Assignment - 3

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
	1,500
Liabilities	
Shareholders Equity Capital	100
Reserves & Surplus	400
Loans	500
Current Liabilities	
Account Payable	400
Short term Loans	100
Total	1500

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

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

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

$= 0.4 \times 100$

Operating Profit Margin $= 40\%$

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

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

$= 0.16 \times 100$

Net Profit Margin $= 16\%$

Return Ratio

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

Notes.

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

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

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

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

Loan = Long term Loan (+) [Debit] Short term loan $= 500 + 100 = 600$

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

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

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

$= 0.32 \times 100$

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 $= \dfrac{\text{Long term debit}}{\text{Equity}}$

$= \dfrac{500}{500}$

Long term debit Equity Ratio $= 1$

Liquidity Ratio

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

$= \dfrac{600}{500}$

Current Ratio $= 1.2$

CD

WC = CA - CL

Quick Ratio $: \dfrac{\text{Current Asset + Inventories}}{\text{Current Liabilities}}$

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

$= 400/500$

Quick Ratio $= 0.8$

Dupont Analysis

$= \dfrac{\text{Net Profit}}{\text{Sales}} \times \dfrac{\text{Sales}}{\text{Asset}} \times \dfrac{\text{Asset}}{\text{Equity}}$

$= \dfrac{160}{\cancel{1000}} \times \dfrac{\cancel{1000}}{\cancel{1500}} \times \dfrac{\cancel{1500}}{500}$

$= \dfrac{160}{500}$

$= 32\%$

efficiency ratio

Solvency