

Tutorial -8
Ratio Analysis

1. Use this table to answer questions that follow.

Assets	Rs.	Liabilities	Rs.	Owner's equity	Rs.
Accounts receivable	60,000	Accounts payable	80,000	Capital	150,000
Closing Inventory	40,000	Bank Overdraft	15,000	Net profit	105,000
Prepayments	5,000	Loan (plant)	20,000		
Furniture	15,000	Mortgage	90,000		
Office equipment	10,000				
Plant	200,000				
Buildings	130,000				

You are required to calculate the following ratios and interpret accordingly:

- a) Current Ratio
- b) Quick Ratio
- c) Gearing Ratio

2. Given below are the financial statements of 'Ceylon PLC' for the year ended from 31st March 2011 and 2012.

You are required to calculate the following ratios for both years and interpret the results calculated.

- I. Gross profit rate
- II. Current Ratio
- III. Receivable Days
- IV. Net profit rate

Income Statement

For the year ended 31 st March	2012 (Rs.'000)	2011 (Rs.'000)
Revenue	9,500	11,300
Cost of Sales	(2,750)	(5,000)
Gross profit	6,750	6,300
Other operating income	1,000	900
Distribution costs	(600)	(350)
Administrative expenses	(300)	(320)
Other operating expenses	(150)	(125)
Profits from operations	6,700	6,405
Finance cost	(100)	(85)
Profit before tax	6,600	6,320
Income tax expense	(25)	(25)
Profit for the year	<u>6,575</u>	<u>6,295</u>

Balance Sheet

As at March	2012 (Rs.'000)	2011 (Rs.'000)
<u>Assets</u>		
Non- Current assets		
Property, plant and equipments	5,200	6,400
Investment property	1,500	2,855
Intangible assets	4,970	3,456
	11,670	12,711
Current Assets		
Inventories	2570	2674
Trade debtors	660	545
Prepayments and advance	450	655
Short- term Investment	560	768
Cash at Bank	700	982
	4,940	5,624
Total assets	16,610	18,335
<u>Equity and liabilities</u>		
Share capital	7,300	9,735
Capital reserves	1,500	1,400
Revenue reserves	1,300	1,300
Total equity	10,100	12,435
Non – Current Liabilities		
Interest bearing borrowings	1,320	1,520
Bank loans	1,245	1,330
	2,565	2,850
Current Liabilities		
Trade Creditors	2,425	1,630
Deposits	150	200
Current tax liabilities	650	420
Short term borrowings	720	800
	3,945	3,050
Total equity and liabilities	16,610	18,335

3. Calculate the following ratios and interpret the results for the data available for 'XYZ Enterprise' as at 31st December 2018.

- i. Quick Ratio
- ii. Net Profit Rate
- iii. Receivable Days
- iv. Current Ratio

	Rs.
Sales	500,000
Gross profit	100,000
Expenses	70,000
Net Profit	30,000
Fixed Assets	620,000
Stock	40,000
Debtors	25,000
Bank	5,000
Current liabilities	35,000
Capital	355,000