

# Assignment 3

## Balance sheet

| Particulars                            | RS          |
|--|-------------|
| <b>Assets</b>                          |             |
| Depreciation value of long term assets | 800         |
| Investment                             | 100         |
| <b>current asset</b>                   |             |
| Account receivable                     | 300         |
| Inventory                              | 200         |
| Cash & Bank balance                    | 100         |
| <b>Total</b>                           | <b>1500</b> |
| <b>Liabilities</b>                     |             |
| shareholder's equity                   |             |
| capital                                | 100         |
| Reserves & surplus                     | 400         |
|  | <u>500</u>  |
| <b>loans</b>                           |             |
| current liabilities                    |             |
| Account payable                        | 400         |
| short term loans                       | 100         |
| <b>Total</b>                           | <b>1500</b> |



# Profit & Loss Account

| Particulars                | Rs         |
|----------------------------|------------|
| Sales                      | 1000       |
| less: cost                 |            |
| Manufacturing              | 300        |
| Administrative             | 100        |
| Sales & Distribution       | 200        |
| EBITDA or operating profit | 400        |
| less:                      |            |
| Depreciation               | 60         |
| Interest                   | 60         |
| Taxes                      | 120        |
| net profit                 | <u>160</u> |

## Profitability Ratio

$$\begin{aligned} \text{operating profit margin} &= \frac{\text{EBITDA}}{\text{sales}} \\ &= \frac{400}{1000} = 40\% \end{aligned}$$

$$\begin{aligned} \text{net profit margin} &= \frac{\text{net profit}}{\text{sales}} \\ &= \frac{160}{1000} = 16\% \end{aligned}$$



Return Ratio

Return on capital employed (ROCE)

$$= \frac{\text{EBIT}}{(\text{shareholders funds} + \text{loan})}$$

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

$$= 30.90\%$$

Return on long term Assets =  $\frac{\text{EBIT}}{\text{long term assets}}$

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

$$= 42.5\%$$

Return on net worth (RONW) =  $\frac{\text{net profit}}{(\text{share capital} + \text{Reserves})}$

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

$$= 0.32$$

Coverage ratio

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

$$= \frac{340}{60} = 5.66$$



$$\text{Debt service coverage ratio} = \frac{\text{EBITDA} - \text{current tax}}{(\text{Debt repayment} + \text{Interest})}$$

$$\text{net debt to EBITDA} = \frac{(\text{Debt} - \text{cash and cash equivalents})}{\text{EBITDA}}$$

$$= \frac{500}{400} = 1.25$$

Debt equity Ratio

$$\text{Long term debt / Equity} = \frac{\text{Long term debt}}{\text{Equity}}$$

$$= \frac{500}{500} = 1$$

$$\text{Debt equity} = \frac{\text{total debt}}{\text{Equity}}$$

$$= \frac{600}{500} = 1.2$$



liquidity ratio

$$\text{current ratio} = \frac{\text{current assets}}{\text{current liabilities}}$$

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

$$= 1.2$$

$$\text{Quick Ratio} = \frac{(\text{cash} + \text{Receivables})}{\text{current liabilities}}$$

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

$$= 0.8$$

Dupont analysis

$$= \frac{\text{net profit}}{\text{sales}} \times \frac{\text{sales}}{\text{Asset}} \times \frac{\text{Asset}}{\text{Equity (SHF)}}$$

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

$$= 32\%$$

efficiency  
ratio?

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