Applied Financial Statement Analysis

Assignment - 3.

R. Aruna
1P23mm001
M. Com [CA].

Balance Sheet

Particulars	Rs
Assets	
Depreciation Value of Long Term Asset	800
Investment	100
Current Assets	
Account Receivable	300
Inventory	200
Cash & Bank Balance	100
Total	1500
Liabilities	
Shareholder's Equity	100
Capital	400
Reserves & Surplus	500
Loans	
Current Liabilities	
Account Payable	400
Short Term Loans	100
Total	1500

PROFIT & LOSS ACCOUNT

PARTICULAR	Rs
SALES	1000
LESS:-	
Cost	~~300~~
Manufacturing	300
Administrative	100
Sales & Distribution	200
EBITDA or Operating Profit	400
LESS:-	
Depreciation	60
Interest	60
Taxes	120
NET PROFIT	160

ANS:-

PROFITABILITY RATIO

$$\text{OPERATING PROFIT MARGIN} = \frac{\text{EBITDA}}{\text{Sales}} \times 100$$

$$= \frac{400}{1000} \times 100$$

$$= 0.4 \times 100$$

Operating Profit Margin = 40%

Net Profit Margin $= \frac{\text{Net Profit}}{\text{Sales}} \times 100$

$= \frac{160}{1000} \times 100$

$= 0.16 \times 100$

Net Profit Margin $= 16\%$.

RETURN RATIO

RETURN OF CAPITAL EMPLOYED $= \frac{EBIT}{SHF + LOAN} \times 100$

Notes:

SHF = Share Capital (+) RES

$= 100 + 400$

$= 500$

EBIT = EBITDA (-) Interest

$= 400 - 60$

$= 340$

Loan = Long Term Loan (+) Short Term Loan

$= 500 + 100$

$= 600$

$= \frac{340}{500 + 600} \times 100$

$= \frac{340}{1100} \times 100$

$= 0.309 \times 100$

Return of Capital Employed $= 30.9\%$

Return of Long Term Asset $= \frac{EBIT}{LTA} \times 100$

$= \frac{340}{800} \times 100$

$= 0.425 \times 100$

Return of Long Term Asset $= 42.5\%$

Return of Net Worth $= \frac{\text{Net Profit}}{\text{SC (+) RES}} \times 100$

$= \frac{160}{100+400} \times 100$

$= \frac{160}{500} \times 100$

$= 0.32 \times 100$

Return of Net Worth $= 32\%$

Coverage Ratio

Interest Coverage Ratio $= \frac{\text{EBIT}}{\text{Interest}}$

$= \frac{340}{60}$

Interest Coverage Ratio $= 5.66$

Net Debit to EBITDA $= \frac{\text{Total Debit (-) Cash \& Cash Equivalents}}{\text{EBITDA}}$

$= \frac{600-100}{400}$

$= \frac{500}{400}$

Net Debit to EBITDA $= 1.25$

Stability Ratio

$$\text{Debit Equity Ratio} = \frac{\text{Total Debit}}{\text{Equity}}$$

$$= \frac{600}{500}$$

$$\text{Debit Equity Ratio} = 1.2$$

$$\text{Long Term Debit Equity Ratio} = \frac{\text{Long Term Debit}}{\text{Equity}}$$

$$= \frac{500}{500}$$

$$\text{Long Term Debit Equity Ratio} = 1$$

Liquidity Ratio

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

$$= \frac{600}{500}$$

$$\text{Current Ratio} = 1.2$$

$$\text{Quick Ratio} = \frac{\text{Current Assets} + \text{Inventories}}{\text{Current Liabilities}}$$

$$= \frac{500 - 100}{900}$$

$$= \frac{400}{500}$$

$$\text{Quick Ratio} = 0.8$$

Dupont Analysis

$$= \frac{\text{Net Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}}$$

$$= \frac{160}{1000} \times \frac{1000}{1500} \times \frac{1500}{500}$$

$$= \frac{160}{500}$$

$$= 32\%$$