

UDHNA COLLEGE
TYBCOM SEM:5
ADVANCED ACCOUNTING & AUDITING PAPER-6
CH: RATIO ANALYSIS
PRACTICE QUESTIONS -1

Q-1 From the following information, determine the :

- (1) Inventory
- (2) Liquid Assets
- (3) Current Ratio

Sales : Rs. 10,00,000

Gross Profit : 30%

Current Liability : Rs. 2,00,000

Inventory Turnover : 7 Times

Acid-Test Ratio : 0.75 :1

Q-2 Find out | Gross Profit from the following information of shri Tejanand Ltd.

Operating ratio 80%

Cost of sale 60%

Operating Expenses Rs. 2,40,000

Q-3 From the following informations find out NET Profit Ratio

Net profit (Before interest and tax) 24,00,000

Tax Rate : 50%

Sales Rs. 27,50,000

10% Debentures Rs. 20,00,000

12% Preference Share capital Rs. 30,00,000

Q-4 Find out Proprietary Ratio from the following informations.

Equity Share Capital Rs. 20,00,000

Reserves and Surplus Rs. 10,80,000

Total Assets Rs. 50,00,000

(Including Under writing Commission Rs. 20,000)

Q-5 Operating expenses Rs. 15,36,000, operating ratio 90% and cost of goods sold 70%. Find out sales and cost of goods sold.

Q-6 The balance sheet of Gandhi Ltd as on 31-03-2023 is given below.

Equity and Liability	Rs.
(1) Owner's Funds	
(A) Share capital: Equity share capital, each Rs. 100	4,00,000
10% Redeemable preference share, each Rs. 100	1,00,000
(B) Reserve and Surplus	
General reserve	1,50,000
(2) Non current liabilities	
Long term borrowings: 10% Debentures	1,00,000
(3) Current liabilities	
(A) Trade payable: Creditors	80,000
Bills payable	20,000
(B) Other current liabilities	
Outstanding wages	<u>15,000</u>
	8,65,000

Assets	
(1) Non current assets	
(A) Fixed Assets	
(1) Tangible assets	
Machine	1,50,000
Land	2,40,000
Furniture	80,000
(2) Intangible assets: Goodwill	80,000
(B) Other non-current assets: Primary expenses	10,000
(2) Current assets	
(A) Stock	1,20,000
(B) Trade receivable: Debtors	60,000
Bills receivable	25,000
(C) Cash and cash equivalent: Cash	60,000
(D) Telephone deposit	<u>40,000</u>
	<u>8,65,000</u>

Additional information:

	Rs.		Rs.
Gross profit	1,80,000	Stock (Opening balance)	60,000
Interest on debentures	10,000	Cash sales (20% of credit sales)	1,20,000
Administration expenses	30,000	Sales expenses	20,000
Rate of Income tax is 35%			

Calculate: (1) Gross profit ratio (2) Net profit ratio (3) Stock ratio (4) Operating ratio (5) Return on capital employed (6) Current ratio (7) Debtor ratio (360 days)

Q-7

The Balance Sheet of Saraswati Co. Ltd. as at 31-3-2022 was as under.

Particulars	Amount Rs.
[I] Equity and Liabilities :	
(1) Shareholder's Funds :	
(a) Share Capital :	
Equity Share, each of Rs. 10 paid up	12,00,000
Pref. Share, each of Rs. 10 paid up	8,00,000
(b) Reserve and Surplus :	
General Reserve	2,00,000
(2) Non-Current Liabilities :	
(a) Long Term Liabilities	
15% Debenture	4,00,000
Public deposite	5,20,000
(3) Current Liabilities :	
(a) Trade Payables :	
Creditors	2,80,000
Bills Payables	80,000

(b) Other Current Liabilities :	
Outstanding expenses	40,000
Bank overdraft	50,000
Total	35,70,000
[II] Assets :	
(1) Non-Current Assets :	
(a) Fixed Assets :	
(i) Tangible Assets :	
Land and Building	13,50,000
Machinery	8,00,000
(b) Other Non-Current Assets :	
Fictitious Assets	5,20,000
(2) Current Assets :	
(a) Inventories : stock	1,00,000
(b) Trade Receivables :	
Debtors	2,82,400
Bills Receivable	92,000
(c) Cash and Cash Equivalents :	
Cash-Bank	4,25,600
Total	35,70,000

Additional Information	Rs.
Credit Sales : (These are 60% of total sales)	12,48,000
Adjusted Purchases	12,48,000
Net Profit (after deducting interest and Taxes)	4,90,000
Administrative expenses.....	2,40,000
Financial expenses.....	1,60,000
Sales-distribution expenses	16,000
Stock on 31-3-2021	1,49,600

Rate of tax on Profit is 50%

Find out the following Ratios :

- | | |
|--------------------------------------|----------------------|
| (1) Gross Profit Ratio | (2) Net Profit Ratio |
| (3) Liquidity Ratio | (4) Operating Ratio |
| (5) Debtors Ratio (assume 360 days) | (6) Stock Ratio |
| (7) Return on employed Capital Ratio | |

Q-8

The Following information is taken from the financial records of Dhruvi Co. Ltd. (6)

Particulars	Amount Rs.
Total Sales (of which 25% is cash sales)	13,50,000
Adjusted Purchases	8,70,000
Net Profit (after 50% taxes)	90,000
Equity Share Capital	4,50,000
12% Preference Share Capital	2,25,000
Reserve and Surplus	81,000
10% Debentures	2,70,000
Fixed Assets	6,00,000
Stock	1,20,000
Customers	1,44,000
Merchants	72,000
Bills Payables	18,000
Bills Receivables	16,000
Bank overdraft	45,000

From the above informations. Calculate the following Ratio.

- (1) Current Ratio
- (2) Debtors Ratio (360 Days in a Year)
- (3) Capital Gearing Ratio.

Q-9

Following Balance sheet of Krishna Ltd. as on 31-3-23.

Equity and Liability	Note	Rs.
1. Shareholders Funds		
(A) Share capital		
Equity shares of Rs. 100 each		62,50,000
12% preference shares each of Rs. 100 each		62,50,000
(B) Reserves and surplus		
General Reserve		93,75,000
Statement of Profit and Loss		12,50,000
2. Non -Current liability		
(A) Long term borrowing		
10% Debenture		25,00,000
8% Public debt		12,50,000
3. Current liability		
(A) Short term borrowing		
Bank overdraft		25,00,000

(B) Trade payable Creditors		37,50,000
(C) Other current Liability Outstanding creditor		4,37,500
(D) Short -term Provision Proposed dividend Provision of tax		6,25,000 12,50,000
Total		3,54,37,500

II. Assets		
1. Non- Current Assets		
(A) Fixed Assets		
1. Tangible Fixed Assets		
Land -Building		1,37,50,000
Plant- Machinery		62,50,000
Furniture		18,75,000
2. Intangible Fixed Assets		
Goodwill		21,87,500
(B) Other Non-Current Assets		
Preliminary Expenses		6,25,000
2. Current Assets		
(A) Current Investment		
Temporary Investment		12,50,000
(B) Inventory		
Stock		25,00,000
(C) Trade Receivable		
Debtors		43,75,000
Bills receivable		18,75,000
(D) Cash and Cash Equivalent		
Cash in hand		1,25,000
Cash at bank		6,25,000
Total		3,54,37,500

Sales during the year were Rs. 1,87,50,000. Cash sales were $\frac{1}{5}$ of the credit sale.

You are required to calculate:

- (1) Current Ratio (2) Liquid Ratio (3) Proprietary Ratio (4) Debt equity Ratio
- (5) Gearing Ratio (6) Long-term Fund to Fixed Assets (7) Debtor Ratio

Q-10

The balance sheet of Sagar Co. Ltd. as on 31-3-2020 as follows :

Particulars	₹	₹
[I] <u>Equity and Liabilities :</u>		
(1) <u>Owner's Funds :</u>		
(a) <u>Share Capital :</u>		
Equity share capital, each of Rs.10 paid up	50,00,000	
15% Pref. share capital each of Rs.100 paid up	10,00,000	
(b) <u>Reserve and Surpluses :</u>		
General Reserve	5,00,000	
Statement of Profit and Loss	8,00,000	
Workers Compensession Fund	1,00,000	
		74,00,000

Particulars	₹	₹
(2) <u>Non-Current Liabilities :</u>		
(a) <u>Long Term Liabilities :</u>		
12% Debentures	10,00,000	
10% Public deposit	9,00,000	19,00,000
(3) <u>Current Liabilities :</u>		
(a) <u>Trade Liabilities :</u>		
Creditors	3,00,000	
Bills payable	1,00,000	4,00,000
(b) <u>Other Current Liabilities :</u>		
Bank Overdraft	2,00,000	
Provision of Tax	1,50,000	
Unpaid Expenses	50,000	4,00,000
Total Rs.		1,01,00,000
[II] <u>Assets :</u>		
(1) <u>Non-Current Assets :</u>		
(a) <u>Fixed Assets :</u>		
(i) <u>Tangible Assets :</u>		
Land and Building	30,00,000	
Plant and Machinery	40,00,000	
Furniture	5,00,000	
(ii) <u>Intangible Assets :</u>		

Goodwill	4,00,000	
(b) <u>Other Non-Current Assets:</u>		
Preliminary Expenses	2,00,000	81,00,000
(2) <u>Current Assets:</u>		
(a) <u>Materials:</u>		
Stock	6,50,000	
(b) <u>Trade Receivables:</u>		
Debtors	1,90,000	
Bills Receivable	30,000	
(c) <u>Other Current Assets:</u>		
Marketable Investments	1,00,000	
Advanced Paid Expenses	2,00,000	
Outstanding Income	50,000	
(d) <u>Cash and Cash Equivalent:</u>		
Cash Balance	2,00,000	
Bank Balance	5,80,000	20,00,000
Total Rs.		1,01,00,000

Additional information :

- (1) Total sales ₹ 80,00,000 (Credit sales is 3 times of cash sales)
- (2) Operating ratio : 70%.
- (3) Office - sales expenses and sales ratio : 10%.
- (4) Stock as on 31.3.2020 is ₹ 4,00,000 more than opening stock.
- (5) Rate of Income Tax : 40%.
- (6) Working days : 360.

Compute the following ratios :

- (1) Gross profit ratio
- (2) Rate of return on equity shareholder's funds
- (3) Current ratio
- (4) Debtors ratio
- (5) Stock turnover rate
- (6) Net profit ratio
- (7) Debt-Equity ratio (on the basis of long term debts)

Q-11

The balances of Narved Co. Ltd. as on 31-3-2020 are as under :

Equity share capital each of Rs.100	12,00,000
10% Preference share capital	4,00,000
Retained earnings	2,16,000
10% Debentures	7,20,000
Fixed Assets	16,00,000
Customers	3,60,000
Traders	1,92,000
Bills (Credit)	48,000
Bills (Debit)	24,000
Cash and bank balance	1,28,000
Bank Overdraft	1,20,000
Primary Expenses	20,000
Total Sales (cash sale, is $33\frac{1}{3}$ % of credit sales)	36,00,000
Stock turnover ratio	7.25 Times
Opening Stock (25% of Closing Stock)	1,28,000
Net profit (50% after Tax)	2,40,000

Calculate the following ratios :

- (1) Gross profit ratio
- (2) Debtors ratio (360 Days)
- (3) Operating ratio
- (4) Rate of return on equity capital funds and Rate of earn per share

- (5) Gearing ratio
- (6) Rate of return on capital employed
- (7) Interest coverage ratio