Assignment - 2

Calculate all the Ratio for given Sample Balance sheet

Particular	Rs
Assets	
Depreciation value of Long term Asset	800
Investment	100
Current Assets	
Account Receivable	300
Inventory	200
Cash & Bank Balance	100
Total	1,500
Liabilities	
Shareholder's Equity	
capital	100
Reserves & Surplus	400
Loans	500
Current Liabilities	
Account Payable	400
Short Term Loans	100
Total	1,500

Profit & Loss Account

Particular	RS
Sales	1,000
Less:- Cost	
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

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

$$= \frac{400}{1{,}000} \times 100$$

$$= 0.4 \times 100$$

Operating Profit Margin = 40%

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

$$= \frac{160}{1{,}000} \times 100$$

$$= 0.16 \times 100$$

Net Profit Margin = 16%

Return Ratio

$$\text{Return of Capital Employed} = \frac{\text{EBIT}}{\text{SHF}(+)\text{Loan}} \times 100$$

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

$$= \frac{340}{1{,}100} \times 100$$

$$= 0.309 \times 100$$

Notes:-

SHF = Share Capital (+) RE&S
= 100 + 400 = 500

EBIT = EBITDA (-) Interest
= 400 - 60 = 340

Loan [Debit] = Long Term Loan (+) Short Term Loan
= 500 + 100 = 600

Return of Capital Equity = 30.9%

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

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

$$= 0.425 \times 100$$

Return of Long Term Asset = 42.5%

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

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

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

$$= 0.32 \times 100$$

$$\text{Return of Net worth} = 32\%$$

Coverage Ratio

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

$$= \frac{340}{60}$$

$$\text{Interest Coverage Ratio} = 5.66$$

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

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

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

$$\text{Net Debit to EBITDA} = 1.25$$

Stability Ratio

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

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

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

$$\left.\begin{array}{r}\text{Long Term Debit Equity} \\ \text{Ratio}\end{array}\right\} = \frac{\text{Long Term Debit}}{\text{Equity}}$$

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

$$\left.\begin{array}{r}\text{Long Term Debit Equity} \\ \text{Ratio}\end{array}\right\} = 1$$

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

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

$$= \frac{160}{\cancel{1,000}} \times \frac{\cancel{1,000}}{\cancel{1,500}} \times \frac{\cancel{1,500}}{500}$$

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

$$= \cancel{32\%}$$