# Assignment - 3

## Balance Sheet

| Particulars | RS |
|---|---|
| **Assets** | |
| Derreciation value of Long term Asset | 800 |
| Investment | 100. |
| **Current Assets.** | |
| Account Receivable | 300 |
| Inventory | 200 |
| Cash & Bank Balance | 100 |
| Total | 1,800 |
| **Liabilities** | |
| Shareholder's Equity | 100 |
| Capital | 400 |
| Reserves & Surplus | 500 |
| Loans | 400 |

| | |
|---|---|
| Current Liabilities | |
| Account Payable | 400 |
| Short term Loans | 100 |
| Total | 1,500 |

Profit & Loss Account

| Particulars | 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%.

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

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

Notes:-

SHF = Share capital (+) R&S
= 100 + 400 = 500

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

Loan (debit) = Long term Loan (+) Short term loan.
= 500 + 100 = 600

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

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

$$= 0.309 \times 100$$

Return of Capital Equity $= 30.9\%$

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 $= \frac{\text{Net Profit}}{SC(+)\ pfs} \times 100$

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

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

$= 0.32 \times 100$

Return of net worth $= 32\%$

Coverage Ratio

Interest coverage ratio $= \frac{EBIT}{\text{Interest}}$

$= \frac{340}{60}$

Interest coverage ratio $= 5.66$

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

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

$= \frac{500}{400}$

Net Debit to EBITDA = 1.25

Stability Ratio

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

$= \frac{600}{500}$

Debit Equity ratio = 1.2

Long term Debit Equity ratio = $\frac{\text{Long term Debit}}{\text{Equity}}$

$= \frac{500}{500}$

term Debit equity ratio = 1

Liquidity ratio

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

$= \frac{600}{500}$

Current ratio = 1.2

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

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

$= \frac{400}{500}$

Quick Ratio = 0.8

Dupont Analysis.

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

$$= \frac{160}{1,000} \times \frac{1000}{1500} \times \frac{1500}{500}$$

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

$$= 32\%$$