51 **Step 1**

Total Liabilities = Shareholders Funds + Total Debts

Step 2

Shareholders Funds = Eq Share Capital + Surplus + General Reserve

400000 + 100000 + 70000

= 570000

Step 3

Total Debts = Long Term Borrowings + Current Liabilities + Long Term Provisions

180000 + 30000 + 120000

= 330000

Step 4

Total Liabilities = Shareholders Funds + Total Debts

570000 + 330000

= 900000

Step 5

Total Assets = Total Liabilities

900000

Step 6

Long Term Debts = Long Term Borrowings + Long Term Provisions

180000 + 120000

		=	300000				
	Step 7						
	Total Assets to Debt Ratio	=	Total Assets	/	Long Term Debts		
			900000	/	300000		
		=	3:1				
52	**Step 1**						
	Net fixed Assets	=	Gross Fixed Assets	-	Accumulated Depreciation		
			600000	-	100000		
		=	500000				
	Step 2						
	Total Non Current Assets	=	Net FA +	Non Current Investments	+	Long term Loans & Advances	
			500000 +	10000	+	40000	
		=	550000				
	Step 3						
	Total Assets	=	Non Current Assets	+	Current Assets		
			550000	+	250000		
		=	800000				
	Step 4						

Long Term Debt	=	Long Term Borrowings	+	Long Term Provisions	
		300000	+	100000	
	=	400000			

Step 5

Total Assets to Debt Ratio	=	Total Assets	/	Long Term Debts	
		800000	/	400000	
	=	2:1			

53 **Step 1**

Shareholders Funds	=	Share Capital	+	Reserves and Surplus	
		300000	+	180000	
	=	480000			

Step 2

Total Assets	=	Non Current Assets	+	Current Assets	
		1320000	+	600000	
	=	1920000			

Step 3

Proprietary Ratio	=	Shareholders Funds	/	Total Assets	0.65
		480000		1920000	

		=	0.25:1			
54	**Step 1**					
	Shareholders Funds	=	Share Capital	+	Reserves and Surplus	
			450000	+	75000	
		=	525000			
	Step 2					
	Total Assets	=	Fixed Assets	+	Short Term Investments	+ Other Current Assets
			375000	+	225000	+ 150000
		=	750000			
	Step 3					
	Proprietary Ratio	=	Shareholders Funds	/	Total Assets	
			525000		750000	
		=	0.7:1			
55	**Step 1**					
	Shareholders Funds	=	Share Capital	+	Reserves and Surplus	
			770000	+	65000	
		=	835000			

Step 2

Total Assets	=	Fixed Assets	+	Trade Investment	+	Current Assets
		700000	+	245000	+	300000
	=	1245000				

Step 3

Proprietary Ratio	=	Shareholders Funds	/	Total Assets
		835000		1245000
	=	0.67:1		

Note : Trade invetsments are assumed to be non current

56

Step 1

Total Assets to Debt Ratio	=	Total Assets	/	Long Term Debt
2	=			500000

Total Assets	=	Total Assets to Debt Ratio	X	Long Term Debt
		2	X	500000
	=	1000000		

Step 2

Shareholder Funds	=	Equity Share Capital	+	Preference share Capital	+	Net Profit after Tax
(As below)		250000	+	62500	+	600000

	=	912500		
Equity Share capital	=	Debt	X	0.5
		500000	X	0.5
	=	250000		
Preference Share capital	=	Equity Share Capital	X	25%
		250000	X	25/100
	=	62500		
Net Profit after Tax	=	Net Profit Before Tax	-	Tax
		1000000	-	400000
	=	600000		

Step 3

Proprietary Ratio	=	Shareholders Funds	/	Total Assets
		912500		1000000
	=	0.91:1		

57 Proprietary Ratio 0.8:1

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

(i) Journal Entry

	Bank A/c Dr..	Total Assets	Increase
	To Loan from SBI A/c	Non Current Liability	
	Proprietary Ratio **8 : 11** = **0.73:1**		
	Proprietary Ratio **Decrease**		
(ii)	Journal Entry		
	Machinery A/c Dr..	Total Assets	Increase
	To Bank A/c	Total Assets	Decrease
	Proprietary Ratio **No Impact**		
(iii)	Journal Entry		
	7% Preference Shares A/c Dr..	Shareholder's Funds	Decrease
	To Bank A/c	Total Assets	Decrease
	Proprietary Ratio **7 : 9** = **0.78:1**		
	Proprietary Ratio **Decrease**		
(iv)	Journal Entry		
	Building A/c Dr..	Total Assets	Increase
	To Equity Share Capital A/c	Shareholder's Funds	Increase
	Proprietary Ratio **9 : 11** = **0.82:1**		

	Proprietary Ratio	**Increase**		
(v)	Journal Entry			
	10% Debentures A/c Dr..		CL	
	To Bank A/c		Total Assets	Decrease
	Proprietary Ratio	**8 : 9** =	**0.89:1**	
	Proprietary Ratio	**Increase**		

Note : redeemable debentures are shown under Current Liabilities

58	**Step 1**				
	Total Assets	=	Non Current Assets	+	Current Assets
			4000000	+	4000000
		=	8000000		
	Step 2				
	Long term Debt	=	Long Term Borrowings	+	Long term Provisions
			1500000	+	2500000
		=	4000000		
	Step 3				
	Total Liabilities	=	Total Assets		

	=	8000000				

Step 4

Shareholder Funds	=	Total Liabilities	-	Current Liabilities	-	Long Term Debt
		8000000	-	2000000	-	4000000
	=	2000000				

Step 5

Proprietary Ratio	=	Shareholders Funds	/	Total Assets
		2000000		8000000
	=	0.25:1		

Step 6

Debt to Equity Ratio	=	Debt	/	Equity
		4000000	/	2000000
	=	2:1		

Step 7

Total Assets to Debt Ratio	=	Total Assets	/	Long Term Debts
		8000000	/	4000000
	=	2:1		

59 **Step 1**

Working Capital	=	Current Assets	-	Current Liabilities

So

Current Liabilities	=	Current Assets	-	Working Capital
		750000	-	150000
	=	600000		

Step 2

Long Term Debt	=	Total Debt	-	Current Liabilities
		1800000	-	600000
	=	1200000		

Step 3

Shareholder Funds	=	Capital Employed	-	Long term Debt
		1500000	-	1200000
	=	300000		

Step 4

Total Liabilities	=	Shareholder Funds	+	Total Debt
		300000	+	1800000
	=	2100000		

Alternately

Total Liabilities	=	Capital Employed	+	Current Liabilities
		1500000	+	600000
	=	2100000		

Step 5

Total Assets	=	Total Liabilities		
		2100000		

Step 6

Proprietary Ratio	=	Shareholders Funds	/	Total Assets
		300000		2100000
	=	0.14:1		

Step 7

Debt to Equity Ratio	=	Debt	/	Equity
		1200000	/	300000
	=	4:1		

Step 8

Total Assets to Debt Ratio	=	Total Assets	/	Long Term Debts
		2100000	/	1200000
	=	1.75:1		

60	Interest Coverage Ratio	=	Net Profit before Interest and tax	/	Interest on Long term debt
			1000000		200000
		=	5 Times		