21 **Step 1**

Current Ratio	=	Current Assets	/	Current Liabilities
4.5	=	CA		CL

Current Assets = 4.5 CL

Step 2

Quick Ratio	=	Quick Assets	/	Current Liabilities
3	=	QA		CL

Quick Assets = 3CL

Step 3

Inventory	=	Current Assets	-	Quick Assets
36000	=	4.5 CL	-	3CL
36000	=	1.5 CL		

CL	=	36000	/	1.5
	=	24000		

Now,

Current Assets = 4.5 CL

		=	4.5 X	24000	
		=	108000		

22 **Step 1**

Current Ratio	=	Current Assets	/	Current Liabilities
4	=	CA		CL
Current Assets	=	4 CL		

Step 2

Quick Ratio	=	Quick Assets	/	Current Liabilities
2.5	=	QA		CL
Quick Assets	=	2.5 CL		

Step 3

Inventory	=	Current Assets	-	Quick Assets
600000	=	4 CL	-	2.5 CL
600000	=	1.5 CL		
CL	=	600000	/	1.5
	=	400000		

Now,

Current Assets	=	4 CL		

		=	4	X	400000	
		=	1600000			
	Liquid Assets	=	2.5 CL			
			2.5	X	400000	
		=	1000000			

23	**Step 1**				
	Current Ratio	=	Current Assets	/	Current Liabilities
	3	=	CA		CL
			CA	/	150000
	Current Assets	=	Current Ratio	X	Current Liabilities
			3	X	150000
		=	450000		
	Step 2				
	Liquid Ratio	=	Liquid Assets	/	Current Liabilities
	1	=	LA		CL
			LA	/	150000
	Liquid Assets	=	Liquid Ratio	X	Current Liabilities
			1	X	150000
		=	150000		

Step 3

Inventory	=	Current Assets	-	Quick Assets
		450000	-	150000
	=	300000		

24 **Step 1**

Current Ratio	=	Current Assets	/	Current Liabilities
4	=	CA		CL
Current Assets	=	4 CL		

Step 2

Quick Ratio	=	Quick Assets	/	Current Liabilities
2.5	=	QA		CL
Quick Assets	=	2.5 CL		

Step 3

Inventory	=	Current Assets	-	Quick Assets
600000	=	4 CL	-	2.5 CL
600000	=	1.5 CL		
CL	=	600000	/	1.5
	=	400000		

25 **Step 1**

Current Ratio	=	Current Assets	/	Current Liabilities
2.5	=	500000		CL
Current Liabilities	=	Current Assets	/	Current Ratio
		500000	/	2.5
	=	200000		

Step 2

Quick Ratio	=	Quick Assets	/	Current Liabilities
1	=	QA		200000
Quick Assets	=	Quick Ratio	X	Current Liabilities
		1	X	200000
	=	200000		

Step 3

Inventory	=	Current Assets	-	Quick Assets
	=	500000	-	200000
	=	300000		

26 **Step 1**

Current Liabilities	=	Total Debts	-	Long Term Debts
		780000	-	600000
	=	180000		

Step 2

Working Capital	=	Current Assets	-	Current Liabilities
360000	=	Current Assets	-	180000
Current Assets	=	Working Capital	+	Current Liabilities
		360000		180000
	=	540000		

Step 3

Inventories	=	Current Assets	-	Quick Assets
180000		540000	-	Quick Assets
Quick Assets	=	Current Assets	-	Inventories
		540000	-	180000
	=	360000		

Step 4

Liquid Ratio	=	Liquid Assets	/	Current Liabilities
	=	360000		180000
	=	2:1		

27	Quick Ratio	2:1
	We assume the ratio to be 10:5	

Each transaction will be assumed to be of Rs 1

(a) Journal Entry

Inventories A/c Dr..
To Cash

QA	Reduce

Quick Ratio **9 : 5** = **1.8:1**

Quick Ratio **Decline**

(b) Journal Entry

Inventories A/c Dr..
To Creditors

CL	Increase

Quick Ratio **10 : 6** = **1.67:1**

Quick Ratio **Decline**

(c) Journal Entry

Cash/Debtors A/c Dr..
To Inventories

QA	Increase

Quick Ratio **11 : 5** = **2.2:1**

Quick Ratio **Improve**

(d) Journal Entry

	Cash/Debtors A/c	Dr..	22000		QA	Increase
	To Inventories			20000		
	To Profit & Loss			2000		

Quick Ratio **11 : 5** = **2.2:1**

Quick Ratio **Improve**

(e) Journal Entry

	Cash A/c	Dr..			QA	Increase
	To Trade Receivable				QA	Decrease

Quick Ratio **No Impact**

28 Quick Ratio 1:1

We assume the ratio to be 10:10
Each transaction will be assumed to be of Rs 1

(a) Journal Entry

	Bills Payable A/c	Dr..			CL	Reduce
	To Cash				QA	Reduce

Quick Ratio **9 : 9** = **1:1**

Quick Ratio **No Impact**

(b) Journal Entry

Debentures A/c Dr..	CL	Reduce
To Equity Share Capital		

Quick Ratio **10 : 9** = **1.11:1**

Quick Ratio **Increase**

Note : Since the debentures were convertible in current year so these were part of current liabilities

29 Quick Ratio 0.8:1

We assume the ratio to be 8:10
Each transaction will be assumed to be of Rs 1

(a) Journal Entry

Loose Tools A/c Dr..			** not quick asset
To Cash	QA	Reduce	

Quick Ratio **7 : 10** = **0.7:1**

Quick Ratio **Decline**

(b) Journal Entry

Prepaid Insurance A/c Dr..			** not quick asset

	To Cash				QA	Reduce
	Quick Ratio	**7 : 10**	=	**0.7:1**		
	Quick Ratio	**Decline**				
(c)	Journal Entry					
	Sundry Debtors A/c Dr..				QA	Increase
	To Inventories					** not quick asset
	Quick Ratio	**9 : 10**	=	**0.9:1**		
	Quick Ratio	**Improve**				
(d)	Journal Entry					
	Bills Payable A/c Dr..				CL	Decrease
	To Cash				QA	Decrease ** not quick asset
	Quick Ratio	**7 : 9**	=	**0.78:1**		
	Quick Ratio	**Decrease**				

30	**Step 1**				
	Inventory	=	Current Assets	-	Quick Assets
	So				
	Current Assets	=	Quick Assets	+	Inventory
			1200000	+	300000

	=	1500000		

Step 2

Quick Ratio	=	Quick Assets	/	Current Liabilities
2	=	1200000	/	CL
Current Liabilities	=	Quick Assets	/	Quick Ratio
		1200000	/	2
	=	600000		

Step 3

Current Ratio	=	Current Assets	/	Current Liabilities
		1500000	/	600000
	=	2.5:1		