

Systematic Studies for Professionals
(Where your quest for quality education ends)

Max Marks: 40

Ratio Analysis

Max. Time: 1.5 Hours

Ques.1 The following figures and ratios are related to a company :

(i) Credit Sales for the year (75% of Total Sales)	₹ 30,00,000
(ii) Gross Profit (on cost)	33 1/3 Percent
(iii) Fixed assets turnover (basis on cost of goods sold)	1.5
(iv) Stock turnover	2 months
(v) Liquid Ratio	1:1
(vi) Current Ratio	1.6:1
(vii) Debtors Velocity	2 months
(viii) Reserve and surplus to Share capital	0.6:1
(ix) Capital gearing ratio	0.5
(x) Fixed assets to net worth	1.20:1
(xi) Bank overdraft	20% of C. Liabilities

You are required to prepare:

- Balance Sheet of the company on the basis of above details.
- The statement showing working capital requirement, if the company wants to make a provision for contingencies @ 20 percent of net working capital including such provision. [8]

Ques.2 ABC Limited has an average cost of debt at 15 per cent and tax rate is 30 per cent. The Financial leverage ratio for the company is 0.40. **Calculate** Return on Equity (ROE) if its Return on Investment (ROI) is 25 per cent. [4]

Ques.3 Following information are available from the books of Smart Project Ltd:

Debtors velocity	6	Stock velocity	6 months
Creditors velocity	2 months	Gross profit ratio	40% of cost

Credit sales for the year Rs.2,80,000. Cash Sales is 20% of total sales. Stock on 31st March, 1999 was ₹ 50,000 more than what at the beginning of year. Bills receivable and bills payable were ₹ 70,000 & ₹ 36,000 respectively. **You are required** to calculate the (i) Sales; (ii) sundry debtors; (iii) sundry creditors; (iv) closing stock. [6]

Ques.4 The financial statement of Good Luck Limited, for the year 2013, reveals the following information:

Current Ratio	1.9 times
Liquidity ratio (debtors and bank balances to Current liabilities)	1.25 to 1
Equity share capital in equity shares of ₹ 10 each	1,20,000
Net current assets	₹ 69,600
Net block - percentage of shareholder's equity as on the closing date	60%
Gross Profit-percentage of turnover	20%
Annual rates of turnover of stock (based on Cost on 31-12-2013)	5.26 times
Average age of outstanding debtors for the year 2013	2 months
Net Profit – percentage on issued share capital	16%

On 31st December, 2013 current assets consisted of stock, debtors and bank balances.

You are required to reconstruct in as much detail as possible:

- the Balance Sheet as on 31st December, 2013 and
- the Trading and Profit & Loss Account for the year ended 31st December, 2013. [10]

Ques.5 From the following information and Ratios, **prepare** the Profit and Loss Account for the year ended 31st March, 2014, and the Balance Sheet as on that date of M/s SSP Ltd.:

Current Assets to Stock	3:2
Current Ratio	2.60
Acid Test Ratio	1.20
Financial Leverage	2.20
Earnings per Share (each of ₹ 10)	12.00
Book Value per share	40.00
Average Collection Period (assume 360 days in the year)	30 days
Stock turnover Ratio	5.00
Fixed Assets Turnover Ratio	1.20
Total Liabilities to Net worth	2.75
Net Working Capital	₹ 15.00 lakhs
Net Profit to Sales	10%
Variable Cost	60%
Long Term Loan interest	12%
Taxation	40%

[12]