

Ratio Analysis

Calculate the following ratios by using the given financial statements and interpret them accordingly.

- 1. Gross profit rate**
- 2. Net profit rate**
- 3. Current ratio**
- 4. Quick ratio**
- 5. Receivable days**
- 6. Gearing ratio**

Kuruwita Textile Ltd
Income Statement
For the year ended 31st March 2007

	31st March 2007 (000')	31st March 2006 (000')
Sales	6891	5279
Cost of sales	(6138)	(4793)
Gross Profit / Loss	753	486
Other operating income	9	1
Sales & administrative expenditure	(222)	(391)
Operation Profit/ loss	540	96
Financial Income	118	2
financial expenditure	(111)	(49)
Profit / loss before tax	547	49
Tax	(17)	(10)
Net profit	530	39

Kuruwita Textile Ltd, Balance sheet as at 31st March 2007

Assets	31st March 2007 (000')	31st March 2006 (000')
<u>Non - current assets</u>		
Property, Plant and equipments	1558	1348
Good will	-	39
Investment in subsidiary	16	-
	1574	1387
<u>Current assets</u>		
Inventories	1288	1225
Current tax receivables	25	12
Trade debtors	356	337
Cash	241	137
	1910	1711
Total assets	3484	3098
Equity and liabilities		
<u>Capital and reserve</u>		
Ordinary Shares	250	250
Share premium	99	99
Revenue reserves	40	40
Exchange equivalent reserve	260	162
Retained earning	574	215
Minority interest	455	306
	1678	1072
<u>Non current liability</u>		
Long term borrowings	265	274
Define benefit obligation	44	30
	309	304
<u>Current liabilities</u>		
Trade and other payables	1484	202
Short term borrowings	13	1520
	1497	1722
Total liabilities	1806	2026
Total equity and liabilities	3484	3098