Applied Financial Statement Analysis

Assignment - 3

B. Santhiya
1923MM014
II - M.COM CA

Assignment - 3

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
	1,500
Liabilities	
Shareholder's Equity	100
capital	400
Reserves & surplus	500
Loans	
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%.

Net Profit ~~Ratio~~ 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

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

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%

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

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

$$= 0.425 \times 100$$

Return of Long term asset = 42.5%

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

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

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

$= 0.32 \times 100$

Return of Net worth = 32%

Coverage ratio

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

$= \frac{340}{60}$

Interest coverage ratio = 5.66

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

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

$= \frac{500}{400}$

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

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

Term Debit Equity ratio $\Big\} = 1$

Liquidity ratio

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

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

current ratio $= 1.2$.

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

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

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

Quick ratio $= 0.8$

Dupont Analysis.

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

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

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

$= 32\%$