{\text{Current Assets} - \text{Inventory}}{350000 - 150000}$$

$$= 200000$$

Step 2

$$\text{Acid Test Ratio} = \frac{\text{Quick Assets}}{200000} / \frac{\text{Current Liabilities}}{175000}$$

$$= 1.14:1$$

151 (iii) **Step 1**

$$\text{Operating Cost} = \frac{\text{Cost of Revenue from Operations} + \text{Operating Expenses}}{300000 + 200000}$$

$$= 500000$$

Step 2

$$\text{Operating Ratio} = \frac{\text{Operating Cost}}{500000} / \frac{\text{Revenue from Operations}}{600000} \quad \begin{matrix} \text{X} & 100 \\ \text{X} & 100 \end{matrix}$$

$$= 83.33\%$$

151 (iv) **Step 1**

Gross Profit	=	Revenue from Operations	-	Cost of Goods Sold
		600000	-	300000

$$= 300000$$

Step 2

Gross profit Ratio	=	Gross profit	/	Revenue from Operations	X	100
		300000	/	600000	X	100

$$= 50.0\%$$

152 (i) **Step 1**

Gross Profit	=	Revenue from Operations	-	Cost of Goods Sold
		500000	-	300000

$$= 200000$$

Step 2

Gross profit Ratio	=	Gross profit	/	Revenue from Operations	X	100
		200000	/	500000	X	100

$$= 40.0\%$$

152 (ii) **Step 1**

Working Capital	=	Current Assets	-	Current Liabilities
		200000	-	140000

$$= 60000$$

Step 2

$$\text{Working Capital Turnover Ratio} = \frac{\text{Revenue from Operations}}{\text{Working Capital}}$$

$$= \frac{500000}{60000}$$

$$= 8.33 \text{ Times}$$

$$152 \text{ (iii) Debt to Equity Ratio} = \frac{\text{Long term Debts}}{\text{Shareholders Funds}}$$

$$= \frac{100000}{250000}$$

$$= 0.4:1$$

152 (iv) **Step 1**

$$\text{Total Liabilities} = \text{Share Capital} + 13\% \text{ Debentures} + \text{Current Liabilities}$$

$$250000 + 100000 + 140000$$

$$= 490000$$

Step 2

$$\text{Total Assets} = \text{Total Liabilities}$$

$$490000$$

$$\text{Proprietary Ratio} = \frac{\text{Shareholders Funds}}{\text{Total Assets}}$$

$$\frac{250000}{490000}$$

$$= 0.51:1$$

153 (i) **Step 1**

$$\begin{array}{rclcl} \text{Debt} & = & \text{6\% Debentures} & + & \text{9\% Loan from Bank} \\ & & 300000 & + & 700000 \\ & = & 1000000 & & \end{array}$$

Step 2

$$\begin{array}{rclcl} \text{Equity} & = & \text{Share Capital} & + & \text{Debentures Redemption Reserves} \\ & & 1700000 & + & 300000 \\ & = & 2000000 & & \end{array}$$

Step 3

$$\begin{array}{rclcl} \text{Debt to Equity Ratio} & = & \text{Long term Debts} & / & \text{Shareholders Funds} \\ & = & 1000000 & / & 2000000 \\ & = & 0.5:1 & & \end{array}$$

153 (ii) **Step 1**

$$\begin{array}{rclcl} \text{Current Assets} & = & \text{Inventory} & + & \text{Other Current Assets} \\ & & 100000 & + & 800000 \\ & = & 900000 & & \end{array}$$

Step 2

$$\begin{array}{rclcl} \text{Working Capital} & = & \text{Current Assets} & - & \text{Current Liabilities} \\ & & 900000 & - & 400000 \end{array}$$

$$= 500000$$

Step 2

$$\begin{aligned} \text{Working Capital Turnover Ratio} &= \text{Revenue from Operations} / \text{Working Capital} \\ &= 6000000 / 500000 \\ &= 12 \text{ Times} \end{aligned}$$

154 (a) **Step 1**

$$\begin{aligned} \text{Share Capital} &= \text{Equity Share Capital} + \text{Preference Share Capital} \\ &= 75000 + 25000 \\ &= 100000 \end{aligned}$$

Step 2

$$\begin{aligned} \text{Reserves and Surplus} &= \text{General Reserve} + \text{Balance in P \& L A/c} \\ &= 45000 + 30000 \\ &= 75000 \end{aligned}$$

Step 3

$$\begin{aligned} \text{Equity} &= \text{Share Capital} + \text{Reserves and Surplus} \\ &= 100000 + 75000 \\ &= 175000 \end{aligned}$$

Step 4

$$\begin{aligned}
 \text{Debt to Equity Ratio} &= \frac{\text{Long term Debts}}{\text{Shareholders Funds}} \\
 &= \frac{75000}{175000} \\
 &= 0.43:1
 \end{aligned}$$

Note : Debentures are Long term Debts

154 (b) Step 1

Liabilities	Amount	Assets	Amount
Equity Share Capital	75000	Total Assets	300000
Preference Share Capital	25000	(Balancing Figure)	
General Reserve	45000		
P & L A/c	30000		
Debentures	75000		
Trade Payables	40000		
O/s Expenses	10000		
Total	<u><u>300000</u></u>	Total	<u><u>300000</u></u>

$$\begin{aligned}
 \text{Total Assets to Debt Ratio} &= \frac{\text{Total Assets}}{\text{Long Term Debts}} \\
 &= \frac{300000}{75000} \\
 &= 4:1
 \end{aligned}$$

$$\begin{aligned}
 \text{154 (c) Proprietary Ratio} &= \frac{\text{Shareholders Funds}}{\text{Total Assets}} \\
 &= \frac{175000}{300000} \\
 &= 0.58:1
 \end{aligned}$$

Note : Shareholders Funds are same as calculated in Part (a)

155 (a) **Step 1**

$$\begin{aligned} \text{Total Assets} &= \text{Fixed Assets} + \text{Current Assets} \\ &= 7500000 + 4000000 \\ &= 11500000 \end{aligned}$$

Step 2

$$\begin{aligned} \text{Capital Employed} &= \text{Total Assets} - \text{Current Liabilities} \\ &= 11500000 - 2700000 \\ &= 8800000 \end{aligned}$$

Step 3

$$\begin{aligned} \text{Return on Investment} &= \frac{\text{NP Before Interest and Tax}}{\text{Capital Employed}} \times 100 \\ &= \frac{1450000}{8800000} \times 100 \\ &= 16.48\% \end{aligned}$$

$$\begin{aligned} \text{155 (b) Total Assets to Debt Ratio} &= \frac{\text{Total Assets}}{\text{Long Term Debts}} \\ &= \frac{11500000}{8000000} \\ &= 1.44:1 \end{aligned}$$

Note : 12% Debentures is a long term debt

156 **Step 1**

NP before Interest and tax	=	NP before Tax	+	Interest
	=	600000	+	10% of 2000000
	=	600000	+	200000
	=	800000		

Step 2

Shareholders Funds	=	Share Capital	+	Reserves and Surplus
	=	500000	+	250000
	=	750000		

Step 3

Capital Employed	=	Shareholders Funds	+	Long Term Borrowings
	=	750000	+	2000000
	=	2750000		

Step 4

Return on Investment	=	NP Before Interest and Tax	/	Capital Employed	X	100
		800000	/	2750000	X	100
	=	29.09%				

